Lincoln University

BA 467 – Credit Risk Management

COURSE SYLLABUS
Fall 2023

Instructor:	Prof. Albert Loh
Lecture Schedule:	Wednesday, 9:00 AM – 11:45 PM
Credits:	4 units: 3 units / 45 lecture hours + 1 unit individual research project
Level:	Mastery 2 / Research (M2R)
Office Hours:	Monday, Wednesday, 6:15 PM - 7:00 PM after class, or by appointment. **e-mail:** aloh@lincolnuca.edu
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. **Mobile device calculator will not be allowed.** Supplemental materials (such as periodical, article, or case study) will be provided in class.
Prerequisite:	*BA 303*
Last Revision:	August 19, 2023

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. *Prerequisite: BA 303*

EDUCATIONAL OBJECTIVES

This is an introductory course to credit risk management and it is not designed to teach programming skills. 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	Institution LO	Assessment activities
An understanding of the elements of credit risk.	PLOs 1, 2, 6	ILO 1c, 2c	Closed-book exam.
Theory and tools of credit risk management.	PLOs 1, 2	ILO 1c, 2c	Closed-book exam.
Credit risk measurement and consumer credit scoring system.	PLOs 1, 2	ILO 1c, 2c	Closed-book exam.
Credit portfolio management and value at risk	PLOs 1, 2	ILO 1c, 2c	Closed-book exam.
Application of ratio analysis to predict financial distress.	PLOs 1, 2	ILO 1c, 2c	Closed-book exam.
Exposure mitigation and credit derivatives.	PLOs 1, 2	ILO 1c, 2c	Closed-book 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.

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 LU Library website (lincolnuca.libguides.com).

COURSE REQUIREMENTS AND EVALUATION

The class will not begin until all mobile devices are removed and kept away from the student's desk.
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. Any absence after the last day to drop a class and/or tardiness without valid reasons greater than 3 times will result in 5 points deduction, respectively.

---

[1] Detailed description of learning outcomes and information about the assessment procedure are available at the Learning Outcomes Assessment section of LU website.

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.

__The term project will involve researching, studying, and presenting a credit risk management topic not taught in class. A PowerPoint presentation is required for BA467 students. (See the last page for details).__

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.

GRADING POLICY

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

Mid-Exam	105 points	A = 361 – 400
Final Exam	175 points	B = 301 - 360
Professionalism:	20 points	C = 241 - 300
Individual research Project:	100 points	D = 201 - 240
Total	**400 points**	F = < 200

The mid-term and final exams include open-ended, multiple choice, or both types of questions and problems that are similar to the term assignments. They are designed to test both theory and problem solving. There will be NO "make-up credit" or "extra credit" work during and after the semester. The instructor reserves the right to modify the grading system based on class performance and notification to the students about any change during the semester. You are responsible for keeping apprised of any change in syllabus. If you plan to be sick on exam days, please do the exam a day earlier before getting sick.

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.

PROPOSED CLASS SCHEDULE

Date	Topics
Aug 23	Course introduction with review on Financial Statement and Ratio Analysis
Aug 30	Chapter 1: Fundamentals of Credit Risk
Sep 6	Chapters 2 & 3: Governance and Origination of Credit Risk
Sep 13	Chapters 4 & 5: Credit Risk Measurement and Dynamic Exposure
Sep 20	Chapters 6 & 7: Fundamental of Credit Analysis and Alternative Estimations
Sep 27	Special topic: FICO Education & Exam Revision
Oct 4	**Mid-term Exam (1st half of course syllabus)**
Oct 11	Chapters 7 & 8: Securitization
Oct 18	Chapters 9 & 10: Credit Portfolio Management & Economic Capital & Credit Value at Risk
Oct 25	Chapters 13 & 14: Risk Mitigation
Nov 1	Special topics: Altman's Ratio Analysis, Credit Default Swap, and Letter of Credit and Surety Bond as credit insurance (Chapter 15)
Nov 8	Special topics: Accounting implications for credit risk
Nov 15	Chapter 18: Bankruptcy (Online Class)
Nov 22	Thanksgiving Week holiday
Nov 29	Presentation by BA467 students
Dec 6	**Final Exam (2nd half of course syllabus)**

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.

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 independent study with regular consultations in accordance with the schedule determined by the instructor. The project work results in a written summary report (not more than 5 pages; APA style), a PowerPoint presentation slide, and an oral presentation during the class session. Evaluation of the student's work on the Individual Research Project will be done using the following rubric:

WRITTEN REPORT				
	Exceeds Standards	*Meets Standards*	*Does Not Meet Standards*	*Not Present*
Research Problem Statement	The statement of a research problem is crystal clear, novel, and thought provoking	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.
Organization	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
Sources and formatting	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			
	Exceeds Standards	*Meets Standards*	*Does Not Meet Standards*
Style and Organization	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.
Questions and Answers	Student demonstrates extensive knowledge of the topic by providing confident, precise, and appropriate responses to all audience questions.	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.