

SPI Project on Lending Databases (Mortgage Loan Servicing and Loss Given Default Databases)

**Project Working Group Fourth Meeting
February 18, 2008, SPI Romania Office**

Project Objective

To prepare a set of recommendations on the consensus-building, practical and technical steps that the banking system will need to take in order to set up databases that address mortgage loan servicing and loss given default information requirements.

Participants:

Project working group:

Mirela Bordea, Project Owner, Deputy CEO, Crediteurope Bank

Mirela Palade, Deputy Technical Manager, Deputy General Manager, TransFonD

Dan Sava, Risk Manager, Workout & Restructuring Department, Unicredit Tirioc Bank

Tudor Boengiu, Inspector, Supervision Department, National Bank of Romania

SPI Secretariat

Ramona Bratu, SPI Director for Bank Products and Services

Meeting objective

The objective of the meeting was for PWG members to explore together with TransFonD representatives the possibility to have the databases created and managed by an already existing institution, discuss on data requirements and agree on the next steps.

SPI COMMITTEE SECRETARIAT:

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MINUTES

1. Introductory remarks

SPI Secretariat briefed participants on the outcome of the discussions with Credit Bureau's representatives, particularly on the information required by this institution in order to assess the opportunity of expanding their business in the area of loan servicing databases. The Credit Bureau is not interested at this time to undertake any further steps until they do not have the indication of the banks' commitment and of the expected inputs and outputs of the database..

2. TransFonD eligibility as databases manager

Deputy Technical Manager outlined that TransFonD has the technical capabilities to manage such a database at the Romanian banking system level. It has the necessary infrastructure, a secure network with secure access. From institutional point of view, project's stakeholders are reflected by TransFonD's ownership, the shareholders being the National Bank of Romania and commercial banks. TransFonD's Deputy General Manager also emphasized that the company has the capacity to mobilize the necessary financial resources for such an important project.

3. Data Requirements and outputs

On the data requirements, PWG discussed and agreed that at this stage they can only identify the large categories of data to be reported to the database and it will be the task of the implementation team to detail these data.

Loss Given Default Database should contain historical data on:

- The client (client identification);
- The exposure (type, size, reimbursement schedule, etc);
- The collateral (financial or physical collateral and for the later one the type of mortgage – residential or commercial real estate, collateral value and market value);
- Recovery process (period, recovered value, indirect and direct collection costs);
- Exposure to default by type of client, by economic sector and by type of product;
- Discount factors.

Based on the above mentioned data categories, banks should receive monthly the Loss Given Default rate by type of client, of product, by economic sector, by region in order to use them for scenarios elaborated with each bank's predictability items.



Mortgage Loan Database should contain, in addition, more data on the collateral referring to the real estate destination (for renting, if individual building or multi-office building, etc).

4. Next steps

PWG agreed that in order to move more in depth with the projects, the banking community and the central bank should re-state their commitment in having the databases, in supporting them financially and with data reporting – in line with the original SPI Committee decision of September 2006 to launch this project

Project Owner proposed that **a summary document on the databases is presented in the RBA General Assembly in late March 2008.** The summary document should reflect the main issues enabling banks’ top management take a strategic decision: the benefits brought by such databases, the necessary institutional arrangements, the possible locations for the databases (in an existing institution or in a new one) and the banks’ obligations involved for feeding and managing them. The annexes to this summary document should contain more details on the issue for the specialised departments’ use. The summary document should ask also for the banks’ top management agreement for running the bank survey; the draft questionnaire should be attached at the summary document for banks’ internal use (in order to provide the necessary parameters for a strategic decision).

- a. SPI Secretariat should prepare the draft summary document and send it to the PWG for feedback.
- b. The Romanian version of the document should be sent prior to the RBA Board for endorsement in their March meeting (expected to be on March 6th).
- c. The document should also be sent to the Stability and Supervision Departments in the National Bank of Romania for feedback.

Based on the feedback received from the RBA General Assembly and the NBR Departments, SPI Secretariat will prepare the final document to be presented for SPI Committee’s endorsement. The SPI Committee decision will be posted on the SPI Romania website, on the <http://www.spi-romania.eu/program-2007/loan-loss-and-mortgage-loan-servicing-databases/> page.

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