

# credit technology innovation awards 2009

## Moody's Analytics

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### Cashflow analytics platform

IN FEBRUARY 2009, Moody's Analytics integrated macroeconomic forecasts and loan-level RMBS credit risk monitoring into its cashflow analytics platform. Five alternative macroeconomic forecasts are fed directly into a loan-level mortgage credit model to generate prepayment, default and loss severity estimates.

Moody's Economy.com projects house price movements in specific markets and provides regional forecasts for gross domestic product, unemployment and interest rates under five different scenarios.

The RMBS credit model analyses residential loans to estimate default rates, loss-given default rates, prepayment rates and other risk measures at the individual loan and portfolio level based on each of the five macroeconomic scenarios. The data includes economic simulations, treatment

of underwriting quality, geographical analysis of the effect of economic and loan characteristics on losses, and the ability to analyse portfolio loss distributions.

The Bank of Nevada has used the platform since April this year. The bank's treasurer John Radwanski, based in Las Vegas, says: "It has helped us do accounting in areas where you can't get good market prices. We were confident Moody's had all the background information as they had rated CDOs before. They're able to do all the analysis themselves and the turnaround is pretty quick. They get back to us within a couple of days with a snapshot of the market."

The Bank of Nevada also uses Moody's Analytics to implement the changes to the US accounting standard FAS 157. "We were comfortable with the results," says Radwanski.

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John Radwanski,  
Bank of Nevada

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