Lincoln University

BA 367 – Credit Risk Management
COURSE SYLLABUS
2018

Instructor:	Prof. Albert Loh
Lecture Schedule:	Mon, 3:30 PM – 6:15 PM
Credits:	3 units / 45 lecture hours
Level:	Mastery 2 (M2)
Office Hours:	Mon 2:15 PM – 3:15 PM
	e-mail: aloh@lincolnuca.edu

Textbooks:	The Handbook of Credit Risk Management: Originating, Assessing, and Managing Credit Exposures, by Bouteillé and Coogan-Pushner. ISBN-13: 978-1118300206 ISBN-10: 1118300203. Supplemental materials (such as periodical, article, or case study) will be provided in class.

Tools:	A basic handheld calculator is required. Other mobile device calculator will not be allowed.

Last Revision:	January 13, 2018

COURSE DESCRIPTION
Credit risk is the risk of financial losses in the event of a default. Defaults arise 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), what the lending and credit selection process is, how to measure and manage credit risk, and what the common risk management models are. (3 units)
Prerequisite: BA 303

EDUCATIONAL 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.

COURSE LEARNING OUTCOMES[1]

	Course LO	**Program LO**	**Institutional LO**	**Assessment Activities**
1	Develop an in-depth under-standing of the nature of credit risk and its estimation	PLO 1	ILO 1b, ILO 2b	Course project, quizzes, midterm/ final exam
2	Understand the principles of credit risk governance credit portfolio management	PLO 2	ILO 1b, ILO 2b, ILO 4b	Course project, quizzes, mid- term/ final exam
3	Be able to assess and mitigate credit risk			Course project, quizzes, mid- term/ final exam

INSTRUCTIONAL METHODOLOGY
This is a direct classroom instruction course.
The course will be conducted in the form of lectures and discussions on each topic shown
in the class schedule below.

Assignments and projects require students to actively use resources of the library. Detailed guide
to business *resources of the library* as well as the description of Lincoln University approach to
information literacy are available at the Center for Teaching and Learning website
(ctl.lincolnuca.edu).

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.

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

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[1] Detailed description of learning outcomes and information about the assessment procedure are available at the
Center for Teaching and Learning website (ctl.lincolnuca.edu).

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 = 361 – 400
Final Exam 200 points	B = 301 - 360
Professionalism: 50 points	C = 241 - 300
Total 400 points	D = 201 - 240
	F = < 200

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 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.

COURSE SCHEDULE

Week	Topics
1	Course introduction and Chapter 1: Fundamentals of Credit Risk
2	Chapters 2 & 3: Governance and Origination of Credit Risk
3	Chapter 4 & 5: Credit Risk Measurement and Dynamic Exposure
4	Chapters 6 & 7: Fundamental of Credit Analysis and Alternative Estimations
5	Chapters 7 & 8: Securitization
6	Review for mid-term exam
7	**Mid-term Exam**
8	Chapter 9 & 10: Credit Portfolio Management & Economic Capital & Credit
9	Value at Risk
10	Chapters 11 & 12: Regulations and Accounting Implications
11	Chapters 13 & 14: Risk and Structural Mitigation
12	Chapters: 15 & 16: Credit Insurance and Credit Derivatives
13	Chapters 17 & 18: Collateralized Debt Obligations and Bankruptcy
14	Review for final Exam
15	**2-hour Comprehensive Exam (Personal Notes)**