Video Transcript CECL Companion Plansmith

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So this is kind of the final piece of it is what we call the Cecil companion. And as we've spoken quite a bit to these warm methodology inputs, now, you might be able to go find these in your core system somewhere, I haven't run into anybody yet that can, maybe you're already tracking them on a spreadsheet with your current methodology. Not many have, I've had a couple of clients we've spoken to that have had a column or two of these. But to run this warm methodology, you need to know the weighted average remaining maturity and quarters, the interest rate on those maturities, as well as an calculated annual prepayment assumption. And so what we've done kind of from a secret sauce perspective, or the final piece of the puzzle, is to give our clients an easy, highly automated way to accomplish that. So what I have this connected to is, if you were a client of ours and wish to go this route, and have us calculate this for you, we would get a file from your core loan application. And it does not matter which core system you are on. Whether that's Fiserv or FIS, or Jack Henry or CSI or DCI or as does not matter, we work with every single core system in the industry, whether you're a bank or credit union, but we connect to that data. And then we have a file format. When I hit perform import, I'm going to we're going to analyze that loan file information using the call codes on that file. And this is just going to think here for a second, our data import is complete. And now we have a couple of things at our fingertips. So the first thing that I'd like you to focus your attention on is to the left. And that's the Cecil chart of accounts. And you'll notice and this happens to be a bank and in this in this example, but again, we do this for credit unions as well. And the Cecil chart of accounts would mirror the call record for credit unions if you're a credit union. But the Cecil Chart of Accounts in this case for this bank mirrors everything from the layout in the order as well as the naming, or the business line items as it as it lays out in the bank trends Cecil model, that if you can focus your attention into the middle plays into the blue boxes. So here for one to four family residential construction loans, we have calculated based upon the instrument level data at this institution, the weighted average remaining maturity in quarters, we need that number to run the model, the weighted average interest rate 4.74 on those maturities, the total principal balance as of the time of download $52,000,038, and then an annual prepayment assumption of 32.14%. All right, that's for the one to fours. If I were to move on to something else like multifamily, you'll see that that's a different calculation, we moved on to owner occupied it's a separate calculation. So we are doing this for every one of the business lines as it appears within again, the Cecil model. Now you might be asking yourself, that looks fantastic. And that's great. But we're in a heck of you guys coming up with the prepayments. And so let's take a look at that. Let me go back to a little bit bigger account. And I'm going to validate and show you all where we came up with this. So this is where the instrument level piece comes up in the hybrid pneus of this

model. And the power of it is we used and leverage that call report data, as Michael went through to come up with the banks historical or the credit unions historical loss history, we looked at your peer analysis. But now we're going to pull in again, that instrument level data, calculate the things I already covered there in the blue boxes, but then here's the instrument level analysis for the annual repayments. So we're looking at 154 different loans or instrument IDs in this particular portfolio. We know over here, which I'm highlighting the expected principal payment for each one of the notes, we then look at the actual payment, excuse me that occurred there for each of the notes, and then if if there is a prepayment, we might mark it down as a prepayment and then take that and pull that all up and then do the math and come up with the annual prepayment assumption. So I clicked on that and highlighted a few here. Here's a couple of loans that fully pre paid and paid off, we did not expect that to happen. But you can see here $3 million loan came in and paid off a $400,000 loan paid off. And now we're going to put that into our prepayment pool. So, again, we're doing that for each of the individual. If I was to go to a different category, you're going to see that that has a different set of instruments, and a different prepayment speed. Where that ultimately gets us is you're going to want this in an easy to use format that would fit right into the Cecil calculator in the bank trends Cecil model. So the final piece of the reporting mechanism here, and you can see everything's laid out with the different categories. I don't know why that just did that. I think I meant to hit save, go back and close that. There we go. The different categories here, principal balances. Here's all those calculations that were previously in the blue boxes the weighting of excuse me, the weighted average rate and maturity in quarters, the weighted average interest rates and the annual prepayment assumptions calculated by category. So when you add it all together between the web based model, again, the historical walk backs, the pier piece economic forecasts, the the built in warm input calculator here, we think that we have automated quite a bit of the solution and it actually you know, put that up again, I might have a little bit of a biased opinion here but probably in the 85 90% range, you're still gonna have to do some work with all the automation we have built in here. We can do a lot of it for you