

# 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.

**Package 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

Session 0 - ABC TESTING CREDIT UNION

File Edit Tools Help

Find Loans to Sell to a Partner

Working with New Package

To gather a list of loan accounts for your partner to consider, specify as many of the following criteria as desired:

Total Investment

How much would you like to invest with us today?

How long would you like the investment to last?  months

Is it important that you are the only investor in a loan? ☐ Yes ☒ No

Loan Status

Opened on or before  [MMDDYYYY]

What is the minimum interest rate that you will accept?  %

The maximum?  %

Minimum percentage of loan owned by credit union  %

Collateral

What is the maximum loan-to-value that you will accept?  %

The minimum?  %

Use ☒ Current value ☐ Pledged value

Choose only loans secured by Medallion type(s)

Loan Size

What is the largest single loan you are interested in?

The smallest?

What size loans are you looking for? ☐ Small ☒ Big

Credit Worthiness

Is it important that the loan is in repayment? ☒ Yes ☐ No

If "No", maximum # of days delinquent

What is the minimum credit score that you will accept?

Maximum debt to income (DTI) ratio

Loan Type

Do you have a preference as to the type of loan?

Business unit

Loan category

Loan officer

Purpose code

Security code

CU risk level

Membership designations

Select Existing Package

Reset Filters

Loans in the amount of \$65,959,810 are already set aside in 14 packages.

Loans already selected for another package may be presented again if available to be sold.

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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 TESTING CREDIT UNION

OptionsFileEditToolsHelp

Potential Loans to be SoldWorking Active Pkg: \*NONE

Total available to sell for filtered loans591,325,480.10CU owned for loans marked4,193,841.00 ( 99.99% )

Total current balance for loans marked4,193,842.49Investor owned for loans marked1.49 ( .01% )

Total available to sell for loans marked3,774,458.23 2 of 21,446 ( .00% )

Max Participation % 90Go!

Y/N	Account	Name	Maturity Months	Available to Sell	Current Balance	% CU Owned	*	Rate	Credit Score	#	Current LTV
<input checked="" type="checkbox"/>			103	1,891,718.94	2,101,909.94	100.00%		6.500	788		59.63%
<input checked="" type="checkbox"/>				1,882,739.29	2,091,932.55	100.00%		3.190			77.91%
<input type="checkbox"/>				1,760,280.23	1,955,866.93	100.00%		4.500	773		82.35%
<input type="checkbox"/>			36	1,739,698.68	1,932,998.54	100.00%		4.000	772		71.33%

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

FileEditToolsHelp

Package Details

Max participation % 90Apply investor % to all loansApply yield % to all loans 0.000

Toggle

Toggle

Toggle

Prt	Typ	Name	# Pmts Left	Current Balance	CU %	Inv %	Investor Balance	Available To Sell	Int Rate	Inv Rate	Sell Mos	Yield %
<input type="checkbox"/>	802		22/60 B	5,040,586.83	10	90	4,536,528.14	504,058.68	4.000	0.000	22	4.000
<input type="checkbox"/>	802		37/60 B	3,996,838.35	10	90	3,597,154.51	399,683.83	4.000	0.000	37	4.000
<input type="checkbox"/>	711		45/51	508,360.63	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 average excludes scores 900 & above.
Credit score	751	773	729	
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				

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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

Session 0 CU\*BASE GOLD - ABC TESTING CREDIT UNION

File Edit Tools Help

Prepare for Final Sale

Package name

THIS IS A TEST

Total balance to be sold

10,104,960.91

Investor

@

PL type

@

Reference #

Start date

Apr. 23, 2024  [MMDDYYYY]

☒ Create journal entry

ℹ

The participation loan rate, % of participation and original investment will be pulled from the loan package.  
The end date will be set to the loan maturity date.

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