**BANKING CREDIT RISK**

**What is Banking?**

Banking is an industry that handles cash, credit, and other financial transactions. Banks provide a safe place to store extra cash and credit.

**Types of Banking**

**What is Retail Banking?**

Retail banking, also known as consumer banking or personal banking, is the provision of services by a bank to the general public, rather than to companies, corporations or other banks, which are often described as wholesale banking.

**What is Commercial Banking?**

Commercial banking offers its products to institutions for institutional and corporate use. The financial products offered by commercial banks are often similar or conceptually identical to those offered by a retail bank

**What is Investment Banking?**

Investment banking is a special segment of banking operation that helps individuals or organisations raise capital and provide financial consultancy services to them.

**Difference between Retail & Commercial banking**

Where retail banking offers products to individuals for personal use, commercial banking offers its products to institutions for institutional and corporate use. The financial products offered by commercial banks are often similar or conceptually identical to those offered by a retail bank.

**Types of financial Services offered by Retail Banking**

**Unsecured Loans**

1. **Personal Loans – 10-15%**
2. **Credit Cards – 40-45%**
3. **Over Draft – 13-19%**
4. **Education Loan**
5. **Holiday s Loan**

**Secured Loans**

1. **Car Loan – 8-10%**
2. **Home Loan – 8-10%**

***Over draft is called as Line of Credit (internationally)***

**Overdraft**

An overdraft occurs when money is withdrawn from a bank account and the available balance goes below zero. In this situation the account is said to be "overdrawn".

**Overdraft Vs Line Of Credit**

Line of credit is a personal loan that gives access to a specified credit limit whereas Overdraft is a special line of credit which is attached to your existing transaction account & you have access to a certain amount of credit that becomes available when you exhaust all the funds in your transaction account.

**Types of Retail Banks**

Most of America's largest banks have retail banking divisions. These include Bank of America, JP Morgan Chase, Wells Fargo, and Citigroup.

**How Retail Banks work?**

Like every other business, retail banks aim to function profitably. A closer look at the retail banking strategy helps us understand how consumer banks make money in exchange for their services.

Retail banks use customer deposits to issue loans and earn interest on these loans. Since retail banks issue different kinds of loans, the rate of interest also varies based on the type of loan. For instance, a home loan will have a:

* different rate of interest,
* loan tenure, and
* a different repayment plan compared to an auto loan.

Reserve Bank of India, India’s central bank, regulates most retail banks. One such regulatory example is the Statutory Liquid Ratio (SLR), where the RBI requires retail banks to maintain a certain percentage of their deposits as cash, gold reserves, and other securities. Banks are not allowed to use these reserves to issue loans or for any other spending. The RBI establishes these rules to protect the deposits of the customers.

**In USA**

Retail banks use the depositors' funds to make loans. To make a profit, banks charge higher [interest rates](https://www.thebalance.com/how-are-interest-rates-determined-3306110) on loans than they pay on deposits.

The [Federal Reserve](https://www.thebalance.com/the-federal-reserve-system-and-its-function-3306001), the nation's [central bank](https://www.thebalance.com/what-is-a-central-bank-definition-function-and-role-3305827), regulates most retail banks. At the end of each day, banks that are short of the Fed's [reserve requirement](https://www.thebalance.com/reserve-requirement-3305883) borrow from other banks to make up for the shortfall. The amount borrowed is called the [fed funds](https://www.thebalance.com/what-are-federal-reserve-funds-how-the-funds-market-works-3305841).`

**Credit Risk**

Credit risk is the possibility of a loss resulting from a borrower's failure to repay a loan or meet contractual obligations. Traditionally, it refers to the risk that a lender may not receive the owed principal and interest, which results in an interruption of cash flows and increased costs for collection.

Credit Can be Risky or non Risky & if it is non Risky, bank normally goes & let them give money.

**Example**

|  |  |  |
| --- | --- | --- |
| **Kotak Bank** | | |
| **Total No. Of Accounts** | **Non Default Accounts** | **Default Accounts** |
| 1000 Account | 900 | 100 |
| **ICICI Bank** | | |
| **Total No. Of Accounts** | **Non Default Accounts** | **Default Accounts** |
| 1500 | 1000 | 500 |
| **HDFC Bank** | | |
| **Total No. Of Accounts** | **Non Default Accounts** | **Default Accounts** |
| 3000 | 2800 | 200 |

According to above record, which bank is actually doing Good:

HDFC, Because the Default rate is going to be = 200/2800 = 1/14 = 0.07

Because they have a very good credit risk policy & they are maintaining Low default rates & customers are trying to open more accounts in HDBC Bank.

So, if the bank is not having good credit risk analyst (CRA), they may lend more risky customers. Then Bank will become Default & will not be able to return ROI to the Stake holders. Therefore, we need to have a proper risk analysis from the beginning is important to the organization.

**How do retail banks make their money?**

**Or**

**Where do banks make the most money?**

|  |
| --- |
| **Revenues** |
| Late fees |
| Monthly maintenance fees |
| nominal service fee for the services |
| Consumer loans are one of the primary ways in which retail banking makes money. |
| Interest Rate |
| Processing Fees |
| Foreclosure Charges |
| Check bounce |
| Balance Transfer |
| Part Payment Charges( overdraft) |

**Costs Associated To the Bank**

|  |
| --- |
| **Cost** |
| Salary to employees |
| Taxes |
| Underwriter cost |
| Advertising Cost |
| Infrastructure Cost |
| Agency Cost |
| Bad Debt |
| Recovering Cost |

**What is Balance Transfer?**

A balance transfer is the transfer of the balance in an account to another account, often held at another institution.

**Loan To Value**

The loan-to-value (LTV) ratio is **a measure comparing the amount of your mortgage with the appraised value of the property**. The higher your down payment, the lower your LTV ratio. Mortgage lenders may use the LTV in deciding whether to lend to you and to determine if they will require private mortgage insurance.

An applicant is applying for a home loan & his requested amount is 1crore. But his approved amount from the bank is 70 lakhs only Then LTV would be

LTV(Loan To Value) = 70 Lakhs/1 Crore = 70%

On what basis you will count the LTV:

* 1. Income source of the customer (monthly income)
  2. Debt (monthly)
  3. Total income – salary, rental, business, joint account
  4. Property Value (also called Property Appraisal Value)

So, according to these factors, banks can also approve your loan of upto 1 crore.

Another Example of Personal Loan – **Monthly Debt Income (MDI)**

An applicant is applying for a Personal loan & his requested amount is 10 Lakhs, income is 1lakhs per month & debt = 0.

So, he is eligible for the loan. MDI would be

Debt/Income(monthly) = 0/100000 = 0

***NOTE: What % of debt is considered = 55% of Monthly Income***

**Parameters**

Income from salary = 100000

income from rented house = 50000

wife salary = 20000

joint account = 30000

=======================

total income = 200000

Debt of HL = 55k

credit card 4lakh => outstanding balance = 1lakh > Emi= 10k /month

PL = 5 lakh for 5 years = 3 years paid off= 2 years left = 15 k

total debt = 80 k

MDI = Debt/income = 80%

TDI = dEBT / tOTAL iNCOME = 40%

On the basis of MDI & TDI

Loan To Value (LTV) can be finded = ((1-MDI)+(1-TDI))/2 =40%

So, out of 55% of total debt, you are eligible for 15% loan

Now 15% of 200000 = 30k

I am eligible to take 30 k loan as well.

**For Credit Card**

Limit = 200000

Monthly Income = 100000

Debt = 30k

MDI = Monthly Debt Income = Debt/Income = 30000/100000 = 30%

Over 30%, how much is remaining – 25% (out of 55%)

25% of 100000 = 25k

Then,25\*6 = is going to be your credit limit.

So, as per the policy, 150000 would be your credit limit. But sometimes, bank can offer you the limit of 200000 on the basis of your:

* Behavior
* How many years of Experience?
* In which company you are working?
* & how much appraisal you can get

**Usage in Credit cards**

Limit = 100000

Month = 30k

Utilization rate = 30%

Unutilization rate = 70%

Current outstanding balance = 30k

OTB(Open To Buy) = 70k

Minimum due – Let’s say over 30k it is 3k

Payment happened = 10k

According to the above scenario, if you make the payment of 10k then you will be called as Revolver & When you make the full payment of 30k then you will be called as Transactor.

**What is Open to Buy?**

Open to buy is an inventory management system that works with your retail business.

It is the amount of merchandise your retail store can buy during a certain time period.

**What is Revolver?**

It is a consumer who carries a credit-card balance from one month to the next just opposite the transactor. You will get the more income, if the user is ‘Revolover’.

**What is** **Transactor?**

Transactor do not carry a balance from month to month, they always pay their credit card bills in full by the due date, so they are not required to pay interest or late fee. You will get the more income, if the user is ‘Transactor’:

AMF =**Annual Maintenance Fees**

PF =**Processing Fees**

Example of Transactor

Limit = 100000

Usage = 30k

Due date = 01/11/2020

Payment on = 30/10/2020

I made the full amount as 30k

**What is Credit line?**

It is a pool of money that you can borrow from a lender as and when you need. A credit line in the case of individuals is almost similar to a credit card, except that you don’t need to carry any plastic card.

**Credit Line Decrease (CLD) & Credit Line Increase (CLI)**

**NOTE*: Once you come under delinquent, bank will suspect & then will not increase the limit of your credit card.***

Suppose I have 100 accounts, out of which 10 is Default & 90 is Non- Default & total Outstanding balance = 1000000

Default Account’s outstanding balance is – 50000

Non Default Account’s outstanding balance is – 950000

Then what is **DLPA** = **Default Loan Per Account** = **Outstanding Balance** / **No. of default** **customers** = 50000/10 = 5000

**GLPA** = **Good Loan Per Account** = **Outstanding Balances** / **No. of ND customers**

= 950000/90 = 10,555

**BCR** = **Balance Control Ratio** = **GLPA** / **BLPA**(**Bad Loan Per Account**) = 10,555/5000 = 2.1 something.

**What is DLPA?**

**DLPA = Default Loan Per Account =** Outstanding balance of Default account / no. of Default accounts

**What is BLPA?**

**Bad Loan Per Account =** Outstanding balance of Default account / no. of Default accounts

**What is GLPA?**

**GLPA = Good Loan Per Account =** Outstanding Balances / No. of ND customers

**What is BCR?**

**Balance control Ratio =** GLPA/BLPA

Suppose BCR= 4:1 = Good for Business

BCR = 2:1 = Good for Business

BCR = 1:1 = Bad for Business

BCR = 0.5:1 = Bad for Business

**How To Increase BCR?**

* Accquire Good loan per account – premier customer
* Reduce Bad Loan Per Account

**Example**

You have a EMI period :-

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| EMI Period | 202001 | 202002 | 202003 | 202004 |
| EMI Amount | 25k | 25k | 25k | 25k |
| Payment Status | No | No | no | no |
| Outstanding | 125000 | 152000 | 180000 | 210k |
|  | X | X+1 | X+2 | X+3 |

When you dont make the payment on time you become **delinquent customers**. So, whenever customers fall in delinquent bucket, we make collection strategy to collect money from the customer as much as you can before this customer further move into next delinquent bucket.

* **Deliquency** means that you are behind on payment.

**How Many Ways I can reduce BLPA (Bad Loan Per Account)?**

* Acquire good customers with approved more loan amount.
* Reduce Bad Loan Per Account – Make a collection strategy stronger to recover outstanding balance

Who will look this BCR

Stake holders = Who invest money into the bank

**Banking Credit Risk Life Cycle**

**Credit Risk comes with Consumer Risk Life Cycle**

**What is Consumer Risk Life Cycle?**

When you need a loan, you go to the bank & apply for it. Then you get final update whether it is approved/cancel/declined.

Once it is approved; you go for booking of the loan. Once you do the booking you get money dispersed in your account.

Then there is something called **Loan A/c** OPDT which is open date. From this open date there is a **Tenure** Lets say 60Months(5 years). Every Month **EMI** (**equated monthly** **instalment**)= 25k

They will look your performance over next 60 months. Once the account is booked, how do they perform.

Now the Account is booked, then the next step is:

Account Management

Out of 1000 accounts which are booked:

ND(non-default) & D(default)

Lets say ND = 950 accounts

D = 50 accounts

Those who are default, which bucket are they falling X, X+1, X+2, X+3 or X+4 or X+5 or Charge OFF (CO).

If the account is default & comes under **X** delinquent bucket which is 1-30 days delay

How many customers fall into **X+1** which is 31-60 days delay payment in terms of making payment.

How many have been fallen into **X+2** which is 61-90 days

**X+3** which is 91-120 days

**X+4** which is 121-150 days

**X+5** which is 151-180 days

& when it is more than 180 days then the customers fall into ‘**Charge Off’** when customer is not intending to payment.

Then will go for **Recovery & Legal actions.**

So Suppose,

Total Default Accounts, lets say 50. So, what percentage of 50 default customers falls into

X = 30 accounts = 60%

X+1 = 10 accounts = 20%

X+2 = 5 accounts = 10%

X+3 = 3 accounts = 6%

X+4 = 2 accounts = 4%

X+5 = 0 = 0%

CO = 0 = 0%

& if we don’t do a proper collection then accounts may also gets fall into X+5 & CO.

**What is Roll Rate Analysis?**

Most common usage is loss forecasting and it is also used to determine the definition of 'bad' customers (defaulters). ... **Roll rate** is the proportion of customers who will be 'better', 'worse' or 'remain same' with time in terms of delinquency.

**What is Cured?**

**What is Uncured?**

**What is improved?**

**Loan Life Cycle**

You first apply for a loan. The application goes through a process.

It goes to underwrite the process then the credit decision team. Then finally you get the loan.

|  |  |  |
| --- | --- | --- |
| **1** | **Pre-Qualification** | **Current employment information including hourly wage or salary** |
| **Total household income** |
| **Payment history** |
| **Bank statements** |
| **Tax returns** |
| **2** | **Loan Application** | **Loan type and the requested amount** |
|  |
|  |
|  |
|  |
| **3** | **Application Process** | **Application goes decision system** |  |
|  |
|  |
|  |
|  |
| **4** | **Underwritting Process** | **Few application goes into underwriter to scrutiny check** |  |
|  |
|  |
|  |
|  |
| **5** | **Credit Dicision** | **Credit Decision for approve, cancel or decline** |  |
|  |
|  |
|  |
|  |
| **6** | **Quality Control** | **Since consumer lending is highly regulated, the quality control stage of the loan origination process is critical to lenders. Typically the application would be sent to a quality control queue where the final decision and other critical variables can be analyzed against internal and external rules and regulations. This is essentially a last look at the application before it goes to funding** |  |
|  |
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|  |
|  |
| **7** | **Loan Funding** | **Most consumer loans fund shortly after the loan documents are signed. Second mortgage loans and lines of credit may require additional time for legal and compliance reasons** |  |
|  |
|  |
|  |
|  |

**How The Application Loan Process Happens?**

|  |  |  |
| --- | --- | --- |
| CUSTOMER APPLICATION | **1** | ONLINE PORTAL |
| **2** | 3RD PARTY |
| **3** | BRANCH |
| CUSTOMER INITIAL DETAILS | **1** | LOAN AMOUNT |
| **2** | LOAN TYPE |
| **3** | TENURE |
| **4** | INT RATE |
| **5** | MONTHLY EMI |
| **6** | EMPLOYEMENT TYPE |
| CUSTOMER TO BANK | **1** | BANK NAME |
| **2** | AGENCY NAME |
| **3** | CAPTURED APPLICATION DETAILS |

This is where the **account origination** process is happened.  
In account origination, Loan application of an applicant’s come. Apart from this, Customer Information Table will be also provided Like:

1. Loan Application Table
2. Customer Master Table
3. Education Master Table
4. Employer Master Table
5. Branch Master Table
6. Bureau Master
7. Internal Behaviour Score

So, This is how we design a complete data model to create our origination data. This complete final data output table come to us.

Now using this file, we have to make business to identify whom should be go for Approving loan, cancelling the loan or declining the loan.  
So, this is the initial status of verifying all the details of an applicant. Now this file goes for a decision support .

Account Origination

|  |  |
| --- | --- |
| STEP-1 | WE WILL TAKE APPLICATIONS TO SYSTEM |
| STEP-2 | SYSTEM WILL APRROVE/DECLINE |
| STEP-3 | FROM APPROVED APPLICATION - CUSTOMER RELATIONSHIP (EXISTING/NEW) |
|  | SEGMENT CUSTOMER INTO PREMIER,ADVANCE AND RETAIL CATEGORY   |  |  | | --- | --- | | PREMIER | >=1000000 | | ADVANCE | >=500000 AND < 1000000 | | RETAIL | <500000 | |
| STEP-5 | MDI AND LTV |
| STEP-6 | RISK SEGMENT |

Question - **What proportion of bank mostly goes to the loan?**

Home Loan – 30%

Personal Loan – 20%

Credit Card – 30%-40%

Over draft – 5%

Car loan – 15%

**Exceptions**

* **Income Exception –** You approving the loan without considering the income part.

Example:

|  |  |
| --- | --- |
| INDIVIDUAL |  |
| SALARIED |  |
| EMP\_CATEGORY-A |  |
| INCOME | 120000 |
| DEBT | 70000 |
| MDI | 58% |
| SCORE | 820 |
| DEFAULT STATIS | NO |
| YOE | 16 |
| TOTAL INCOME | 150000 |
| LOAN REQ | HOME LOAN |
| LOAN AMOUNT | 80 L |
| TENURE | 12 YEAR |
| MONTH | 120 |
| EMI | 80000 |
| PROPERTY APPARAISAL VALUE | 10% |
| CURRENT LOAN OUSTANDING | 0.3 |
| CLOSING EXISTING LOAN AND TAKING FULL AMOUNT FROM US OF 1CR | 1CR |
| EMI | 100000 |
| EXCEPTION | INCOME |
|  |  |

Still his Loans gets approved.

* **Debt Exception –** MDI says you shouldnot approve the loan but still are going to give exceptions.

Example:

|  |  |
| --- | --- |
| INDIVIDUAL |  |
| SALARIED |  |
| EMP\_CATEGORY-A |  |
| INCOME | 180000 |
| DEBT | 70000 |
| MDI | 39% |
| SCORE | 670 |
| DEFAULT STATIS | NO |
| YOE | 16 |
| TOTAL INCOME | 150000 |
| LOAN REQ | HOME LOAN |
| LOAN AMOUNT | 1.5 CR |
| TENURE | 12 YEAR |
| MONTH | 120 |
| EMI | 150000 |
| PROPERTY APPARAISAL VALUE | 15% |
| CURRENT LOAN OUSTANDING | 0.3 |
| CLOSING EXISTING LOAN AND TAKING FULL AMOUNT FROM US OF 1CR | 1CR |
| EMI | 100000 |
| LTV | 0.60 |
| EXCEPTION | DEBT |

* **Score Excpetions -** Even if score is low, you still approving the loan.

Example:

|  |  |
| --- | --- |
| INDIVIDUAL |  |
| SALARIED |  |
| EMP\_CATEGORY-A |  |
| INCOME | 180000 |
| DEBT | 70000 |
| MDI | 39% |
| SCORE | 670 |
| DEFAULT STATIS | NO |
| YOE | 16 |
| TOTAL INCOME | 150000 |
| LOAN REQ | HOME LOAN |
| LOAN AMOUNT | 1.5 CR |
| TENURE | 12 YEAR |
| MONTH | 120 |
| EMI | 150000 |
| PROPERTY APPARAISAL VALUE | 15% |
| CURRENT LOAN OUSTANDING | 0.3 |
| CLOSING EXISTING LOAN AND TAKING FULL AMOUNT FROM US OF 1CR | 1CR |
| EMI | 100000 |
| LTV | 0.60 |
| EXCEPTION | SCORE |

* **LTV Exception –** Even loan to value says 50% loan can be approved but still your 100% loan gets approved.

**Example:**

|  |  |
| --- | --- |
| INDIVIDUAL |  |
| SALARIED |  |
| EMP\_CATEGORY-A |  |
| INCOME | 180000 |
| DEBT | 70000 |
| MDI | 39% |
| SCORE | 670 |
| DEFAULT STATIS | NO |
| YOE | 16 |
| TOTAL INCOME | 150000 |
| LOAN REQ | HOME LOAN |
| LOAN AMOUNT | 1.5 CR |
| TENURE | 12 YEAR |
| MONTH | 120 |
| EMI | 150000 |
| PROPERTY APPARAISAL VALUE | 15% |
| CURRENT LOAN OUSTANDING | 0.3 |
| CLOSING EXISTING LOAN AND TAKING FULL AMOUNT FROM US OF 1CR | 1CR |
| EMI | 100000 |
| LTV | 0.60 |
| EXCEPTION | LTV |
|  |  |

Percentage of Exceptionally income loan – 5% only

There is another credit risk analyst team WHO DOES MONITOR ONLY EXCEPTION ACCOUNTS

Questions - **CAN A CC BE CONSIDERED AS SECURED**?

YES, HL+CC, CC FOR INFRA BUYING

Questions - **CAN A OD BE CONSIDERED AS SECURED?**

YES

Questions - **CAN A PL BE CONSIDERED AS SECURED**?

NO

**REASONS TO DECLINE LOAN APPLICATION:**R1 HIGH ROI

R2 LATE APPROVAL

R3 LTV LESS THAN REQ AMOUNT

R4 TENURES

R5 PRE-CLOSING OPTIONS

R6 PART-PAYMENT OPTIONS

R7 FLOATING INT

R8 BT RESTRICTION

Question – What is the decline rate - 10%

Question - Can you please tell how much is your customer decline & system decline rate

Customer Decline = 5%

System decline = 5%

Question – Can you plese tell me the reason of decline? & what is your strategy after that?

R1 HIGH ROI

R2 LATE APPROVAL

R3 LTV LESS THAN REQ AMOUNT

R4 TENURES

R5 PRE-CLOSING OPTIONS

R6 PART-PAYMENT OPTIONS

R7 FLOATING INT

R8 BT RESTRICTION

**Strategy** – We worked across to identify potentiality of the customer & we change the credit policy where we started using some kind of exceptions to the customers.

**========================================================================**

**Performance**

In home Loan, How do you look for the performance:

**Case 1**:

|  |  |
| --- | --- |
| LOAN ACCOUNT | 6868688 |
| ACCOUNT OPEN DATE | 01-02-2009 |
| CURRENT DATE | 16-03-2021 |
| MOB | 145 |
| EMI | 80000 |
| LOAN APPRIVED AMOUNT | 8000000 |
| OUTSTANDING | 3400000 |
| PAYMENT DATE | 07-11-2020 |
| DELINQUENT FLAG | NO |

**Case 2**:

|  |  |
| --- | --- |
| LOAN ACCOUNT | 6868688 |
| ACCOUNT OPEN DATE | 01-02-2009 |
| CURRENT DATE | 16-03-2021 |
| MOB | 145 |
| EMI | 80000 |
| LOAN APPRIVED AMOUNT | 8000000 |
| OUTSTANDING | 3400000 |
| PAYMENT DATE | 07-11-2020 |
| DELINQUENT FLAG | YES |
| LAST\_PAYMENT\_DATE | 07-07-2020 |
| DELINQUENT BY DAYS | 123 |
| DELINQUENCY BUCKET | X+4 |

When we look at the performance file by portfolio – **Home loan**. So this portfolio wise we will have some BASE.

Lets say around 1000 customers.

So. Over this BASE, we need to identify, how many are default & how many are non – default

|  |  |  |  |
| --- | --- | --- | --- |
| Total Customers | Default Customer | ND Customers | What is the default balance |
| 100 | 100 | 900 |  |

***Just mention all KPIs here***

We make them through performance as delinquency bucket.

This is how we understand from the data, looking at the base with KPI metrics called Key Performance Indicator. By portfolio wise what is their BASE, what %age of Base, what is Default base, what is the non-default base, over default balance, & over non-default balance, identify Good loan per account which is non-default balance divided by no. of non-default, Bad loan per account which is default balance divided by no. of default accounts, we get BCR which is GLPA divided by BLPA . Then whoever is default put them into delinquency bucket right from X, X+1,……. To CO. & present that into Balance & percentage for as well.

This is how we look into performance tracking. Within this performance, we also look at **Roll Rate**.

Question - **What is the Performance Metrics**?

By each portfolio

By each Year Month

We do the comparison by **KPIs** (**Key Performance Indicator**):

1. # of Active Accounts
2. $ Balance of Active Accounts
3. # of Non-Default Accounts
4. $ Balance of Non-Default Accounts
5. # of Default Accounts
6. $ Balance of Default Accounts
7. Good Loan Per Account (Non-Default ($)/ Non-Default (#)
8. Bad Loan Per Account (Default ($)/Default (#)
9. BCR (Balance Control Ratio)
   1. Good Loan Per Account/Bad Loan Per Account
10. Delinquent Accounts (#)
11. Delinquent Balance ($)
12. Delinquent Accounts Break-up (#)
    1. X days
    2. X+1 days
    3. X+2 days
    4. X+3 days
    5. X+4 days
    6. X+5 days
    7. Charge Off
13. Delinquent Accounts Break-up ($)
    1. X days
    2. X+1 days
    3. X+2 days
    4. X+3 days
    5. X+4 days
    6. X+5 days
    7. Charge Off
14. Delinquent Accounts Rate (%)
    1. X days (#) /Overall Balance (#)
    2. X+1 days (#) /Overall Balance (#)
    3. X+2 days (#) /Overall Balance (#)
    4. X+3 days (#) /Overall Balance (#)
    5. X+4 days (#) /Overall Balance (#)
    6. X+5 days (#) /Overall Balance (#)
    7. Charge Off (#) /Overall Balance (#)
15. Delinquent Accounts Balance Rate(%)
    1. X days ($) /Overall Balance ($)
    2. X+1 days ($) /Overall Balance ($)
    3. X+2 days ($) /Overall Balance ($)
    4. X+3 days ($) /Overall Balance ($)
    5. X+4 days ($) /Overall Balance ($)
    6. X+5 days ($) /Overall Balance ($)

Charge Off ($) /Overall Balance ($)

1. BCR
2. LTV
3. Roll Rate

So, in bank we have a base. This base includes both Default & Non – Default. So, when you go for collection benchmarking.

Why do we go for collection because we want to collect money within the delinquency Days before going to chargeoff we can collect as much as we can.

So, what we do first, we first identify who are the default base we try to collect out from here. Once you have a default base, you try to see them which delinquency bucket they fall:

* 1-30 days – X
* 31-60 Days – X+1
* 61-90 Days – X+2
* 91-120 Days – X+3
* 121-150 Days – X+4
* 151 – 180 Days – X+5
* 180+ - Charge Off

Then we go for segmenting this delinquent customer to collect money based on the strategy. We need to identify them based on the score, Balances, Performance Behaviour.

We need to target who are the:

* Low Risk Customer
* Mid Risk Customer
* High Risk Customer.

So, that we could make a proper collection strategy from this customer to look at the KPIs:

* Total Default Base
* Total Recovery Base
* Pay Rate %
* Total Default Balance
* Total Recovery Balances
* Recovery Rate%

Then we presenting the analysis by creating a meaningful dashboard.

**Question –** Tell me how the Loan lifecycle looks like – principal will go up or interest will go up?

**Answer –** You principal will go up by the end but initially they will collect maximum from you that is on your interest amount.

**What is** **CAD(**Currevnt Account Deficit**)?**

It is the shortfall between the money received by selling products to other countries and the money spent to buy goods and services from other nations.

**APV**(adjusted payment value)

**DEC**

**PCA**(Prompt corrective action)

Gross Debt Service Ratio (**GDSR**) and Total Debt Service Ratio (**TDSR**)

What is Roll Rate?

What is Annualized Loss Rate?

**APNO**

**APDT**

**Jargon**

**ICF - Interchange Fees**

**IFC - international Fee Charge**

**By DEV Sir……….**