Moody's Analytics Announces Release of Moody's CreditCycle, the First Consumer Loan Risk-Modeling Service to Integrate Regional Economics with Consumer Credit Performance Data

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NEW YORK--(BUSINESS WIRE)--

Moody's Analytics announced today the launch of a new service for forecasting and stress testing the performance of consumer loan portfolios. Called Moody's CreditCycle, the service is the only one of its kind that integrates internal, lender-specific performance factors, such as lending standards and collection practices, with regional economic performance data and forecasts.

The service uses regularly updated global, national, and regional economic data and forecasts from Moody's Economy.com. Portfolio performance forecasts under alternative economic scenarios can be used to facilitate compliance with risk management and regulatory requirements such as Basel II. With over 50 economists on staff, Moody's Economy.com is a leading provider of macroeconomic data, forecasting and analysis.

"By harnessing and integrating our macroeconomic analytics and forecasting, Moody's CreditCycle can identify emerging risks before defaults start to spike," said Tony Hughes, Managing Director of Consumer Credit Analytics for Moody's Economy.com. "This is especially important in uncertain and volatile times. Other products simply extrapolate the trajectory of losses as defaults start to build, but by then it's often too late for lenders to adjust their exposure and manage their risk."

Moody's CreditCycle identifies and quantifies the effects of external and internal factors that comprise the key building blocks of consumer credit performance: quality at origination (vintage quality), lifecycle component, and the prevailing economic conditions faced by existing account holders. The software platform is highly flexible and customizable, allowing users to edit model coefficients and variables. A fully documented methodology provides complete transparency for consumer lenders, helping them understand their consumer credit exposure and underlying drivers of performance. Lenders can also tailor the analysis to fit with their particular client segmentation needs and economic outlook.

"With Moody's CreditCycle, lenders can determine to what degree a slow-growing or stagnant economy will have a negative impact on the credit quality of mortgages versus credit card loans," said Erlind Dine, Strategy & Marketing for Moody's Analytics. "By analyzing drivers of performance at a regional level, lenders can more effectively target regions with opportunities, while limiting their downside in regions expected to under perform."

As a first step in the analysis, Moody's CreditCycle identifies key drivers of consumer credit performance, such as minimum lending standards, marketing and collections efforts, economic conditions, interest rates, and unemployment. All this can be done at a granular level, allowing for specific regional conditions and actions to be incorporated in the analysis.

Next, Moody's CreditCycle produces forecasts under alternative scenarios that are consistent with the lender's planned business strategy and credit policy decisions, as well as expected economic conditions. This analysis is fully integrated with Moody's Economy.com's extensive economic data, allowing consumer credit assessments to automatically integrate updated forecasts for underlying economic conditions.

Moody's CreditCycle uses a secure, user-friendly, and graphics-based desktop application. Users can view data in various graphical and tabular formats, including geographic and risk-based "heat maps." Data entry is straightforward and fast. Outputs can be easily fed into corporate level portfolio management platforms such as RiskFrontier for economic capital calculations. The software platform can analyze all consumer credit product lines such as credit cards, auto loans, first mortgages, home equity, student loans, etc.

About Moody's Analytics

Moody's Analytics is a leading provider of research, data, analytic tools and related services to debt capital markets and credit risk management professionals worldwide. The company's products and services provide the means to assess and manage the credit risk of individual exposures as well as portfolios; price and value holdings of debt instruments; analyze macroeconomic trends; and enhance customers' risk management skills and practices. Moody's Analytics is a subsidiary of Moody's Corporation (NYSE:MCO), which reported revenue of $2.3 billion in 2007, employs approximately 3,600 people

worldwide and maintains a presence in 29 countries. Additional information about the company is available at www.moodys.com.

Source: Moody's Analytics

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