



ASSET MANAGEMENT

a best practices checklist ✓

WHAT IS ASSET MANAGEMENT?

The Institute of Asset Management defines asset management as the “coordinated activity of an organization to realize value from assets.” Effective asset management positively impacts the mission of the investment portfolio while at the same time optimizing the profitability and value. Taking a step back to view and coordinate all aspects of the investment enables the right decision to be made at the right time.

HERE IS WHAT YOU WILL LEARN:

- Gain a better understanding of asset management best practices
- Assess the benefits of good asset management
- Evaluate your current asset management process
- Learn how to implement an effective asset management program

This checklist was created utilizing asset management best practices through the full lifecycle of the asset, in order to ensure all this information is easy to find and analyze. Use this as a high level path to access your current asset management processes. For a more comprehensive assessment, please contact us today and we'd be happy to work with you further!

Evaluate Your Current Asset Management Process

What is your current state of asset management?

The first step in asset management best practices is knowing the current state of all your assets. If your organization has different people managing a single asset amongst multiple groups, such as compliance and origination teams, it may be difficult to initially find and organize all this information.

Before any decisions are made you should have already defined a mission for your portfolio. If you have assets, but have not defined the mission of your portfolio, it is imperative that you do that before moving forward. After your mission is defined you can begin.

Some questions you need to ask yourself:

1. What is the goal or mission of the portfolio?

2. Who are the entities involved and what is the ownership structure of all the assets?

3. Have I prepared an asset inventory to include the current condition, current value, and a list of assets failing to perform?

4. How am I currently storing, managing, and reporting all project and deal information throughout the asset lifecycles?

Evaluate Your Current Asset Management Process

How are you evaluating and managing your assets?

Once you have an understanding of the status of all assets, and the portfolio has a defined mission, you should consistently evaluate and manage the portfolio optimally. You should have an understanding of all the terms and conditions surrounding each project to ensure that you are not missing anything. For example, a slight deviation in plans during construction that go unnoticed by the agency may cost the entire project if it goes out of program compliance.

From origination to final disposition, there should be a cycle of gathering information. That information needs to be analyzed to evaluate and monitor things such as asset performance and risk. This allows you to take advantage of opportunities, as well as mitigate problems as they occur in the portfolio.

Some questions you need to ask yourself:

1. What programs and funding sources am I utilizing for the entire portfolio?

2. What rules or regulations are required to keep the asset in compliance?

3. How do I currently monitor asset performance?

4. What information is typically collected for each asset?

5. What are the top 5 best performing assets?

6. What are the top 5 most troubled assets?

7. Do I notice any trends in the top 5 best, and top 5 most troubled assets?

Implementing an Effective Asset Management Program

Tax Credit Allocation and Loan Origination

Tax Credit Allocation and Loan Origination are the processes of working with an investment partner to acquire new assets through either a debt or an equity agreement. When working on loans, bonds, tax credits, grants, and federal/state funded programs, these teams face constant challenges in managing large volumes of applications and funding new projects in an effective and sustainable way. To make matters more challenging, this same group is often responsible for managing the deal through construction, and responding to external information requests throughout the life of the deal. While Asset Management doesn't perform the following steps, it's important for them to have input and communication in order to help support these groups.

Step 1: Underwriting & Pricing

- Identify and analyze target ratios
- Develop forward-looking forecasts for the investment
- Analyze sponsorship experience and track record
- Inspect the property or asset quality
- If it is an existing asset, review the historic performance

Step 2: Define Obligations & Responsibilities

- Who are the entities involved and what is the ownership structure?
- Are there any deal specific loan covenants or partnership agreements?
- What are the financial reporting requirements for the various deal participants?
- What type of key performance indicators will govern the expectations of the asset?
- How will taxes be managed?
- What compliance and regulatory requirements, if any, does the investment involve?
- Who is responsible for monitoring those regulatory requirements?
- If any of the obligations are not met, what are the consequences?

Step 3: Streamline the Onboarding Process

- Find a way, we recommend software, to manage all processes, data, documents, and spreadsheets into one aligned system that will be used to track all asset and portfolio performance

Notes:

Implementing an Effective Asset Management Program

Portfolio Management

Effective Portfolio Management proactively manages risk across all your investments in order to maximize value. It is in this stage where agencies choose to adopt one of two options: manage investments on a singular basis or across a range of investments to maximize overall portfolio value. In order to successfully transition to a holistic portfolio analysis approach, which we recommend in asset management best practices, there are a few core strategies to follow:

Step 1: Periodic Process of Evaluation

- Analyze periodic financial statements to track asset performance in comparison to defined obligations, and forecasts
- Who are the entities involved and what is the ownership structure?
- Are there any deal specific loan covenants or partnership agreements?
- What are the financial reporting requirements for the various deal participants?
- What type of key performance indicators will govern the expectations for the performance of the asset?
- How will taxes be managed?
- What compliance and regulatory requirements, if any, does the investment involve? Who is responsible for meeting those regulatory requirements? If any of the obligations are not met, what are the consequences?
- Perform risk analyses to indicate a risk score on each asset

Step 2: Ability to Handle Problems

- High scores should be put on a watchlist with a plan of action to improve the high-risk score
- Ensure there is a procedure and resource team to work on any problems in the watchlist that arise
- Adopt a single database of record, which can integrate risk monitoring and departmental processes across the entire portfolio, in order to keep all documents and interactions between participants in one location

Step 3: Regulatory & Investor Reporting

- Ensure that all information gathered is presented to investors in a timely manner so they are aware of any issues that may arise. Utilizing an auditable and automatic reporting system can help this process

Notes:

Need Help With Your Asset Management? Contact Us Today!

Call us at: (877) 237-3163

Email us at: hi@prolinksolutions.com

Visit us at : www.prolinksolutions.com