

PREPAYMENT SPEED ANALYSIS

Prepayment speed calculations have always been a cornerstone of analyzing the expected lives of loans. With the introduction of CECL, these inputs have gained increased attention and increased regulatory scrutiny on ALM Model inputs. Below are details around the study we perform and how it can add value to the multitude of stakeholders at your financial institution.

DATA ANALYSIS

- Gather historical loan trial balances from Bank
- Data Validation Tests to ensure usability and accuracy
- Review completeness of input data with a focus on projected payments and balances
- Utilize historical macroeconomic data for advanced analysis

VALUCAST™

- Our proprietary software, ValuCast, is used to compute monthly payment type models and contractual cash flow schedules from selected dates
- The payment type model provides an analysis to each loans features to determine it's payment type structure
- A prepayment speed calculation is computed in ValuCast, comparing the expected pay down based on the contractual schedule versus the actual payment activity to determine the amount and frequency of the payment
- This calculation is performed incrementally in either twelve month windows or monthly throughout the analysis period, providing an average Conditional Prepayment Rate (CPR) or Single Monthly Mortality (SMM) across the selected lookback period

ADVANCED ANALYSIS

Given the level of historical data obtained, an advanced analysis can be performed in order to determine the conditions of prepayments to independent variables such as changing interest rate environments

ValuCast allows for seamless regression analysis and resulting forecasts

COHORTING

The Prepayment Speed Analysis is cohorted by segments and classes that best align with data used in the analysis (i.e. call codes, fixed vs. variable, or any other cohort selected)

Our best in class Cohort Builder allows the user to regroup loans and perform sensitivity analysis

DELIVERABLES

- The results will be prepared in a summary analysis documenting findings, and all processes and procedures.
- Reports that can be shared with management or other committees of the Board
- Detailed analytics from our Client Service team including key takeaways and comparison to industry benchmarks

QUESTIONS?

Contact Us!

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