**1. Purpose and Objective**

This document outlines a comprehensive fraud monitoring framework for the ChexSystems QualiFile solution used during demand deposit account (DDA) onboarding. The goal is to evaluate the effectiveness and stability of the QualiFile score in identifying fraudulent applicants while minimizing false declines of legitimate customers. This plan supports the bank’s model governance, compliance, and operational risk monitoring efforts.

**2. Background**

ChexSystems QualiFile is a proprietary scoring and decisioning tool developed by FIS that assesses new account applicants based on:

* Historical account behavior from ChexSystems’ internal databases,
* Public records and identity verification data,
* Credit bureau attributes, and
* Predictive modeling outputs (QualiFile score: typically 100–899).

The tool categorizes applicants into decision bands (Approve, Decline, Refer), supporting risk-based decisioning at account opening. Given its impact on fraud risk and customer experience, ongoing monitoring is essential to ensure the tool continues to perform as intended across time and segments.

**3. Monitoring Scope and Areas**

The monitoring plan focuses on both performance effectiveness and stability across the following areas:

| **Monitoring Area** | **Objective** |
| --- | --- |

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| Model Effectiveness | Assess fraud detection capability (TPR, FPR). |

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| Score Distribution Stability | Track score shifts using PSI. |

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| Approval/Decline Trends | Understand shifts in approval rate by score band. |

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| Band-Level Fraud Rates | Identify fraud concentration in score bands. |

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| False Positive/False Negative Rates | Evaluate misclassifications. |

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| Segment and Channel Performance | Understand score effectiveness across customer segments and channels. |

**4. Data Requirements – Make this into a neatly formatted table**

| **Field Name** | **Business Explanation** | **Metrics Supported** |
| --- | --- | --- |
| Applicant ID | Unique identifier for applicant tracking. | Record-level linking for all metrics. |
| Application Date | Tracks the timing of application submissions. | PSI (time-based), trend analysis. |
| QualiFile Score | Primary score from ChexSystems used for decisioning. | TPR, FPR, PSI, Band-level analysis. |
| Score Band | Grouped score intervals for analysis. | PSI, Approval/Fraud Rate by Band. |
| Decision Band | QualiFile’s recommendation (Approve/Decline/Refer). | Approval Rates, False Decline Rates. |
| Final Bank Decision | Actual bank decision, including overrides. | Override impact, FP/FN calculation. |
| Fraud Flag | Indicates if applicant was later confirmed as fraud. | TPR, FN Rate, Fraud Rate by Band. |
| Fraud Discovery Date | When the fraud was identified post-account opening. | Fraud aging, TPR timing analysis. |
| Customer Segment | Helps analyze performance across different customer groups. | Segment-wise TPR/FPR, False Decline Rate. |
| Application Channel | Source of application (e.g., online, branch). | Channel-level fraud trend, Approval Rate by Channel. |
| Override Reason\* | Captures rationale when bank overrides Chex decision. | Override audit, understanding score gaps. |
| Branch Code/Region | For regional performance monitoring. | Operational consistency, hotspot identification. |

**5. Key Metrics and Formulas**

| **Metric** | **Formula** | **Target** |
| --- | --- | --- |
| **True Positive Rate** | TPR = TP / (TP + FN) | > 70% |
| **False Positive Rate** | FPR = FP / (FP + TN) | < 5% |
| **Approval Rate** | Approved Applications / Total Applications | Trend monitoring |
| **Fraud Rate by Band** | Fraud Cases in Band / Total Applications in Band | Band-specific |
| **False Decline Rate** | FP / (FP + TN + FP) | < 2–3% |
| **Population Stability Index (PSI)** | PSI = Σ [(Mon% - Dev%) × ln(Mon% / Dev%)] | < 0.10 (stable) |





**7. Governance and Reporting**

* **Frequency:** Monthly monitoring, with quarterly deep dives
* **Ownership:** Fraud Analytics / Model Risk / Risk Strategy Team
* **Escalation Criteria:**
  + TPR < 70% for two consecutive periods
  + PSI > 0.25 in any score segment
  + Sudden drop in approval rates without policy change
* **Review Forum:** Monthly risk governance forum with Retail Ops, Fraud Strategy, and Compliance