

***Conference on Retail Credit Risk Management and Measurement***

*Sponsored by the Research Department, Federal Reserve Bank of Philadelphia,  
in association with the Journal of Banking and Finance*

*April 24-25, 2003*

*Federal Reserve Bank of Philadelphia  
7<sup>th</sup> and Arch Streets*

**Thursday, April 24, 2003**

3:00 pm – 3:15 pm      **Welcoming Remarks**  
Anthony M. Santomero, *President, Federal Reserve Bank of Philadelphia*

**Current Issues in Retail Credit Risk Management and Measurement**

**Moderator:** Loretta J. Mester, *Federal Reserve Bank of Philadelphia*

3:15 pm – 3:40 pm      “[Issues in the Credit Risk Modeling of Retail Markets](#)”  
Linda Allen, *Baruch College, The City University of New York*  
Gayle DeLong, *Baruch College, The City University of New York*  
Anthony Saunders, *Stern School of Business, New York University*  
[ [Presentation](#) ]

3:40 pm – 4:40 pm      **Practitioners' Views on Retail Credit Risk: What Are the Big Issues?**  
**Use this [LINK](#) for paper (select regulatory relations button, Basel response--  
tab will pop up on left side of page**  
Pam Martin, RMA X The Risk Management Association [ [Presentation](#) ]  
Kyle G. Lundstedt, VaRisk [ [Presentation](#) ]  
Balvinder Sangha, Ernst & Young LLP [ [Presentation](#) ]

4:40 pm – 5:15 pm      **Audience Discussion**

5:15 pm – 6:00 pm	<b>Reception</b> The Bridge, 3 <sup>rd</sup> Floor
6:00 pm – 8:30 pm	<b>Dinner</b> Officers' Dining Room, 3 <sup>rd</sup> Floor

## ***Conference on Retail Credit Risk Management and Measurement***

**Friday, April 25, 2003**

8:00 am – 8:45 am	<b>Continental Breakfast</b>
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### **Default Risk for Consumer Debt: Correlation and Calibration**

**Moderator:** Mitchell Berlin, *Federal Reserve Bank of Philadelphia*

8:45 am – 9:05 am

#### **“A Portfolio View of Consumer Debt”**

David Musto, *The Wharton School, University of Pennsylvania*

Nicholas S. Souleles, *The Wharton School, University of Pennsylvania*

9:05 am – 9:25 am

#### **“Default Correlation: An Empirical Investigation of a Subprime Lender”**

Adrian Cowan, *University of Alabama at Birmingham*

Charles Cowan, *University of Alabama at Birmingham*

9:25 am – 9:45 am

#### **“Should SME Exposures Be Treated as Retail or Corporate Exposures? A Comparative Analysis of Probabilities of Default and Asset Correlations in French and German SMEs”** | [[Presentation](#)]

Michel Dietsch, *University Robert Schuman of Strasbourg*

Joël Petey, *Université de Lille 2*

9:45 am – 10:10 am

**Discussants:** Mark Levonian, *Federal Reserve Bank of San Francisco*

[ [Presentation](#) ]

Marc R. Saldenberg, *Federal Reserve Bank of New York*

10:10 am – 10:30 am

**Audience Discussion**

10:30 am – 11:00 am

**Break**

### **Calibration for Basel II**

**Moderator:** William W. Lang, *Federal Reserve Bank of Philadelphia*

11:00 am – 11:25 am

#### **Economic and Regulatory Capital Allocation for Revolving Retail Exposures”**

Roberto Perli, *Board of Governors of the Federal Reserve System*

William I. Nayda, *Capital One Financial Corp.*

11:25 am – 11:50 pm

#### **“Credit Risk in the Leasing Industry”**

Mathias Schmit, *Université Libre de Bruxelles*

11:50 am – 12:10 pm

**Discussants:** Loretta J. Mester, *Federal Reserve Bank of Philadelphia*

[ [Presentation](#) ]

Mark Carey, *Board of Governors of the Federal Reserve System*

[ [Presentation](#) ]

12:10 pm – 12:30 pm

**Audience Discussion**

12:30 pm – 2:00 pm	<b>Lunch</b>
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### **Credit Risk Measurement Methods**

**Moderator:** Leonard Nakamura, *Federal Reserve Bank of Philadelphia*

2:00 pm – 2:25 pm

**“Credit Performance: Do Situational Circumstances Matter?”**

Robert B. Avery, *Board of Governors of the Federal Reserve System*

Paul S. Calem, *Board of Governors of the Federal Reserve System*

Glenn B. Canner, *Board of Governors of the Federal Reserve System*

[ [Presentation](#) ]

2:25 pm – 2:50 pm

**“Does Reject Inference Really Improve the Performance of Application Scoring Models?”** [ [Presentation](#) ]

Jonathan Crook, *University of Edinburgh*

John Banasik, *University of Edinburgh*

2:50 pm – 3:10 pm

**Discussants:** Francis X. Diebold, *University of Pennsylvania*

[ [Presentation](#) ]

Jose A. Lopez, *Federal Reserve Bank of San Francisco*

[ [Presentation](#) ]

3:10 pm – 3:30 pm

**Audience Discussion**

3:30 pm – 4:00 pm

**Break**

### **Asset-Backed Lending**

**Moderator:** Peter Burns, *Federal Reserve Bank of Philadelphia*

4:00 pm – 4:25 pm

**“What Drives Default and Prepayment on Subprime Auto Loans?”**

Erik Heitfield, *Board of Governors of the Federal Reserve System*

Tarun Sabarwal, *University of Texas at Austin*

4:25 pm – 4:50 pm

**“What Is the Value of Recourse to Asset-Backed Securities? A Clinical Study of Credit Card Banks”** | [ [Presentation](#) ]

Eric Higgins, *Kansas State University*

Joseph Mason, *Drexel University*

4:50 pm – 5:10 pm

**Discussants:** Gregory F. Udell, *Indiana University*

[ [Presentation](#) ]

Ronel Elul, *The Wharton School, University of Pennsylvania*

[ [Presentation](#) ]

5:10 pm – 5:30 pm

**Audience Discussion**

5:30 pm – 7:00 pm

**Reception**

The Bridge, 3<sup>rd</sup> Floor