Auto finance analytics overview

In today’s environment, Auto finance lending markets continue to experience tremendous change in terms of credit performance and risk assessment for different types of borrowers. To navigate profitably through these challenging financial times and with the new Federal Regulations on credit providers, auto lenders have to take a fresh look at products, operations, business processes, systems and controls. New and innovative strategies are required to align lenders for future success and growth.
Today, the economy is going through a sea change and financial institutions in particular are facing increasingly complex challenges with greater focus on Risk Management at an enterprise level. It has now become imperative to focus on end-to-end customer lifecycle management, starting from acquisition to recovery, with an emphasis on reducing bad debt, lowering costs, improving cash flows and retaining customers, while operating within the purview of regulatory requirements. It is critical for organizations to transform traditional approaches into more sophisticated data driven strategies to accomplish:

- Constant and accurate monitoring of portfolios on key performance metrics
- Dynamic and innovative scorecards/strategies to drive smart growth while managing losses
- Recalibration and regular refresh of customer segments, risk tiers and models
- Business and domain consulting

At Genpact Analytics, we provide credit risk and collections solutions across various stages of automotive retail (consumer) and commercial (Auto dealer) lending, for traditional and leasing businesses across US, Latin America, Europe and APAC. Genpact’s key solutions focusing on Auto lending business are:

- Effective origination scorecards and risk based pricing
- Credit and Risk Assessment through robust underwriting practices for dealer credit review
- Portfolio management and monitoring
- Risk and collections scorecards and modeling for consumer and commercial portfolios
- Collections & Customer Service operations analytics
- Auto reposition and Recovery analytics

**Service offerings**

**Wholesale**

Wholesale floor plan financing – Underwriting and credit reviews

Detailed due diligence of dealers and large corporates approaching for New, Used and Leased car floor plan and other commercial vehicle financing. Key activities include:

- Manufacturer’s operating statement analysis – calculation of key operating performance indicators
- Extensive financial due diligence: Comparison of operating statements with tax returns, account schedules, audited statements and external data evidences
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- Analysis to derive adjusted net cash, net worth and net working capital
- Analysis of Guarantor’s financial commitment
- Collateral analysis – computation of Loan To Value (LTV); Assessing impact of cross collateral, priority and sub-ordination agreements
- Derive risk ratings (for comprehensive and interim reviews) using pre-defined scorecards; identify triggers and offer rationale on recommendations

**Retail Dealers line of credit – Underwriting and Credit Reviews**

Detailed due diligence of dealers and large corporates approaching for New, Used and Leased car floor plan and other commercial vehicle financing. Key activities include:

- Quick review of dealership’s financial position
- Comprehensive KYC process
- Recommendation on fund based and non-fund based lines of credit

**Dealer portfolio administration**

- Follow up for Insurance certificates, business license through email / phone calls with dealers / insurance agents / state and county offices
- Payment Administration: Identify and alert check return transactions of dealers
Retail loss forecasting models with stress scenarios
- Lease residual loss and recovery forecasting
- Management of risk exposure to meet capital & reserve requirements
- Economic capital allocation
- Deep dive analysis to identify new areas of loss reduction, incremental sales, and profit enhancement

Collections and operations analytics

Advanced collections strategies to gain a strategic advantage over competition by accepting riskier customers without corresponding increases in delinquencies or losses.

- Build custom collections models with productivity, collections efficiency and loss avoidance objectives
- Risk and custom score based champion challenger collections strategies to address, pre-delinquency, early stage delinquency, repossession timing and profitability
- Automated extensions, renewal and repossession decision strategies
- In-depth assessment of impact of new regulations on portfolio profitability and required counter-strategies
- Recovery models and strategy development - account placement & settlement strategies
- Forecast delinquency, repossessions and skip trends
- Capacity planning for dialer, manual collections based on seasonal inbound outbound volume
- Portfolio analytics to drive origination teams to strengthen underwriting criteria
- Building collector goals and performance management scorecard to drive right behavior and collections objectives
- Performance measurement for external repo and recovery agencies for work load assignment

Retail

Consumer acquisition and pricing analytics

- Bureau and application data based origination risk scorecard development to predict loss, first pay default, fraud, Bankruptcy, etc.
- Reject inference models to improve origination models
- Risk based consumer loan pricing strategy development
- Risk based auto approve/decline decision strategies

Account management analytics

Post-acquisition analytics to identify changes in risk measures and devise corrective or preventive actions for loss mitigation.

- Fraud avoidance strategies, dealer fraud, consumer fraud tool development
- Account management & risk behavior scorecard development for retail and lease portfolios based on blended data
- Portfolio diagnostic analysis & asset management
- Early warning signals to mitigate losses
- Identification of opportunities/leakages through trend analysis & design of experiments

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MIS and reporting

- Customized reporting solutions for Auto - measuring volume for auto originations, rejects, bookings, credit levels by loan products, regions.
- Development of comprehensive and insightful Executive Decision Support to monitor trends and understand portfolio performance indicators for delinquency, FPD, EPD, repossessions, extensions, renewals, skips and losses.
- Build, maintain and standardize Risk, Compliance and Underwriting Reporting
- Tracking key portfolio indicators including sales, balance build, losses, costs and risk adjusted returns across risk segments

Regulatory compliance & Basel

Risk Management services from Genpact Analytics are designed to assist financial institutions meet the Regulatory requirements in accordance with Basel guidelines with specific focus on Credit Risk and Regulatory Capital Requirements under the accord. The credit risk offering addresses both the foundation and advanced internal rating-based approaches.

- Credit Risk modeling solutions at any stage of Basel adoption
- Increase accuracy of Risk Weighted Asset (RWA) calculation in an Advanced Internal Rating Based (AIRB) framework through:
  - Estimation: Develop modeling framework to estimate Probability of Default (PD), Loss given default (LGD) and Exposure at default (EAD) for calculating RWA
  - Validation: Assist in ongoing validation of model accuracy, risk parameters and rating systems
  - Regulatory Reporting: Conceptualize and develop monitoring dashboards as part of Basel II internal credit risk control and pillar 3 disclosure for both internal and regulatory reporting
  - Stress testing against multiple dimensions incorporating macroeconomic scenarios
  - Extensive documentation meeting Basel II guidelines for Internal and External Governance
  - Risk Exposure Monitoring, E-Capital Management, Securitization reporting

Broad customer base

Experience with auto finance companies across the lending spectrum

End-2-end services across the financing cycle

- 150+ Analysts with advanced degrees & certifications in finance, marketing, statistics and management
- Average experience of ~3 years in the Auto Finance Risk Management practice
- Unparalleled combination of deep domain expertise & diverse experience with advanced tools & techniques
Genpact value proposition

We believe that Genpact uniquely provides the relevant skills and experience, scale, global presence, information security and quality control management procedures that can meet the high-level goals and the detailed requirements.

Our unique strengths as a leading provider of Basel II risk management services, risk modeling services and advanced analytics services are outlined below:

Highly Educated and Skilled Resource Pool with relevant experience:

We have 100+ experts working on PD, LGD and Economic Capital models for global fortune 500 companies for the last 10+ years with advanced degrees/doctorates in mathematics, statistics, engineering, economics and other quantitative disciplines from top universities in India and US

Deep Domain Expertise and Vast Experience:

Genpact has 1000+ professionals focused on various aspects of Risk Management for Financial Services clients. Our experience of working with different risk data sources, platforms, geographies and products helps us develop customized solutions based on portfolio nuances and objectives. Our capabilities have evolved through 13 years of strategic partnership with over 40 leading financial institutions, which include 3 ‘top 10’ US financial services majors, 2 top UK banks, 5 Global Auto finance majors and 2 leading US co-branded /credit card issuers.

Tools and Techniques:

Genpact has vast experience in using advanced statistical techniques and tools for data mining in the risk and collections domain. Some of the statistical techniques like Logistic/Linear Regression, Survival Analysis, Generalized Additive Models, CHAID/CART based segmentation, Genetic Algorithm/LP based optimization and others are extensively used in various projects. Some of the prominent tools that our analysts use include SAS, SAS Miner, SAS Enterprise Guide, Knowledge Seeker, Business Objects, Cognos, Crystal Reports, Qlikview, OBIEE, Tibco Spotfire and many others. Genpact’s in-house team, called the Smart Decision Lab, is dedicated to providing insights on the latest tools and techniques in the market; thereby upgrading the analyst skillsets.

Commitment to Process Excellence:

Genpact has Six Sigma rigor in project management and analytics processes. We have robust statistical analysis and modeling processes proven through the successful solutions we have delivered and generated business impact for our customers. We have used Lean/Six Sigma methodologies in process automations / Lean initiatives with a view to enhancing our productivity e.g. Automation of segmentation testing through macros, Automation of LGD performance metrics and Automation of Bivariate Plotting macros, etc. We have also worked with our customers on larger quality initiatives to reduce cycle-time and improve the quality of deliverables.
Best Practices in Data Security:

Genpact follows best practices in Data Security and Audit Requirements to ensure regulatory compliance and the safety of client’s data. Genpact applies its deep regulatory knowledge and follows strict data privacy and information security regulations to ensure safety of our client’s data. We go beyond conventional metrics, and build systems and process to ensure “zero surprises.” We conform and comply with key requirements pertaining to privacy laws as applicable to the client domicile state jurisdiction, for example OCC and OTS in US and the Model EU clauses on data privacy in Europe.

Option to choose from multiple engagement models:

Genpact offers various forms of engagement model to suit the varying customer need. We offer partial to fully dedicated on – shore resources for shorter assignments or pilot projects providing solutions consultancy to fully dedicated team operating as an extension of the client. Genpact also operates in project model with additional need based surge requirements.

About Genpact

Genpact Limited (NYSE: G) is a global leader in transforming and running business processes and operations. We help clients become more competitive by making their enterprises more intelligent: more adaptive, innovative, globally effective and connected. Genpact stands for Generating Impact for hundreds of clients including over 100 of the Fortune Global 500. We offer an unbiased combination of smarter processes, analytics and technology through our 62,000+ employees in 24 countries, with key management based in New York City. Behind Genpact’s passion for process and operational excellence is the Lean and Six Sigma heritage of a former General Electric division that has served GE businesses for 15+ years.

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