

BancPath Report FAQ

How are the Non-Maturity Deposit (NMD) assumptions calculated?

Betas: There is a built-in beta calculator in the model detailed in the Addendum. If there are enough data points for statistically valid assumptions and a correlation (R-squared) of at least 65 percent, the model then can be set to use Actual betas. However, if the bank specific data does not have a strong enough correlation, the default assumption is used, unless Management overrides the assumptions with a user-defined assumption. The default assumption is based on the average beta calculated from all clients on the BancPath® system.

NMD Life (duration) : Bank management provides deposit detail, which includes deposit balance, account number, and account open date, every time the model is run that allows the BancPath® model to calculate the weighted-average life of all deposits in the bank on a dynamic basis. This method allows us to capture the movement of dollars within each deposit account over a period of time. The calculated weighted-average life of deposits is then adjusted by a retention factor, which measures how well bank management is able to maintain deposit relationships.

Until a bank has been on the BancPath® model for a minimum of three years, the **retention rate** will default to the FDIC experience of deposit retention of failed institutions, which is 33 percent. However, management can provide a user-defined retention rate, or provide a listing of accounts from a minimum of three years ago to calculate bank-specific retention history. The longer the history provided, the more reliable the retention rate. (Note: core processor changes and bank acquisitions can skew data.) Once a client has been on the system for three years, the retention rate is calculated by comparing the current database to the base year database to track the percentage of accounts closing over time. The retention calculator will go back as far as five years assuming a client has been on the system that long.

The BancPath® model also calculates a **balance decay** percentage on individual accounts as an option to the retention rate to use as the adjustment factor to the weighted-average life. This method looks at the balances in each account based on depositor account number in the base year and compares it to the balance in those same accounts in the current time period. The results of the balance decay methodology are provided in the Addendum. A negative percentage change indicates decay whereas a positive change indicates growth. A comparison between the balance decay methodology and the account retention methodology is included in the Addendum. The retention methodology will generally result in a shorter duration of deposits versus the balance decay methodology

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