

Financial Risk Analyst Assessment

Instructions

Congratulations! We would like to interview you for the Financial Risk Analyst position at Navy Federal. An important skill in this role is using data to answer a business question. In preparation for your interview, please complete the following exercise:

Business Case

Navy Federal is considering raising the interest rate on domestic automobile loans that we originate to 6%. Evaluate whether we should do this. Make sure your net income forecasts go out to Q4 2020, and you can assume zero origination and servicing costs in your calculations.

Here is additional information, if needed:

- Domestic automobile sales through Q4 2017 (see attached Excel file)
- Macroeconomic data, with forecasts through Q4 2020 (see attached Excel file)
- Average loan amount: \$25,000
- Portfolio loss rate per quarter: 1.00%
- Current annual interest rate per loan: 5.00%
- Average term: 3 years
- Portfolio payoff rate per quarter: 1.50%
- Percentage of domestic automobile sales Navy Federal finances: 3.00%

Also, based on previous analyses, increasing the interest rate to 6% would decrease the number of loans Navy Federal would originate by about 17%. The payoff rate would also likely increase to about 2.50%.

Additional Instructions

- Summarize your results and recommendation in a Microsoft PowerPoint presentation that is no more than 4 slides. Your presentation should be understandable by a non-technical audience. Include at least one chart in your presentation.
- Make clear in the presentation assumptions that you've made.
- Be prepared for a 5-minute presentation as part of the interview.
- Spend no more than 3 hours on this exercise.
- Use the software and technical methods that you prefer.
- Please provide soft copies of your data, analysis, and PowerPoint presentation at least 1 business day prior to your interview. Bring a hard copy of your presentation to the interview.

Thank you! We look forward to meeting you. ☺