

Spring 2017 Course Syllabus

Course Number: BA-467

Course Title: Credit Risk Management

Credit: 4 Units (45 hours of lecture)

Days and Time: Wed 12:30pm to 3:15pm

Office hours: Mon & Wed 11:45am-12:30pm or By appointment

Instructor: Prof. Albert Loh

Course Materials

Textbook: The Handbook of Credit Risk Management: Originating, Assessing, and Managing Credit Exposures, by Bouteillé and Coogan-Pushner. December 2012. ISBN-13: 978-1118300206 ISBN-10: 1118300203.

Tools: A basic handheld calculator is required. Other mobile device calculator will not be allowed. Supplemental materials (such as periodical, article, or case study) will be provided in class.

Course Description

Credit risk is the risk of financial loss in the event of a default. Default arises from an inability to meet timely financial obligations. This course introduces students to what credit risk management is, from origination to assessment to mitigation to recovery of credit financing, what the lending and credit selection process is, how to measure and manage credit risk, and what the common risk management models are.

Prerequisite: BA303

Learning Objectives

The asset side of the balance sheet is supported by a capital structure consisting of both liabilities and equity. Each industry will have a unique composition of debt and equity based on nature of the industry business. In this course, we will focus on the management of credit risk, which arises from the use of short- and long-term debt. The management of credit risk portfolio encompasses 4 sequential steps. The first step is origination, which is then followed by assessment and portfolio management. The final step is mitigation and transfer of credit risks. At the end of the course, you would understand the fundamentals of credit risk and learn the tools available to manage it.

Instructional Methodology

The course will be conducted in the form of lectures and discussions on each topic shown in the class schedule below.

Course Requirements and Evaluation

While in class, students are expected to conduct themselves in a professional manner. Professionalism includes regular attendance, participation in class discussions, civil conduct, and ethical behavior, etc. If a student is observed coming to class late often, being disrespectful to peers, texting or using mobile devices, or carrying on personal conversations during lecture, the professionalism portion of the grade will be reduced based on a demerit system. The course begins with each student having the full 50 points.

Tardiness without valid reasons greater than 1 time will result in 5 points deduction. Behavioral offenses such as texting, using of mobile devices, or engaging in disorderly conduct in spite of reminder or warning will result in 10 points deduction.

Homework assignment: Every student needs to read the PowerPoint Slides according to the syllabus timetable in preparation for the upcoming class session.

Higher education is about learning how to learn. So in acquiring new knowledge, always pay attention to the learning objectives of each chapter or topic. In addition, you will enhance your understanding by solving the chapter problems to be assigned in class. Of course, you are welcome to bring questions to class for discussion by reading ahead of each classroom lecture. Achievement is assured when done repetitively.

Your performance in this course will be evaluated under the following model:

Mid-Exam: 150 points	A = 451 – 500
Final Exam: 200 points	B = 401 - 450
Professionalism: 50 points	C = 351 - 400
Term Project: 100 points	D = 301 - 350
Total: 500 points	F = < 300

The mid-term and final exams will be closed book and include multiple choice questions and problems that are similar to the term assignments. They are designed to test both theory and problem solving. There will be no "extra credit" work during or after the semester.

The term project will involve researching, studying and presenting a credit risk management topic not taught in class. A PowerPoint presentation is required.

The key to success in this course is communication and interaction. Thus, we will have to work as a team. First, we will create a positive learning environment where everyone can participate without fear. Second, relevant reading and problem assignments will be presented and discussed in class. When in doubt, ask.

Scholastic Dishonesty

Scholastic dishonesty will not be tolerated. Students who violate rules of academic dishonesty are subject to disciplinary penalties, including failure in the course and/or other actions from the University.

Tentative Class Schedule

Date	Topics
Jan 18	Course introduction and Chapter 1: Fundamentals of Credit Risk
Jan 25	Chapters 2 & 3: Governance and Origination of Credit Risk
Feb 1	Chapter 4 & 5: Credit Risk Measurement and Dynamic Exposure
Feb 8	Chapters 6 & 7: Fundamental of Credit Analysis and Alternative Estimations
Feb 15	Chapters 7 & 8: Securitization
Feb 22	Special Topic: Understanding FICO and Exam Review
Mar 1	Mid-term Exam
Mar 8	Exam Result Review & Chapter 13 & 14: Risk Mitigation
Mar 22	Chapter 9: Credit Portfolio Management
Mar 29	Module 5: Mitigation and Distribution 1
Apr 5	Module 6: Mitigation and Distribution 2
Apr 12	Chapter 18: Bankruptcy and Altman's Analysis
Apr 19	Final Exam Review
Apr 26	BA467 Presentations
May 3	2-hour Final Exam

Addendum: Supplemental Course Materials

The PowerPoint slides are designed to give students a head start in learning course materials in a concise and coherent fashion. They are not intended to substitute, but complement, the textbook and classroom lectures. Don't just read; you need to absorb and understand the body of knowledge through a synthesis of critical thinking and problem solving skills. Thus attending classroom lectures and completing exercises and assignments are critical to your success.

Syllabus reviewed: Jan 10, 2017.