INSIGHTS

- Clear and economically meaningful risk separation:
  - Low Risk ≈ 1.5% default
  - High Risk ≈ 7–8% default
- Default risk is primarily driven by:
  - Credit quality (schufa_score)
  - Financial leverage and debt burden
- Model discrimination is strong (AUC ≈ 0.84, KS ≈ 0.64).
- Pricing spreads show limited differentiation despite material risk gaps.

RECOMMENDATIONS

- **Implement PD-Based Risk Pricing**

Shift from flat spreads to a structured Base Rate + Risk Premium model aligned with predicted PD.
→ Improves risk-adjusted returns and reduces underpricing.

- **Formalize Affordability Guardrails**

Formalize leverage thresholds (DTI, loan-to-income) with defined mitigation actions (tenor adjustment, loan resizing).
→ Controls adverse selection while preserving growth.

- **Separate Origination & Behavioural Risk Frameworks**

Use the logistic model strictly for origination scoring.
Implement lightweight behavioral monitoring for early delinquency signals.
→ Enables proactive intervention and loss mitigation.

- **Strengthen Data Governance & Model Integrity**

Standardize feature definitions and data flows to ensure scalable, leakage-free underwriting.
→ Supports long-term model trust and regulatory readiness.