Managing Your Concentration Risk

Concentration Risk Analysis

The Loan Concentration Risk Analysis is accessed via Tool #592 Portfolio Analysis - Concentration Risk.

The Concentration Risk Analysis is a powerful tool that will assist you in defending and managing your lending practices, as well as staying informed about the concentration risk associated with different segments at your credit union.

Segment Your Loan Portfolio to Analyze Your Risk Now and Over Time

Use the tool to break your loan portfolio to view at a glance your credit union’s risk in the following areas:

- C, D and E paper credit reports
- Number of loans delinquent over 60 days
- Balance of delinquent loans
- Delinquent balance as a percentage of total portfolio value
On the Loan Risk Score Analysis Summary, view at a glance the riskiness of the portfolio and the potential problems in the group.

This screen shows you how many of the loans are outstanding and gives you insight as to how many actual dollars are at risk at any one time.

You also have the ability to gather information on such things as the average balance due, average credit score, and loan maturity.
From the entry analysis screen, proceed to the Membership Breakdown to view the breakdown of the loans by credit score, number, balance, or percentage of net worth. Additional collateral and product-analysis dashboards are also available.

From the Membership Breakdown screen, you can analyze your portfolio by credit score. For example, you might find you have a large percentage tied up in D and E paper both as a number of loans and as a percentage of net worth.

Once you have done this analysis, you will have a very good idea of how much risk your institution has undertaken.
The real power of this dashboard, however, is that it is also a trending tool. The Loan Segment Data Compare Screen allows you to do trend analysis on any portfolio segment or other risk group. You can easily track the size of the portfolio and its maturity, delinquency, and weighted average yield. The weighted average yield score is especially important as it determines whether your credit union is adequately compensated for taking on risk.

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Other Publications

Check out the other brochures in the “Managing Your Concentration Risk” series, found under “O’ and “P” on the CU*BASE Reference page.