



KPI ENCYCLOPEDIA

A Comprehensive Collection of KPI Definitions for

CONSUMER FINANCE



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Consumer Finance KPI Encyclopedia

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Credit Operations

Consumer Finance*

Back Office Operations*

- **Credit Operations**

- Fraud Prevention & Management
- Loan Operations
- Loan Servicing

Lines of Business*

** This section is not included in this document.*

The Credit Operations function is responsible for reviewing all credit-related relationships (consumer loans, credit cards, mortgages, commercial loans, construction loans, etc.), establishing controls to mitigate the organization's (usually a bank) risk and monitoring the organization's portfolio of loans (and other credit-related products). Credit Operations staff members support loan underwriters, originators and processors in making credit decisions, providing tools and documentation to assist in the review of loan documents and documentation. They also put in place controls to ensure that the proper documentation is collected, reviewed and stored in the company's loan servicing system for future review and maintenance (i.e., quality control). After the closure of a loan, Credit Operations staff members will review the organization's loan portfolio to determine credit risk and produce reports to management detailing portfolio performance and health - many times, these reports determine future underwriting requirements and guidelines.

Credit Operations

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Cost

- **Unit Cost: Consumer Loan Origination** – The total cost of consumer loan origination (sales/business development, application processing, underwriting, closing, post-closing) divided by the number of consumer loans originated over a certain period of time.

Productivity

- **Consumer Loan Applications per Consumer Loan Processing Employee** – The total number of consumer loan applications processed over a certain period of time divided by the total number of consumer loan processing employees working for the bank.
- **Consumer Loans Closed per Underwriting Employee** – The total number of consumer loans closed over a certain period of time divided by the total number of consumer loan underwriting or credit operations employees working for the bank.
- **Cycle Time: Consumer Loan Decision** – The number of business days required to approve or deny a consumer loan application, from the time the underwriter receives the consumer loan documentation until when the consumer loan is formally approved or denied.
- **Cycle Time: Consumer Loan Processing** – The number of business days required to process a consumer loan (non-mortgage), from the time the application is received until when the loan is funded.
- **Cycle Time: Mortgage Loan Decision** – The total number of business days required to approve or deny a mortgage loan application, from the time the underwriter receives the mortgage loan documentation until when the mortgage loan is formally approved or denied.
- **Debit Cards per Debit Card Support Employee** – The total number of ATM/Debit Cards managed by the bank divided by the total number of ATM/Debit cards support employee working for the company at the same point in time.

Quality

- **Average Debt-to-Income (DTI) Ratio: Consumer Loans** – The average debt-to-income (DTI) ratio for consumer loans in the bank's loan servicing portfolio. Debt-to-Income ratio is calculated by dividing the dollar amount of monthly income devoted to paying debts by gross monthly income for a consumer, household or business (expressed as a percentage).
- **Average Loan to Value (LTV) Ratio: Mortgage Loans** – The average loan-to-value (LTV) ratio for Mortgage loans in the bank's loan servicing portfolio. Loan-to-value ratio is calculated by dividing the total value of the mortgage by the value of the property related to the loan.
- **Complete Consumer Loan Package Submission Rate** – The total number of consumer loan packages submitted to the Credit Operations and/or Underwriting departments with all required documentation in good order (i.e., "complete" submission) divided by the total number of consumer loan packages submitted over the same period of time, as a percentage.
- **Complete Mortgage Loan Package Submission Rate** – The total number of mortgage loan packages submitted to the Credit Operations and/or Underwriting departments with all required documentation in good order (i.e., "complete" submission) divided by the total number of mortgage loan packages submitted over the same period of time, as a percentage.
- **Mortgage Loan Auto-Decision Rate (Conditional)** – The number of mortgage loan applications submitted by borrowers over a certain period of time that are run through an automated underwriting platform to receive a conditional approval/denial, requiring little or no manual work, divided by the total number of mortgage loan applications submitted over the same period of time, as a percentage.
- **Number of Touchpoints: Consumer Loan Processing** – The number of times that consumer loan officers or processors must request information or documentation from the borrower before the underwriting/credit operations function has all of the documentation required to approve or deny the loan.
- **Number of Touchpoints: Mortgage Loan Processing** – The number of times that mortgage loan officers or processors must request information or documentation from the borrower before the underwriting/credit operations function has all of the documentation required to approve or deny the loan.



Credit Operations (Cont.)

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Quality (Cont.)

- **Average Mortgage Applicant Income** – The average annual income for potential borrowers submitting mortgage applications over a certain period of time.
- **Mortgage Application Approval Rate** – The number of submitted mortgage loan applications that are approved by the lender divided by total number of mortgage loan applications received over the same period of time, as a percentage.
- **Percentage of Mortgage Loans Abandoned by Borrower** – The number of submitted mortgage applications approved by the lender but either not accepted or withdrawn by the potential borrower divided by the total number of mortgage loan applications approved over the same period of time, as a percentage.
- **Percentage of Mortgage Loans Declined** – The number of submitted mortgage loan applications that are declined by the lender divided by total number of mortgage loan applications received over the same period of time, as a percentage.
- **Percentage of Mortgage Applications Closed for Incompleteness** – The number of mortgage loan applications that are closed by the lender due to missing or incomplete information required to complete

Volume

- **Consumer Loan Charge-Offs per Consumer Loan Collector** – The number of consumer loan debts declared to be uncollectable (i.e., charged-off) over a certain period of time divided by the total number of consumer loan collectors working for the company.

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