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
7th 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  Reception
The Bridge, 3rd Floor

6:00 pm – 8:30 pm  Dinner
Officers’ Dining Room, 3rd Floor
Conference on Retail Credit Risk Management and Measurement

Friday, April 25, 2003

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<th>Time</th>
<th>Session</th>
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<td>8:00 am – 8:45 am</td>
<td>Continental Breakfast</td>
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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”
    - 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*
    - Marc R. Saidenberg, *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*

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

- **12:10 pm – 12:30 pm**
  - Audience Discussion

- **12:30 pm – 2:00 pm**
  - Lunch
**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?”
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”
Eric Higgins, Kansas State University
Joseph Mason, Drexel University
[Presentation]

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, 3rd Floor