

Hi Kevin. We went back and ran the tool on ten loans and discovered that it is both easy to use and provides an accurate representation of risk. I also applied it to one of our stronger files and it generated a risk rating of "low". Good work and good luck in your negotiations. If I may be of any assistance please don't hesitate to let me know. Take care.

Wayne McLennan
Manager Financial Services
dāna Nāye Ventures

Kevin;

Given that we assessed historical loans, the assessment was realistic. The employee we had do the assessment is new to us and he went through the Files looking for the information. He commented on the subjective factor Required to assess some of the factors and different views of the facts could Have resulted in some of the loans getting scored into a neighbouring risk level. Overall, however, we would say the tool does a good job discerning the risk.

Alex

Alex,

Would you say the risk measurement tool results were a realistic portrayal of the actual risk level for these loans, or do you feel the measurement tool results were out to lunch or???????

Kevin Schindelka

Kevin;

Results from rating our last 10 loans with the risk rating model:

- 1) #0603114; 380, high
- 2) #9803161; 440; very high
- 3) #0651191; 150; low
- 4) #0590856; 345; high
- 5) #0503191; 120; low
- 6) #0106128B; 215; moderate
- 7) #0553011; 1401 low
- 8) #0305282; 245; moderate
- 9) #0577186; 385; high
- 10) #0552810; 475; very high

Alex

Hi Kevin!

We did about 10 clients and it was dead on. We will be using this form for all of our new loans. Way to go and thank you.

Thank you

Raymond St. Arnaud

General Manager

Kevin:

Applying the worksheet to my last five loans resulted in the following findings:

Loan Number Client Rating

07-01 Airline 240

06-05 Retail 275

06-04 Service 320

06-02 Service 245

06-01 Professional 340

If you need anything else just let me know.

Thanks,

Bill

Risk Premium Offset Measurement Tool

Hi Kevin...your email was forwarded to myself and other staff by Harvey ... I tested the measurement tool with a couple of recent loans and the risk rating was fairly close to that obtained through our risk assessment guide .. I attach a copy of that guide for your information....this guide was developed for use in our office to begin to provide interest rates within a flexible range (8.5% to 12%) rather than charging all clients the highest rate of 12%...the intent was to attract more "good" loans; that is with lower risk and an increased potential for repayment We developed the guide based on an earlier version of your tool and have been using the guide since April of last year. It appears to be working although with increases to the Bank of Canada interest rate, and subsequently major bank rates, it may be necessary to raise the range of our interest rates...I will review our guide and your revised tool to identify areas where we might improve; however, that will likely not happen for several weeks as I am away on holiday from August 28 to September 4 (returning on the 5th). Harvey and Giuseppe are also away so I thought I would take a quick look and drop you a line now....so the disclaimer is...this is my input and I have not reviewed with anyone else in the office...likely we will have further input after we have time to further discuss together internally...as a general comment, a one page tool was felt to be more user friendly when we had developed our guide.....thanks, Colleen

HAVE A GREAT DAY!!!

Colleen Martin, Loans Manager

Kevin,

I like it. I like it a lot. Out of ten loans measured, eight were moderate and 2 were high. Overall score factors ranged from 205 to 330.

Hope this helps. Let me know if you need anything..

Gord

We did 10 tests on the above tool.

5 rated moderate - amount of loans \$55,000, \$16,100 \$15,000 \$127,600 \$51,900

5 rated high - amount of loans \$19,000 \$10,225 \$80,000 \$10,000 \$118,000
The \$19,000 loan in this category was an R9

Tammy Hubbard
for Patty Shaw

Hey Kevin,

I was away from the 9th to the 28th. Sorry I didn't get back to you sooner.

The following are my comments:

Management category - seems to be some overlap of criteria - management experience with track record and financial performance. It is possible to have a good manager with poor financial results. Could lead to some confusion.

Credit History category - does the definitions here mean that a loan made to someone who has had a write-off 5 years ago would not qualify for the RPO?

Marketing - more than one criteria per rating.

Repayment ability - again there is more than one criteria for each rating. Might lead to confusion / subjectivity as to which rating to pick.

That's all I have. Basically just the two issues: 1. problem of difficulty choosing which rating because of multiple criteria per rating within some categories and 2. being able to fit our highest risk clients into one of the ratings within each category.

Todd

C.J. Todd Noseworthy

It should be understood, by all involved that the CIFN loan portfolio consists largely of a group of personal loans, provided for business purposes. We are aware that most clients fall in the higher than average risk category, because that is CIFN's mandate. The criteria indicated in the above information provides weightings, based on information, that is not available from the average CIFN client. The RPO Risk Measurement, has been developed to assist the CFDCs identify the risk of their portfolio. However, it could also be used I think as a guide which could be gradually implemented to try and specifically identify the strengths and weaknesses of individual clients, in that setting it would probably be a good tool for the lenders to use. Clearly a lot of work has gone into the preparation of these schedules and it would be nice to think that there would be some benefit to CIFN to apply it to our applications. However, even in a perfect setting where all of the information is available to complete the assesment totally, it would still not replace the role of the lender to assess all of the clients information and draw a conclusion about whether to recommend that a given application be declined or approved. The lender still has to have the **interest and enthusiasm** to give each application thorough and thoughtful consideration taking in to account all of the information that is available and then use their own **good judgment** based on previous experience, to prepare an application that presents this information in an orderly, accurate and effective manner. Take Care, Geri.