



Vizo Financial CECL Models

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CECL How to Control Your Allowance

- **Methods - Segment/Class Historical Data Aggregation**
 - Life Cycle Losses
 - Risk Migration
 - Static Pools including Vintage Analysis
- **Models – Forecasting your Allowance – Must use 1 of 2 methods required by CECL Standard**
 - **Over the Life Cycle Forecast - Forecast over the entire contractual term**
 - Discounted Cash Flow (DCF)
 - Probability of Default (PD)
 - Regression Model Forecast (RM)
 - **Reversion – Short Term Forecast**



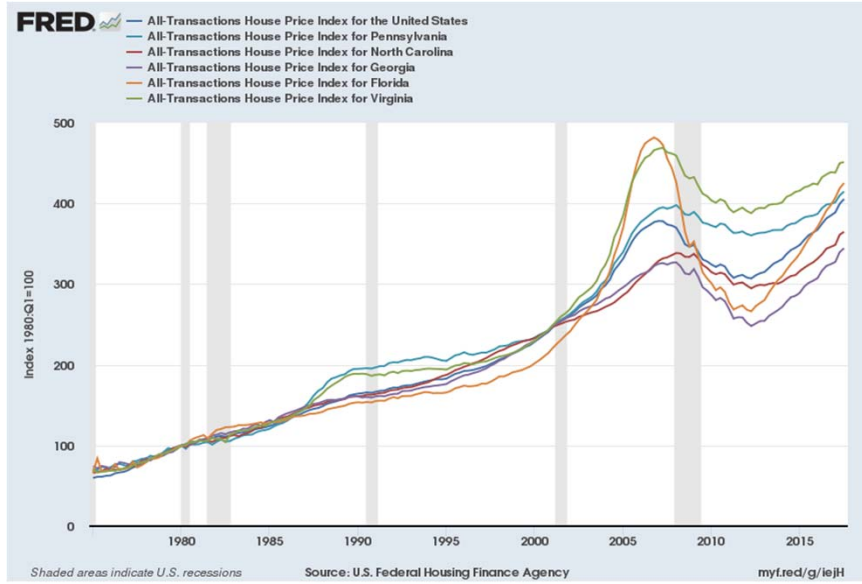
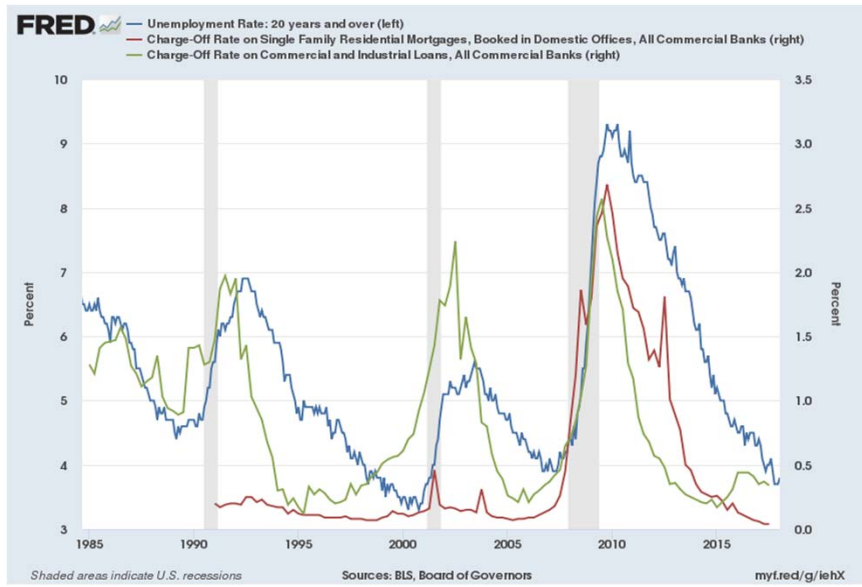
Confusion Abounds – Forecasting under CECL

- Don't get confused about the Forecast Models
- All Models Use Historical data sets
- It's the forecast that important!
- A short term forecast using life cycle losses is a Reversion Model!
- People are putting fancy names on Reversion Models but the model is still a reversion Model



Things to Remember

- Your goal is to estimate the correct loss per loan, any variance will cause volatility
- If you don't use risk migration, you will give up 50% of your control or more of your calculation
- You need to update your credit quality factors



Minimum Data DCF & PD models



Loan Level Elements (Collected Monthly)	MODEL
\$ Limit/Unused Comittments	All models
Account Number	All models
Accrued Interest	All models
Chargeoff Amount	All models
Chargeoff Date	All models
Current Balance	All models
Current Deferred Loan Cost	DCF
Current Deferred Loan Fees	DCF
Current Discount	DCF
Current Interest Rate	DCF, PDB, PDC
Current Maturity Date	DCF, PDB, PDC
Current Payment Amount	DCF, PDB, PDC
Current Premium	DCF
Current Recovery Amount	All models
Current Recovery Date	All models
Loan Number	All models
Original Balance	All models
Original Date	All models
Zip+ 4	All models
Current Collateral Value/Original Collateral Value	PDC
Current /Original Collateral Value Date (appraisal date)	PDC
Current/Original Credit Unionruptcy Score	ALL PD MODELS
Current/Original FICO Score	ALL PD MODELS
Current/Original Risk Rating	ALL PD MODELS
Debt Service Coverage Ratio or credit quality indicators/ratios	ALL PD MODELS
Debt to Income or credit quality indicators/ratios	ALL PD MODELS



Questions