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Usage, Spreads and Funding of Revolver Loans.

This paper develops a model for spread movements and variable usage to estimate the funding needs for loan commitments. Credit spread changes are modeled using reduced-form hazard rates and structural rating migrations. Variable usage is modeled using a statistical relation between credit spreads and loan utilization. A Monte Carlo simulation of spreads and usage is used to obtain expected and unexpected funding needs at different maturities. (Received February 07, 2008)