

Managing Risk With Portfolio Reviews

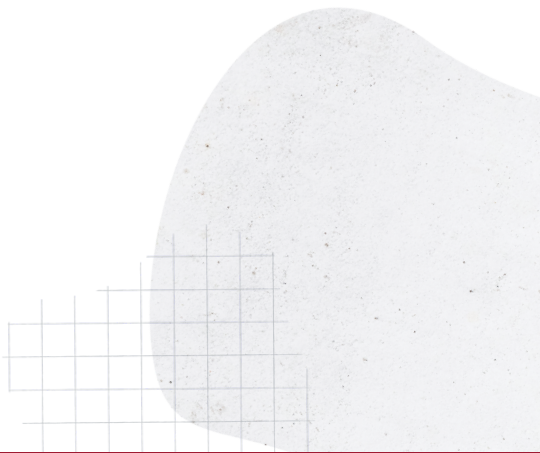
In a **K-shaped economy**, where no two borrowers experience financial pressures in the same way, lenders need to know how factors such as inflation and shifting interest rates may be impacting their customers. Even those usually seen as low-risk, like prime borrowers, can be affected.



It is important for lenders to keep a close eye on their loan portfolios and understand how they could be impacted.

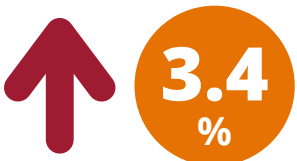
Portfolio reviews can help lenders:

- Maintain healthy portfolios, despite macroeconomic challenges.
- Stay agile and responsive to market changes.
- Optimize risk management strategies.
- Foster a healthier loan portfolio.



In the auto lending industry, where collateral (vehicles) value changes quickly, loan portfolio reviews are essential.

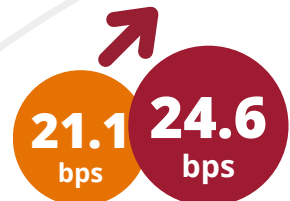
Recent auto lending insights¹ to consider:



Total outstanding balances on auto loans and leases rose by 3.4% over the past year, reaching \$1.629 trillion.



In January 2024, the auto lending sector experienced a severe delinquency rate of 1.59%, which reflects the share of loan balances that were 60 days or more past due, up 17 basis points (“bps”) from the same time period last year.



Loan write-offs rose to 24.6 bps, up from 21.1 bps in the previous year.

Equifax (February 2024). U.S. National Consumer Credit Trends Report - Portfolio. Retrieved from https://assets.equifax.com/marketing/US/assets/EFX_PortfolioCreditTrends_202401.pdf



Portfolio reviews help auto lenders fine-tune their risk management approaches by:

- Closely monitoring loan-to-value ratios.
- Assessing the impact of economic shifts on borrowers' repayment capabilities.
- Helping safeguard against defaults.
- Helping ensure long-term sustainability and profitability in a sector that is particularly sensitive to economic fluctuations.

Establishing Portfolio Review Procedures

To fully benefit from portfolio reviews, lenders should leverage indicators that may show a borrower's likelihood to afford their debt obligations. Helpful default-risk indicators may include updated income and employment details to better assess the ratio of payments to income.

Instant Verification Data

The Work Number database returns records that employers and payroll providers update each pay cycle. With more than 657 million current and previous employment records from 3 million employers, lenders can gain a more holistic view of applicants which can help them make quicker, more informed lending decisions with less friction.



Unlock the full potential of your auto lending portfolio. Visit theworknumber.com to learn how Portfolio Review can transform your approach to portfolio management.