



Lincoln University

BA 467 – Credit Risk Management

COURSE SYLLABUS 2018

- Instructor:** Prof. Albert Loh
Lecture Schedule: Monday, 3:30 PM – 6:15 PM
Credits: 4 units: 3 units / 45 lecture hours + 1 unit individual research project
Level: Mastery 2 / Research (M2R)
Office Hours: Monday, 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

Last Revision: January 23, 2018

CATALOG 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. (4 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 OUTCOMES¹

	Course LO	Program LO	Institutional LO	Assessment Activities
1	Develop an in-depth understanding 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 7b	Course project, quizzes, midterm/final exam
3	Be able to design and implement research activities in order to assess and mitigate credit risk	PLO 4	ILO 1b, ILO 6b	Course project, quizzes, midterm/final exam

INSTRUCTIONAL METHODS

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. 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.

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](http://ctl.lincolnuca.edu) website (ctl.lincolnuca.edu).

REQUIREMENTS

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.

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

ATTENDANCE

Students are expected to attend each class session. If you cannot attend a class due to a valid reason, please notify the instructor prior to the class.

GRADING POLICY

All assignments, quizzes, projects and exams are evaluated using the indicated system:

94-100	A	73-76	C
90-93	A-	70-72	C-
87-89	B+	67-69	D+
83-86	B	60-66	D
80-82	B-	0-59	F
77-79	C+		

Weights	
Homework, Quizzes	15%
Course Project	15%
Midterm Exam	20%
Final Exam	25%
Individual Research Project	25%

INDIVIDUAL RESEARCH PROJECT (1 unit):

Each student registered for a 400-level course must complete a one unit research project in addition to the coursework described in this syllabus. The specific topic will be assigned by the instructor.

The project requires 45 hours of self-study with regular consultations in accordance with the schedule determined by the instructor. The project work results in a written report (not less than 15 pages; APA style) and an oral presentation during the class session. Evaluation of the student's work will be done using the following rubric:

WRITTEN REPORT				
	<i>Exceeds Standards</i>	<i>Meets Standards</i>	<i>Does Not Meet Standards</i>	<i>Not Present</i>
<i>Research Problem Statement</i>	The statement of a research problem is crystal clear, novel and thought	Clearly and concisely identifies a research problem	The statement of a research problem is incomplete, lacking precision.	The statement of a research problem is absent.

	provoking			
<i>Organization</i>	The report is logically organized; ideas are exceptionally well-developed and support a thoughtful and engaging conclusion.	The development of ideas is present; the conclusion is effective and directly addresses the original thesis.	Organization is confusing, disjointed, and inconsistent; ideas, if present, are not developed; the conclusion is vague and/or does not address the original thesis.	The report lacks organization
<i>Sources and formatting</i>	A variety of high-quality sources is used; all factual claims are supported with citations. The report follows the APA style guidelines.	A few high-quality sources are used; majority of factual claims are supported with citations The report mostly follows the APA style guidelines.	Sources used are of a questionable quality; factual claims are not supported. Use of APA style is inconsistent.	Sources are not identified or of a poor quality; factual claims are unsubstantiated. The report is poorly formatted

PRESENTATION			
	<i>Exceeds Standards</i>	<i>Meets Standards</i>	<i>Does Not Meet Standards</i>
<i>Style and Organization</i>	Presentation is clear, confident and fully engaging; the use of visual aids enhances its effectiveness; the presentation is well-timed and structured.	Presentation is clear; the use of visual aids is not detrimental to audience engagement; all necessary components are given appropriate time.	Presentation lacks clarity, no attempt is made to engage the audience; visual aids are haphazard and distracting; lack of structure results in an inefficient use of time.
<i>Questions and Answers</i>	Student demonstrates extensive knowledge of the topic by providing confident, precise and appropriate responses to all audience question.	Student demonstrates knowledge of the topic by responding adequately to questions of the audience.	Student demonstrates lack of knowledge of the topic by responding inaccurately and inappropriately to audience questions.

COURSE SCHEDULE

Week	Topic
1	Fundamentals of Credit Risk
2	Governance and Origination of Credit Risk
3	Credit Risk Measurement and Dynamic Exposure
4	Fundamental of Credit Analysis and Alternative Estimations

5	Securitization
6	Review for midterm exam
7	Midterm Exam
8	Credit Portfolio Management & Economic Capital & Credit Value at Risk
9	Regulations and Accounting Implications
10	Risk and Structural Mitigation
11	Credit Insurance and Credit Derivatives
12	Collateralized Debt Obligations and Bankruptcy
13	Projects Presentations
14	Review for Final Exam
15	Comprehensive Final Exam