

Fall 2015 Course Syllabus

Course Number: BA-367
Course Title: Credit Risk Management
Credit: 3 Units (45 hours of lecture)
Days and Time: Mon 3:30pm to 6:15am
Office hours: Mon 3:15-4:15 or By appointment
Instructor: Albert Loh

Course Materials

Textbook: The Handbook of Credit Risk Management: Originating, Assessing, and Managing Credit Exposures, by Bouteillé and Coogan-Pushner. 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.

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.

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 = 361 – 400
Final Exam 200 points	B = 301 - 360
Professionalism: 50 points	C = 241 - 300

Total 400 points	D = 201 - 240 F = < 200
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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.

Tentative Class Schedule

Date	Topics
Aug 26	Course introduction and Chapter 1: Fundamentals of Credit Risk
Sep 2	Chapters 2 & 3: Governance and Origination of Credit Risk
Sep 9	Chapter 4 & 5: Credit Risk Measurement and Dynamic Exposure
Sep 16	Chapters 6 & 7: Fundamental of Credit Analysis and Alternative Estimations
Sep 23	Chapters 7 & 8: Securitization
Sep 30	Review for mid-term exam
Oct 7	Mid-term Exam
Oct 14	Chapter 9 & 10: Credit Portfolio Management & Economic Capital & Credit Value at Risk
Oct 21	Chapters 11 & 12: Regulations and Accounting Implications
Oct 28	Chapters 13 & 14: Risk and Structural Mitigation
Nov 4	Chapters: 15 & 16: Credit Insurance and Credit Derivatives
Nov 18	Chapters 17 & 18: Collateralized Debt Obligations and Bankruptcy
Dec 2	Review for final Exam
Dec 9	2-hour Comprehensive Exam (Personal Notes)

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: August 10, 2015