

Situation Pan American is a regulated bank that operates in rural Latin American markets and some urban centers. They take deposits from landowners and lend primarily to MSME and informal businesses. Most borrowers are directly connected to agriculture (farming, processing, shipping, storage) or dependent on the agricultural economy (irrigation, equipment and maintenance, supplies). The sector is greatly underserved by traditional banks, who struggle to lend at rates beneficial to most businesses.

Challenge

- Many customers are undocumented or poorly documented
- Many customers have limited or no formal borrowing experience
- Education attainment and literacy are limited
- Financial bookkeeping is modest, at best
- Agricultural cycles drive repayment potential and cause poor assessment by conventional underwriting models
- PD was nearly 8%, creating need for swift action

Solution Verde rapidly deployed standalone, automated underwriting systems in just 8 weeks. In parallel, we developed a fully digital LOS and decision system with full integration to the bank's core and external data sources. The decision system included full offer optimization and shareholder value management. This fully integrated deployment took just 4 months.

Next, we installed account management tools in the decision system, enabling the bank to identify and engage at-risk accounts before evidence of delinquency. Models reflected market economics and produced P&Ls and cashflows, so the system fully supported IFRS and even drove account-level stress tests.

Results

- PD dropped from 8% to **2%**
- Look to book increased from 12% to **70%**
- Improved data collection led to better models, higher profitability
- Economically driven loan collections shifted focus from naïve timing to full timely repayment and optimal risk mitigation
- Highly automated support agents and instant funding for indirect equipment loans outside the bank's own network
- High compliance assured by automated regulatory reporting and inclusion testing
- Low losses and high efficiency enable the bank to profitably lend at interest rates that were previously unattainable

Since The program was so successful that two multinational lenders threatened to retaliate for Pan American poaching their best customers.