



July 27, 2016

## Weekly Post: Revising ALM Reports by Editing the Data Input File

Dear Clients-

I look forward to reviewing your June cycle reports with you. These quarterly cycle reviews provide an opportunity to share our thoughts on emerging market opportunities and balance sheet risk analysis.

In reviewing your risk analysis the following scenarios typically occur each cycle causing your reports to have to be rerun:

- Loans or investments could have been misclassified. For example, some CD investments are classified as cash or cash equivalent.
- Assets traded but not settled are not included in the risk analysis
- The growth plan has changed and you would like to revise it
- A mutual fund or BOLI risk should be modeled differently

There are numerous other reasons. Often THC may re-run the reports 3-4 times because of these changes. More importantly, THC reports are more useful to you if you can edit the input data file yourselves anytime, as needed. Furthermore, as you know, regulators encourage you to be familiar with the input data to the THC models.

### Challenges

- Can I change the input data file to simulate What-ifs scenarios?
- After a large transaction or putting a significant loan volume on the book, can I adjust the data input file to simulate the transaction on my reports?
- Can I adjust the input data with additional information such as revising the FICO or LTV numbers?

### Solution

The THC solution is simple. In receiving your input data files, our process will first validate the data passing through multiple tests. Then the data are consolidated in an Excel book, called PATH+.

Note, PATH+ is not the same as the PATH book that some of our clients use. PATH+ has all the input data that can be read by THC models and can generate your reports. That means, PATH+ file has all the information that is needed to generate the reports and is computer readable.

For regulatory purpose, PATH+ offers the transparency of THC models. Every loan, deposit and other items are reported in this data file. Furthermore, the instrument parameters such as the decay rate, beta are all

### Market Wisdom - Art Hilliard\*

\$36.8mm Fixed/ARM Loan Pool Offering

Here is an opportunity to acquire an eclectic pool of high quality, geographically diverse, performing loans. This is a live pool open for bidding.

This pool consists of:

- 15, 20 and 30 year fixed
- 5/1, 7/1 and 10/1 ARMs
- GEO – AZ, CA, CO, DE, FL, GA, IL, KY, MI, NC, NY, SC, TN, TX, UT, VA, WA
- WAC - 3.834%
- WAFICO - 763
- WALTV – 64.85%

Trading:

- This pool is being offered on a competitive bid basis
- Seller will allow carveouts
- Loans are offered servicing released by the seller

Go to TFO to see these loans and look at how they would fit your balance sheet. As always, I am available for questions or consultation.

Bids are currently being accepted.

Art Hilliard has been in the mortgage industry for 29 years. He has originated, managed secondary marketing, securitizations and settlements, provided mortgage financial advisory and performed multiple mortgage portfolio sales and acquisitions. He was past president of the Illinois Mortgage Bankers Association.



reported in PATH+. You can also make changes to the input data file PATH+ and upload to Risk Officer and generate another set of reports.

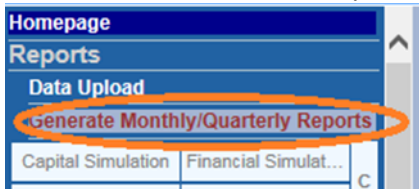
You have complete control of the input data and the output reports. You only have to upload the file and the reports will be ready for you. I encourage you to use this Risk Officer feature™. Instructions are given below, showing how simple and easy it is to generate and revise your own reports.

**Getting Started**

1. Login THC Risk Officer by your account <https://www.thcdecisions.com/riskofficer>
2. Download the pathbook+ from the left panel on the Home Page and save the file to your local drive:



3. Click on the “Generate Monthly/Quarterly Reports” on the left panel



4. Select the cycle date. The system will show the base line quarterly (or monthly) reports by default. Click on the “Create a new simulation” button:  
You will see a new simulation line on the Simulation Dashboard.

BankC      Select cycle: 201603

**Simulation Dashboard**

| ID     | Descriptions   | Update Date | Economic Values |         |          | capital |              |          | NII and Earnings 12mo Projections |          |           | performance(%) |      |
|--------|----------------|-------------|-----------------|---------|----------|---------|--------------|----------|-----------------------------------|----------|-----------|----------------|------|
|        |                |             | assets          | loans   | deposits | EVE     | EVE ratio(%) | duration | NII                               | earnings | margin(%) | ROA            | ROE  |
| 10763  | Base           | 7/26 20:35  | 261,703         | 171,719 | 184,243  | 46,552  | 17.79        | 9.12     | 8,474                             | 50       | 3.13      | 0.02           | 0.11 |
| X12812 | The bank Ba... | 7/27 4:42   |                 |         |          |         |              |          |                                   |          |           |                |      |

Navigation: 1/1 1    GO    Refresh    **Create a new Simulation**

5. Select the simulation line, upload the PATHBOOK+ and generate the reports.

The simulation line reports will be ready typically in 20 to 30 minutes. You can create multiple simulations. Risk Officer™ will save and show each simulation on the Simulation Dashboard, as depicted above. More detail instructions are provided in the generate reports page, or you can request additional instructions from THC staff.

**Conclusions**

Generating and revising your own reports is simple and straightforward. PATH+ offers model transparency and you can take control in the asset-liability management process.

*If you have any questions regarding your revising your reports, please do not hesitate to contact THC.*

Regards,  
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*THC is NOT a broker-dealer. THC only offers an analytical platform for clients to work together to meet your customers' needs or your balance sheet requirements. THC does not collect any commission.*

\*Art Hilliard is the Principal at AHilliard Company assisting banks, credit unions, and mortgage companies with mortgage advisory and asset sales and acquisitions.

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