

# Managing Your Concentration Risk Packaging Loans For Sale

## RISK MANAGEMENT IN FIVE EASY STEPS

1

**Filter your loans by several selectors,** including credit score and business unit.

2

**Select from the resulting loans** to create your package grouping.

3

**Select the part of the loans to participate.** View calculations of your income from these loans.

4

**Create the package and review the “Loan Package Summary”** for an overview of the package including average credit score.

5

**Prepare the package for final sale** in order to create the loans in the subsidiary participation loan system.



# More Than Just a Selling Tool

## *Package Loans to be Sold (Tool #574)*

Packaging Loans for Sale is more than just a feature credit unions can use when considering if they would like to participate or sell a portion of their loan portfolio; this feature also allows management to segment a portion of their loan portfolio for concentration risk analysis, including viewing servicing income and yield analysis.

The Package Loans for Sale feature is a free brokerage tool. Use it to bundle and sell loans at your credit union. Maybe your goal is to have a certain percentage of loans in your portfolio from outside sources. Now you can make money without the need of a middleman.

***Packaging Loans to be Sold (Tool #574)*** Use the filters on the entry screen, such as loan-to-value, loan balance, or credit score range to narrow your results. You can even select “small” loan size so your smaller loans are presented at the top of the resulting listing, allowing you to spread out your risk.

Packaging Loans for Sale can also be used as a Risk Management tool. The built in evaluation tools allow you to measure your loan portfolio for risk and yield analysis. No need to run complex queries to evaluate your loan portfolio.

## Step 1: Select Your Filters

Select to include only loans with certain characteristics in your package, such as loans with a certain loan-to-value ratio.

## Step 2: Select Your Loans

From the loan selection screen view details of the loans, such as credit score of the member, current balance, amount available to sell, and month until maturity.

Session 0 CU\*BASE GOLD - ABC CREDIT UNION

Options File Edit Tools Help

### Potential Loans to be Sold Working Active Pkg: \*NONE

Total available to sell for filtered loans **321,792,588.03** CU owned for loans marked **4,505,198.00 ( 99.99% )**  
 Total current balance for loans marked **4,505,198.98** Investor owned for loans marked **.98 ( .01% )**  
 Total available to sell for loans marked **4,054,679.07 of 10,524 ( .00% )**  
 Max Participation %

| Y/N                                 | Account | Name | Maturity Months | Available to Sell | Current Balance | % CU Owned * | Rate  | Credit Score | # | Current LTV |
|-------------------------------------|---------|------|-----------------|-------------------|-----------------|--------------|-------|--------------|---|-------------|
| <input checked="" type="checkbox"/> | -802    |      | 36              | 3,597,154.51      | 3,996,838.35    | 100.00%      | 4.000 | 729          |   | 312.25%     |
| <input checked="" type="checkbox"/> | -711    |      | 44              | 457,524.56        | 508,360.63      | 100.00%      | 3.750 | 773          |   | 72.62%      |
| <input type="checkbox"/>            | -802    |      | 18              | 4,536,528.14      | 5,040,586.83    | 100.00%      | 4.000 |              |   | 76.37%      |
| <input type="checkbox"/>            | -786    |      | 64              | 3,241,452.38      | 4,397,574.80    | 83.71%       | 3.060 | 736          |   | 62.82%      |
| <input type="checkbox"/>            | 740     |      | 45              | 2,752,036.75      | 3,058,018.52    | 100.00%      | 4.000 | 774          |   | 75.15%      |

Use the Y/N column to add a loan to the package.

## Step 3: Elect Which Part of the Loan to Participate and View Service Income

View details about your servicing income, based on the amount of the loan to participate and the associated interest rate.

Session 0 CU\*BASE GOLD - ABC CREDIT UNION

File Edit Tools Help

### Package Details

Max participation %  Apply investor % to all loans  Apply yield % to all loans

| Prt                      | Typ | Name | # Pmts Left | CU % | Inv % | Investor Balance | Available To Sell | Int Rate | Inv Rate | Sell Mos | Yield % |
|--------------------------|-----|------|-------------|------|-------|------------------|-------------------|----------|----------|----------|---------|
| <input type="checkbox"/> | 802 |      | 22/60 B     | 10   | 90    | 4,536,528.14     | 504,058.68        | 4.000    | 0.000    | 22       | 4.000   |
| <input type="checkbox"/> | 802 |      | 37/60 B     | 10   | 90    | 3,597,154.51     | 399,683.83        | 4.000    | 0.000    | 37       | 4.000   |
| <input type="checkbox"/> | 711 |      | 45/51       | 10   | 90    | 457,524.56       | 50,836.06         | 3.750    | 0.000    | 45       | 3.750   |

Play around with the investor % and try "what if" scenarios with the package.

## Step 4: Review the Package Loan Summary

Use the Loan Package Summary to analyze the loans contained in the package and potentially communicate details to a prospective buyer. You can return to the previous screens to make adjustments to the package.

| Session 0 - Loan Package Summary |                        |                    |            |   |              |         |
|----------------------------------|------------------------|--------------------|------------|---|--------------|---------|
| Package name                     | A RE PACKAGE           | # Loans            | 3          | Current balance                                   | 9,545,785.81 |         |
| Collateral                       | 8,580,000.00           | # Collateral items | 6          | CU owned portion                                  | 954,578.57   | 9.99 %  |
| Avg LTV %                        | 111.25 (Current Value) |                    |            | Investor owned                                    | 8,591,207.24 | 90.01 % |
|                                  |                        |                    |            | Available to sell                                 | 954,578.57   |         |
|                                  | Avg/Day                | High               | Low        | All averages exclude zero amounts.                |              |         |
| Credit score                     | 751                    | 773                | 729        | Credit score average excludes scores 900 & above. |              |         |
| Balance                          | 3,181,928.60           | 5,040,586.83       | 508,360.63 |   |              |         |
| Rates                            | 3.916 %                | 4.000 %            | 3.750 %    |   |              |         |
| Payment info                     | 28,558.10              | 48,600.39          | 3,080.41   |   |              |         |
| Maturity months                  | 32                     | 44                 | 18         |   |              |         |
| Term                             |                        |                    |            |   |              |         |

Included are details you can report to your buyer, including credit score and average loan -to-value.

## Step 5: Prepare for Final Sale

Once the package is created and you have finalized the package details, return to the main Potential Loans to be Sold screen and select to “Prepare for Final Sale”. The funds for a loan included in a finalized package cannot be included in another package.

Prepare for Final Sale

The loan package is finalized and the appropriate entries are made to create the loans in the subsidiary participation loan system!



## Other Publications

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



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