# DATA-INFORMED FORECAST FOR FINANCIAL SERVICES

**Global Financial Services Commercial Lending Case Study** 

Prevedere Inc. | An Intelligent Forecasting Company



# Understanding Potential Loan Defaults by Industry

Prevedere partnered with a Global Financial Services Company to build forecast models for commercial loan slow payment risk by industry and state



### THE PROBLEM

With the current economic volatility, the company needed to assess its loan portfolio risk using end-use industry and geography signals. The current process of quarterly outlook and national level analysis was not effective.

Without an accurate outlook, the risks were high, and billions in commercial lending were at stake.

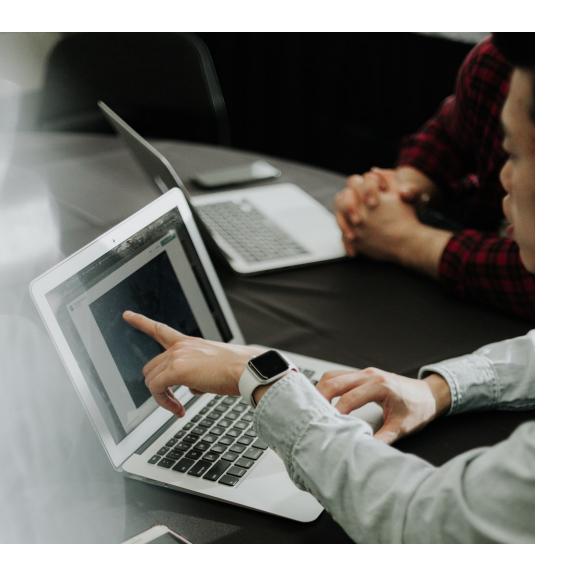


## THE CHALLENGE

### **Global Financial Services Challenge**

- 1. Identify geographic and economic leading indicators for their potential loan defaults
- 2. Work with the bank to produce the potential impact on their loan portfolio
- 3. Create monthly forecasts to incorporate into the planning process and inform operations
  - maximize visibility in future headwinds
  - reduce risk
  - plan for success





### THE STRATEGY

### **Partner with Prevedere to build forecast**

- Prevedere's global data and Al/ML solution identified leading indicators in days by industry and state.
- 2. The company provided its historical payment data for 5 years by industry and loan type.
- 3. Prevedere built and tested forecast and econometric scenarios then provided executive insights to the commercial lending team.

### THE PROCESS

Billions of calculations, millions of potential signals, and thousands of models built and tested

Some highly predictive leading indicators were uncovered

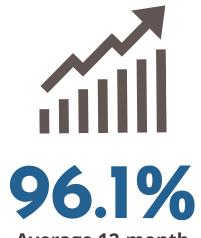
- Consumer sentiment
- Disposable income
- Prevedere travel & leisure leading indicator
- Consumer mobility data
- Unemployment by industry and state
- Regular unleaded gas price
- Residential and commercial construction
- Prevedere state economic recovery index



# THE RESULT

Accurate leading drivers were found by industry and state. Forecast models were built to predict the number of potential defaults.

Commerical Lending Saw:



Average 12-month forecast accuracy across commercial loan portfolio



More frequent analysis

More frequent analysis with monthly (instead of quarterly) alerts



Ability to identify future headwinds and adjust portfolio months in advance



### CONCLUSION

A data-driven strategy allows for timely and highly valuable insight during unprecedented times

Business leaders now create more accurate forecasts for future results by leveraging Prevedere.

This company took the opportunity to partner with Prevedere to provide data-driven external insights into the planning process.

In just a few weeks, the leadership team was armed with forecasts that enabled them to increase revenue and decrease cost across their company.

