

## **Auto Loan Attribution and Pricing for a Leading Auto Finance Company**

### **Business Requirements**

An auto finance company for a leading automaker wanted to determine the loan attributions for its loan/lease portfolio and calculate a mark-to-market price for each loan/lease. The client was facing an enormous amount of loan data without any expertise in data mining for financial modeling. The client wanted a model not only to price the existing inventory of auto loans and leases but also to calculate these prices on a timely basis. At the time the client did not have a system in place to price the loan/lease inventory, they need a system that can

- store and process the trade history and price history information
- price auto loan and auto leases comprehensively
- calibrate and track loan performance
- incorporate the loan attribution projection model and generate any requested price
- flow information consistently from API to feed all Intranet, Extranet, and Internet sites
- do data feed frequency on a daily basis

### **Beyondbond Solution**

With Beyondbond's extensive knowledge in structured finance industry, we were able to absorb and scrub all the data on a timely basis. We quickly identified relevant data points and built a loan attribution model with the client. By using Beyondbond's proprietary analytic system and using the Auto ABS market spread as proxy, the client could compute mark-to market prices for their loan portfolio. As the client was able to get a clear picture of its enormous information, Beyondbond continued looking into its loan data from different angles, which boosted the client's ability to price auto loan and leases comprehensively.

### **Success Factor**

Securities experience was the key. So was a continuous support from the client. The client was able to leverage Beyondbond's depth of knowledge in the securities industry to quickly assess the problem and implement a solution. Beyondbond communicated thoroughly with the client before and after the process to help them identify and fine tune the model. Engaging resources in Beyondbond led to compelling cost benefits without compromising quality were an added incentive. Beyondbond's range of service and track record of delivering quality engagements assured the client that they made a valuable strategic technology investment.

### **Business Value**

By using Beyondbond's proprietary analytic system for the auto loan/lease inventory, the client was able to quickly generate a spread matrix among the various market sectors. The client now could fully utilize the system's advantage with its up-to-date loan and price information for model tuning parameters. Within the system, a powerful pricing engine allowed the client to generate cash flows efficiently and price any loan/lease given underlying information and the proprietary spread model.