

Contents

1	Work-Out: Holistic Active Management of NPL	1
1.1	Introduction	1
1.2	An Overview of the Book	3
2	The Bad Bank and the Good Banking	9
2.1	What NPL Really Means	9
2.2	Perception, Deception	10
2.3	NPLs: A Booming Market	11
2.4	NPLs: A Macro and Micro Perspective	12
2.5	NPLs: The Lake and the River	13
2.6	Ways Back from Hell	14
2.7	The “Bad Bank” Approach	16
2.8	Systemic Bad Banks: The NAMA and SAREB Cases	17
3	The Work-Out Value Chain: Permutations and Clusters	21
3.1	The “Traditional” Credit Lifecycle	21
3.1.1	Credit Origination	22
3.1.2	Credit Management	23
3.1.3	Credit Management, Collection and Recovery	23
3.2	A More Proactive Approach to the Credit Lifecycle	24
3.2.1	Credit Origination	24
3.2.2	Credit Management	25
3.2.3	Active Management of Sub Performing Loans	26
3.2.4	Active Management of Non Performing Loans	27
3.3	Segmentation of Non Performing Loans	28
3.4	Permutations and Clustering of NPL Portfolios	30
3.5	Credit Work Out Strategies for NPL Clusters	31
3.6	Economics of the Recovery Strategies and “Make” Versus “Build”	33
3.7	Cost Income Analysis for Independent Work Out Platforms	34

4	The Work-Out Unit: Captive–Deceptive	39
4.1	Alternative Set Ups: Captive Versus Non Captive	40
4.2	The Internal “Embedded” Set Up	41
4.3	The Internal “Separate Legal Entity” Set Up	42
4.4	Captive “Deceptive”	43
4.5	The External “Outsourcing” Set Up	43
4.6	Model Selection: Three Factors to Consider	44
4.7	Bank Owned, Independent Credit Work Out Units	47
5	Developing a Credit Work Out “Alpha Platform”	51
5.1	Beta Trackers and Alpha Players: A Snapshot of the Asset Management World	51
5.2	Different Ways of Becoming an Alpha Player	53
5.2.1	Talent Driven Alpha Playing	53
5.2.2	Process Driven Alpha Playing	54
5.2.3	Algorithms Driven Alpha Playing	54
5.2.4	Scale Driven Alpha Playing	55
5.3	The “Trade off”: Cost Optimization Versus Recovery Maximization	56
5.4	Defining the Best Recovery Strategy	57
5.4.1	An Equipment Leasing Work Out Case Study	58
5.4.2	Real Estate Backed NPL Case Study	60
5.5	Defining the Best Position to Recover	62
5.6	Industrializing the Internal Capabilities	63
5.7	Ensuring the Effective Monitoring of Internal Structures	64
5.8	Ensuring the Effective Monitoring of External Structures	66
6	Developing an Holistic and Active Credit Work Out Unit	69
6.1	Developing a WHAM Approach	69
6.2	Design and Creation of a Credit Workout Unit	70
6.3	Crash Program on the Most Urgent Situations	75
6.4	Design and Development of Accelerators	76
6.4.1	Real Estate Agency	77
6.4.2	REOCO	81
6.4.3	Active Real Estate Management (AREM)	88
7	Managing Competitively NPL Portfolios and Third Party Servicers	89
7.1	Managing Competitively NPL Portfolios	89
7.2	An Approach to Credit Workout Excellence	90
7.3	NPL Portfolios Database Assessment	92
7.4	Portfolio Valuation and Recovery Strategy Implementation	94
7.5	The “as is” Value	95
7.6	The “To Be” Value	101
7.7	The Overall Assessment of the Strategy	102
7.8	Defining the Best Set of Actions	106

8	The WHAM of a Troubled Corporate Loans Portfolio	109
8.1	Corporate Restructuring and Credit Work Out	109
8.2	Sub Performing Corporate Loans: The Ways Out	111
8.3	Corporate Restructuring: An Overview	114
8.3.1	Company Crisis: Reasons and Indicators	114
8.3.2	Early Actions: Institutionalizing Cash Management.	116
8.3.3	Determining the Value of Options for Shareholders	118
8.3.4	Assessing Restructuring Options.	119
8.4	The Importance of a Holistic Turnaround Approach	121
9	The WHAM of a Real Estate Loans Portfolio	123
9.1	Banking and the Real Estate Sector—The Interconnections	123
9.2	How Many Real Estate Assets Does a Bank Have in Its Portfolio?	124
9.3	An Optimal Management of Real Estate Assets	126
9.4	AREM—Active Real Estate Management	129
9.5	Active Space Management	133
9.6	The Bank as an Integrated Real Estate Player	134
10	The WHAM of a Troubled Leasing Equipment Portfolio	137
10.1	The Management of an NPL Leasing Portfolio	137
10.2	Leasing: It's All About the Underlying	138
10.3	Short Term Management Actions on Leasing NPL	139
10.4	A Medium-Long Term Program for Real Estate Leasing Contracts.	141
10.5	Value Creation in Leasing.	143
11	Working It Out: From Value Recovery to Value Creation	145
11.1	The Evolution of the Credit Work Out Business	145
11.2	The Industrialization of Credit Recovery	146
11.3	Innovations	150
11.4	Working It Out: Holistic and Active.	151
	Bibliography.	153

Holistic Active Management of Non-Performing Loans

Scardovi, C.

2016, IX, 153 p., Hardcover

ISBN: 978-3-319-25362-6