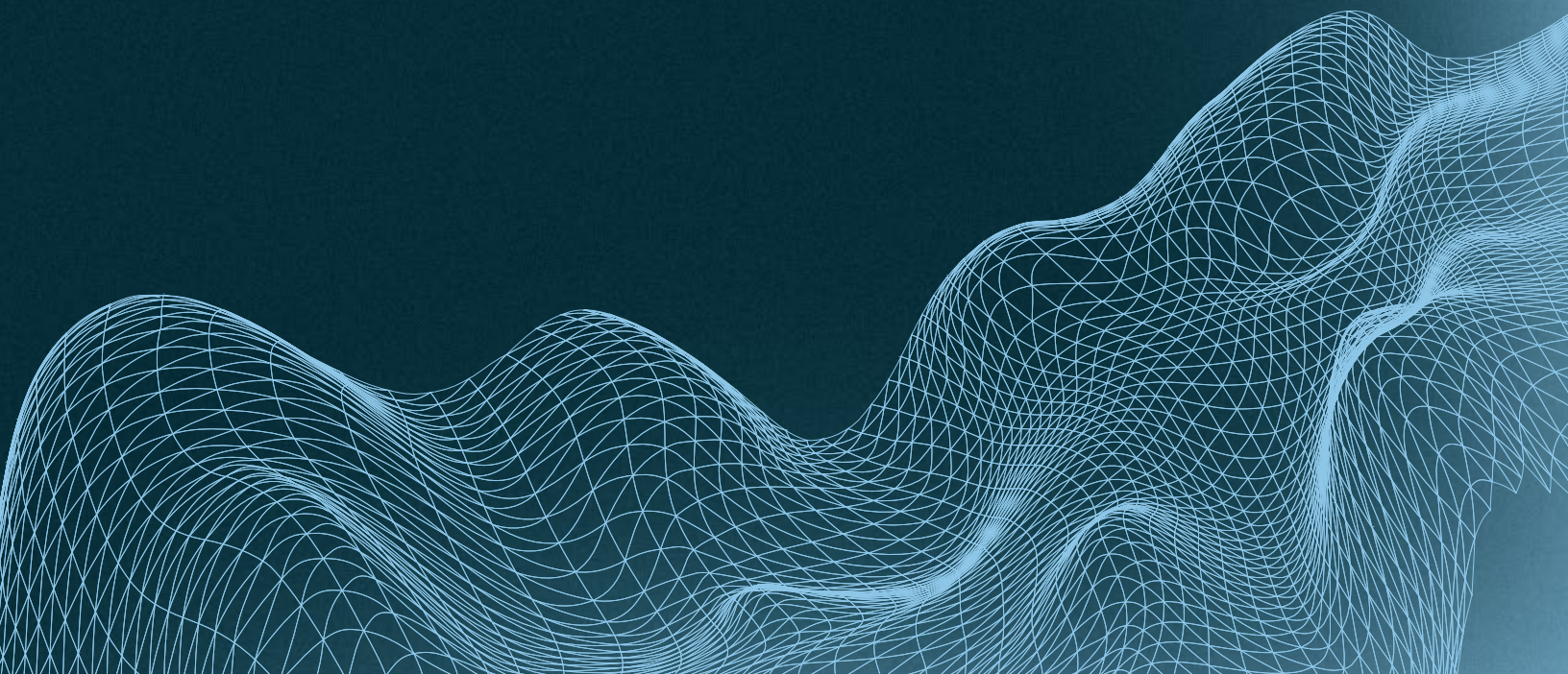




# Checklist of Must-Dos Before Selling Non-Performing Debt

Before selling your defaulted portfolios and NPLs, ensure you've covered all the essentials with this comprehensive checklist. Whether you're seasoned in the process or trying it for the first time, this guide will help you confidently move forward.





## **Pre-Sale Preparation:**

---

### **Classify and Segment the NPLs to be sold:**

- Ensure detailed classification based on loan type, borrower profile, delinquency status, geography, age of the debt, and other relevant factors.

### **Conduct Comprehensive Due Diligence Internally:**

- Validate loan data, borrower information, compliance status, and the age of the loans internally using your team's expertise.
- Perform a legal assessment to identify potential issues such as incomplete documentation, liens, or borrower disputes.

### **Market Evaluation:**

- Assess current market trends and conditions, with a particular focus on pricing trends for loans of similar age and type, to determine the most opportune time to sell.
- Consider potential regulatory changes that may impact the sale.

### **Data Analysis & Loan Tranching:**

- Segment loans based on factors such as size, geography, risk profile, loan performance history, age and pricing expectations.
- Utilize data analysis techniques to identify potential recovery outcomes based on the loan's age, as this often affects collectability and pricing.



### **Brokerage and Advisory Support:**

- Consider hiring an experienced broker or advisory firm with a proven track record in optimizing NPL sales.

### **Ensure Data and Documentation Completeness and Accuracy:**

- Conduct thorough data and media audits internally to ensure all loan information is accurate, complete, and up-to-date.
- Implement quality control measures for data integrity throughout the sale process.

### **Regulatory Compliance:**

- Review all regulatory requirements to ensure the portfolio and sales process are fully compliant.
- Confirm that all potential buyers meet compliance certifications for the sale.

### **Confidentiality:**

- Ensure all potential buyers sign NDAs to protect sensitive borrower and portfolio information.

### **Portfolio Valuation:**

- Conduct a comprehensive valuation of the assets to be sold to determine an expected market clearing price range, adjusting for factors like risk, market trends, loan age, and market pricing trends.



## During the Sale Process:

---

### Confidentiality Agreements:

- Ensure all potential buyers sign NDAs to protect sensitive borrower and portfolio information before providing access to any data/documentation.

### Access to Data Room:

- Provide buyers with access to a secure data room containing all relevant loan documentation, ensuring access controls are in place and all activities are tracked.
- Create a comprehensive seller survey outlining the loans for sale for all buyers to review as part of their pre-sale due diligence process.

### Complete and Accurate Information:

- Make certain that all loan files, borrower information, and supporting documents are complete, accurate, and up-to-date within the data room.

### Communication and Support:

- Maintain open lines of communication with potential buyers to address any questions or concerns that may arise during their review.
- Provide clarification on loan characteristics, age, and any other relevant details that could impact the buyer's evaluation of the portfolio(s).



- Use a centralized communication platform for all buyer interactions to maintain consistency, traceability, and transparency.

### **Regulatory Compliance Verification:**

- Allow buyers to conduct their due diligence on regulatory compliance aspects and be prepared to provide evidence of compliance when requested.

### **Offer Transparent Bidding Guidelines:**

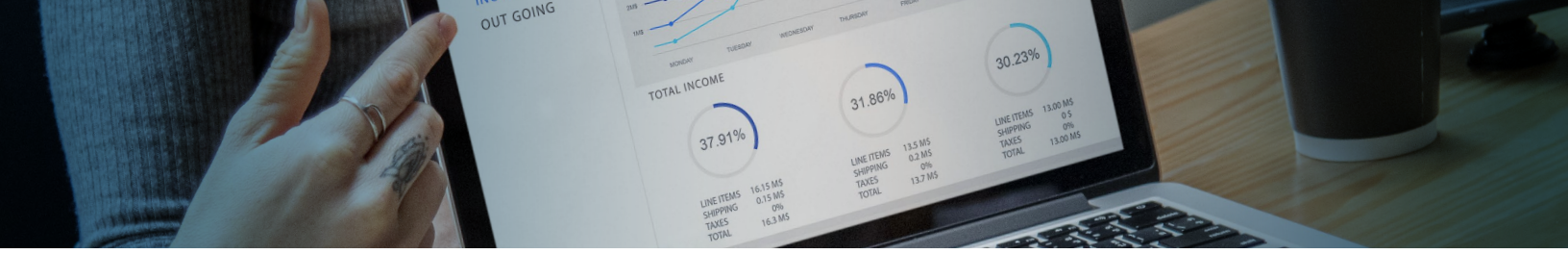
- Clearly communicate the bidding process, timelines, and expectations to all potential buyers during the review period to avoid confusion and ensure a smooth auction process.
- Create a transparent yet private and competitive bidding process (i.e. single round seal bids, etc.).
- Request bidders submit redlines to the Purchase and Sale Agreement along with their bid.
- Determine what approvals are needed within your organization to move forward with the sale once bids are received.

### **Brokerage and Advisory Support:**

- Consider hiring an experienced broker or advisory firm with a proven track record in optimizing NPL sales.
- Leverage advice from independent brokers to decide if retaining a portion of the portfolio is strategically beneficial.

### **Negotiation of Terms:**

- Negotiate terms such as payment schedules, representations, warranties, and potential recourse provisions into your agreements, taking into account the loan age and corresponding pricing expectations.



- Ensure clear understanding of asset transfer processes and buyer obligations.
- Determine if any restrictions can/should be placed on the debt buyers collections activities post sale (i.e. credit bureau reporting, legal collections/litigation, account resale, etc.)



## Post-Sale Process:

---

### Retention of Recovery Visibility:

- Retain visibility into the recovery process, even post-sale, to monitor compliance and performance.
- Establish reporting protocols for buyers to provide updates on recovery status and/or compliance requirements.

### Transition Support:

- Offer support to buyers during the transition, including documentation/data queries and system integrations.
- Establish uniform processes for execution of the debt sale and all post sale interactions with debt buyer(s).

### Debt Sale Processes, Platform, and Resources:

- Determine what resources are needed internally to manage post sale processes (i.e. affidavit support, etc.).
- Establish what systems/platforms will be used to manage debt sale processes before and after closing of the sale.



- Create a consumer complaint/dispute handling process for sold accounts.
- Stand up ongoing business reviews with debt buyer(s) to understand portfolio performance & relationship health.
- Create performance and compliance reporting and KPI's over the debt sale process.

### **Data Security:**

- Ensure all data transfers are secure and compliant with privacy regulations.
- Collaborate with your IT team to ensure all sold accounts are appropriately marked as sold within your LMS.
- Document processes for communications with consumers whose accounts have been sold (i.e. IVR, online portals, etc.).

### **Debt Sale Processes, Platform, and Resources:**

- Conduct a post-sale compliance review to ensure all transactions adhere to legal and regulatory requirements.

### **Ongoing Buyer Oversight:**

- Conduct ongoing oversight/due diligence on at least an annual basis for any debt buyers that have purchased accounts.

**If you're looking for the best partner for a debt portfolio sale, Everchain handles every item on this checklist, providing you with the industry's top tools, vendors, and advisors to optimize each step of your NPL selling process.**

 EVERCHAIN  
[everchain.com](https://everchain.com)