

Assessing Data Readiness for the Risks of an Expanding Mortgage Portfolio

The Client

The Client, a growing U.S. bank with a substantial mortgage portfolio, was concerned about a widening array of risks as its mortgage loan assets grew. The Client wanted to ensure that its data management and analytics were efficiently mitigating risks associated with its expanding portfolio. In addition to traditional mortgage-related risks around prepayment and default, the Client was also concerned about its exposure to certain geographic areas as well as operational risks such as data privacy.

The Solution

With 13 years of experience delivering on data transformation and modernization projects, RiskSpan is able to evaluate large datasets quickly, to assess an institution's existing reporting and analytics capabilities, and to recommend improvements to data governance and portfolio risk management tools. RiskSpan's Data Analytics and Credit Modeling team examined the Client's portfolio stratified under various categorizations such as loan product and geography, and then presented the findings to the Client's management team.

By partnering with RiskSpan, the Client gained understanding of its mortgage security risks, control over its risk management process, and effective policies. RiskSpan delivered the following:

- A data governance framework with standards for personnel, storage and reporting.
- A comprehensive portfolio analysis including prepayment risk assessments and loss forecasts.
- Identification of highest-ROI enhancement projects.

The Process

1. **Reporting Assessment:** RiskSpan reviewed the Client's existing process for data aggregation, analysis and reporting. RiskSpan conducted interviews with business and technology staff. RiskSpan also used its proprietary tools to understand ongoing performance in data quality and accuracy, extraction, porting and ingestion, and sourcing. Taking stock of the Client's analytical tools and reporting needs, RiskSpan outlined recommendations that would prompt immediate improvements to reporting quality and efficiency.
2. **Data Governance Assessment:** RiskSpan followed its time-tested approach to assessing data governance. RiskSpan's analysis is designed around ten proven pillars of data management. RiskSpan recommended a framework specific to the Client that could be codified and scaled.
3. **Portfolio Analysis:** The Client provided RiskSpan with a sample loan servicing file, which RiskSpan used to create sample risk segmentations. RiskSpan presented customized and standard risk reports that outlined prepayment, default, and loss-given-default risks.