

PURPOSE

We provide LGD data on properties repossessed over the period 1990 to 1995 to benchmark and calibrate lenders' models for Basel II and other purposes. Our suite of potential solutions has been developed because many lenders lack sufficient historic data to establish "downturn" and "worst case" estimates for comparison with their "long run average" output.

SCOPE

Two alternative solutions are available.

Benchmarking comprising an assessment of the forced sale discount, or distress factors, and any "time series" analysis that might be used to inform the modelling of downturn or worst case LGD on a UK mortgage book, as part of the risk assessment process or the capital calculations required under Basel II. Our method is to provide bespoke extracts from our unique database of 44,319 mortgage repossessions, covering properties sold in the period 1991 to 1995 and involving the output in lenders' capital calculation models.

Data Analysis Sets comprising four alternative standard data analysis sets, for client use, comprising Discount factors, Property value (by size or value band) and Days elapsed, as described in 3. and illustrated in 4. below.

BENCHMARKING PROPOSAL

Our benchmarking, bespoke to the client's specific requirements, involves:

- 1. Preparation** an assessment of the data available within the database to confirm the data processing requirements, analysis and deliverable criteria and project pricing.
- 2. Data processing** an assessment of the "significant cells" within our downturn default database. The number of cases available, for the critical years in question, are as follows:

Year of Possession	Number of Cases
1991	8321
1992	11408
1993	9676
1994	7332
1995	2795

- 3. Analysis** as may be agreed; for example, there are three discrete analyses which comprise our standard **Data Analysis Sets**, as follows

(i) **Discount or Distress factors** represented as a difference (+/- percentage) over the indexed value using the Halifax House Price Index between the sale price achieved and indexed value at point of sale from mortgage inception.

(ii) **Property value** an analysis of the discount factors by property value bands and value ratios derived from average house prices at a regional level taken from the Halifax House Price Index. The value will be the indexed value taken at point of sale.

(iii) **Days elapsed** an interrogation of the database to establish the time from possession to sale.

4. Deliverables for Benchmarking constitute a report and/or a transfer of data. The report provides an overview, explaining the sources and definitions of the data, and a series of analyses, as illustrated in the under-noted standard Data Analysis Sets.

DATA ANALYSIS SETS

These analysis are organised to show a variety of observations such as the mean, the standard deviation and the median values by vintage/year of sale in the following formats

(i) Discount Factors

Number of records					
Vintage	Year of Sale				Total
	1991	1992	1993	1994/5	
1986					
1987					
1988					
1989					
1990					
1991					
1992					
1993					
1994					
Total					

ii) Property value

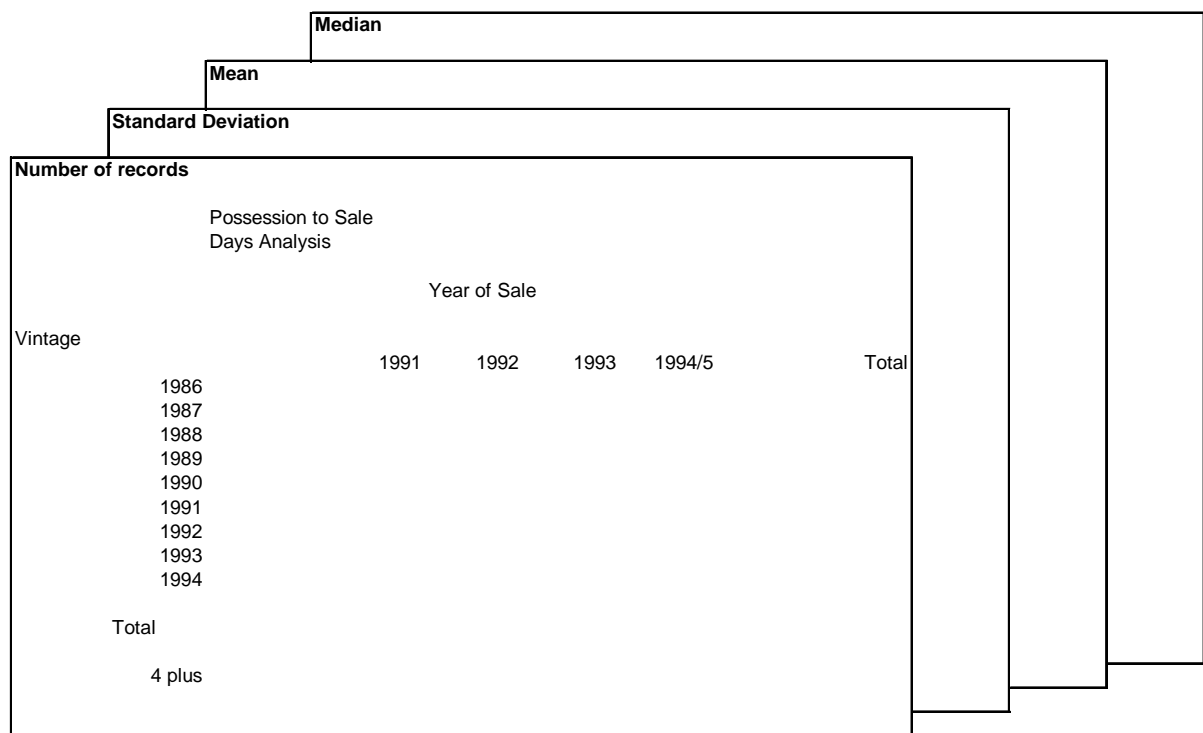
						Median
						Mean
						Standard Deviation
Number of Records						
Year of Sale 1991						
Size Band (Ratio to Average Property Size) at point of sale*						
Vintage	0-0.5	0.5 -1.25	1.25-2.0	2 plus	Total	
1986						
1987						
1988						
1989						
1990						
1991						
1992						
1993						
1994						
Total						

* to be refined

							Median
							Mean
							Standard Deviation
Number of Records							
Year of Sale 1991							
Value Band (£000) at point of sale*							
Vintage	0-15	15 - 35	35-70	70-100	100+	Total	
1986							
1987							
1988							
1989							
1990							
1991							
1992							
1993							
1994							
Total							

* to be refined

(iii) Days elapsed



TIMESCALES

For a bespoke **Benchmarking** programme, the project deliverables are provided five weeks following the confirmation of the work specification. Standard **Data Analysis Sets** are available immediately, upon demand.

TERMS AND CONDITIONS

Acadmetrics apply their standard Heads of Agreement including any pre-agreed confidentiality provisions. The results of the programme are for the use of the client only and, for the avoidance of doubt, this permits the use for regulatory purposes but excludes sharing the results with any third party, including lenders, part owned subsidiaries, third party consulting firms or data pooling organisations.

QUOTATION

Standard **Data Analysis Sets** typically cost (p.o.a.) plus VAT for each analysis. For **Benchmarking**, our fees are calculated bespoke to client needs and are payable 20% upon commissioning and 80% upon delivery. The benchmarking fee will include a presentation meeting to discuss the results of the analysis. If any visits are required to client premises these will be charged as a separately identifiable fee plus VAT and out of pocket expenses to be agreed.

