

CASE STUDY

A commercial bank upgrades its public finance loan review process

THE CLIENT:

A regional bank (bank)

USERS:

Public Finance credit risk
team

This bank manages a portfolio of dozens of Public Finance issuers in its loan book of business. The bank's credit risk team conducts an in-depth credit analysis at origination and annual review of every issuer as part of the bank's surveillance process. Additionally, the credit risk team shares these credit analyses with the loan origination team, portfolio management team, and senior bank management. Given the importance of these analyses to several banking departments, the bank was interested in upgrading and streamlining its processes. By working with S&P Global Market Intelligence (Market Intelligence), the bank achieved these goals, upgrading its loan review process and increasing its efficiency when evaluating the creditworthiness of municipal entities.



Pain Points

The Public Finance team had been struggling with their internally developed solution, which was not adequate for the bank's needs. More specifically:

- **Identify growth trends** across the industries being served.
- **Data coverage:** the bank was spending more hours trying to obtain the necessary data than it was conducting the analysis.
- **A single credit scoring model to cover all exposures:** The bank had exposures to general obligations, water and sewer utilities, not-for-profit higher education and healthcare. The bank was using a one-size-fits all model and found the analysts typically had to override the results, adding even more time to the credit assessment process.
- **Model documentation was lacking:** the bank did not have sufficient user guides for the analysts or the validation documentation providing evidence of how their internal models performed.
- **Cumbersome surveillance process:** the process the bank used to conduct annual reviews of their outstanding loans was manual and time consuming.

The bank's Public Finance team evaluated the Market Intelligence's Public Finance Automated Scoring Tool (PFAST) and felt this solution would address its needs.

The bank was using a single model to cover both general obligation and different revenue segments. In the majority of cases, the analysts found they were overriding the model results.



The Solution

Market Intelligence recommended PFAST, an Excel-based suite of Market Intelligence Credit Assessment Scorecards that is both an automated credit scoring and data solution enabling users to:



Assign credit scores to the vast majority of the bank's municipal entities

PFAST offers broad Public Finance sector coverage, including:

- **General Obligation** issuers or states, cities, counties and school districts
- **Water and Sewer** utilities
- **Not-for Profit Health Care** including health care systems and hospitals
- **Not-for-Profit Higher Education** including private and public/state institutions
- **Transportation** including airports, mass transit, toll roads, bridges, and tunnels.



Automate scoring for nearly all debt-issuing cities, counties and school districts

Market Intelligence has collected at least three years of financial and economic data for nearly all local governments that issue debt. An automated scoring process applies that data to the State and Local Government Scorecard enables our clients to score nearly the entire universe of unrated entities and create benchmark credit scores for their rated entities.



Monitor your outstanding loans in minutes

By simply inputting a CUSIP or S&P Capital IQ ID, a user can generate overall risk scores for each issuer and sub-scores such as economic fundamentals or budgetary flexibility.



Conduct scenario analysis

Additional functionality for conducting “what-if” scenario analysis for municipal portfolio, taking into account our different Covid-19 related recession scenarios or a company’s own assumptions.



Key Benefits

The PFAST provides an automated credit scoring tool for all US cities, counties, and school districts. A similar approach is also available for the major rated revenue bond segments. Key benefits include:

- **Broad scope of application** with sector-specific credit scorecards and data for General Obligation and Revenue Bonds including Water and Sewer, Not-For-Profit Healthcare, Not-For-Profit Higher Education, and Transportation.
- **Productivity gains** with the automated data collection and credit scoring of nearly all cities, counties and school districts including unrated entities.
- **Methodology transparency** of the Scorecard including all risk factors, weights, benchmarks, and scoring algorithms.
- **Training and ongoing analytical assistance** to help groups understand the range of available capabilities and continue to get the most out of the solutions.
- **Quickly get up to speed** in public finance credit analysis with our easy to use Scorecard User Guides and 24/7/365 support from our global customer support team.
- **Validation support** through annual technical documentation that explains Scorecard methodology and testing.
- **Extensive coverage and continually growing database of municipal entities financials and economic data.**

Click here to learn more about the [Public Finance Automated Scoring Tool \(PFAST\)](#)

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