

DEREE COLLEGE SYLLABUS FOR: EC 3226 CREDIT AND LENDING		
(Updated Spring 2021)		UK LEVEL: 5 UK CREDITS: 15 US CREDITS: 3/0/3
PREREQUISITES:	EC 1000 Principles of Microeconomics EC 1101 Principles of Macroeconomics	
CATALOG DESCRIPTION:	Loan safety, loan purpose, impact of lending on bank profitability. Financial analysis of prospective borrowers. Credit analysis. Types of lending and problem loan management.	
RATIONALE:	The course furthers the students' knowledge and understanding of the credit evaluation process, utilizing financial analysis. Students taking this course should expect to become familiar with different types of loans and credit risk, loan pricing and management, as well as assessing the impact of lending on bank profitability. The course exposes students to banking sector practices, providing credit analysis skills.	
LEARNING OUTCOMES:	As a result of taking this course, the student should be able to: <div><div>1. Demonstrate knowledge of the principles of lending and assessment of the risk associated with different types of loans, including legal and ethical dimensions of loan provision.</div><div>2. Make use of balance sheet information to derive financial ratios for the purposes of assessing the credit rating of a company.</div><div>3. Construct a credit analysis report for corporate customers.</div><div>4. Demonstrate knowledge of how banks deal with loan defaults and of the impact of loan granting on bank profitability.</div></div>	
METHOD OF TEACHING AND LEARNING:	In congruence with the learning and teaching strategy of the college, the following tools are used: <div><div>➤ Classes consist of lectures, class discussions, video presentations, problem-solving sessions.</div><div>➤ Office Hours: Students are encouraged to make full use of the office hours of their instructor, where they can ask questions and go over lecture material.</div><div>➤ Use of Blackboard where instructors post lecture notes, assignment instructions, timely announcements, as well as additional resources.</div></div>	
ASSESSMENT:	<div><div>Summative:</div><div><div><div>1st assessment: Term project (group project 2,800-3,200 words; presentation of group project; reflective essay on group project – individual, 200-300 words)</div><div>50%</div></div></div></div>	

	<table border="1" data-bbox="544 205 1333 342"> <tr> <td data-bbox="544 205 1162 342">Final assessment: In-class written examination (Two-hour, essay questions/problems, closed-book, comprehensive)</td><td data-bbox="1162 205 1333 342">50%</td></tr> </table> <p data-bbox="544 380 691 407">Formative:</p> <table border="1" data-bbox="544 411 1333 480"> <tr> <td data-bbox="544 411 1144 480">Exercises / problems / group project progress report</td><td data-bbox="1144 411 1333 480">0%</td></tr> </table> <p data-bbox="544 518 1507 611">The formative assessment prepares students for the summative examination and ensures that students are actively engaged during the term.</p> <p data-bbox="544 648 1305 716">The 1st assessment tests Learning Outcomes 2 and 3. The final assessment tests Learning Outcomes 1, 2, and 4.</p> <p data-bbox="544 753 1370 781">Students are required to resit failed assessments in this module.</p>	Final assessment: In-class written examination (Two-hour, essay questions/problems, closed-book, comprehensive)	50%	Exercises / problems / group project progress report	0%
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<p data-bbox="203 814 370 877">INDICATIVE READING:</p>	<p data-bbox="544 814 847 842">REQUIRED READING:</p> <p data-bbox="544 884 1446 947">Sathye, M., Bartle, J., Vincent, M., and Boffey, R., Credit Analysis and Lending Management, Wiley, latest edition</p> <p data-bbox="544 984 1403 1047">Journal articles, accessible through the Library, as assigned by the instructor.</p> <p data-bbox="544 1085 945 1113">RECOMMENDED MATERIAL:</p> <p data-bbox="544 1150 1495 1213">Avramov, D., Jostova G., and A. Philipov (2007). Understanding Changes in Corporate Credit Spreads. Financial Analysts Journal, 63(2), 90-105.</p> <p data-bbox="544 1251 1490 1314">Gup, B.E. & Kolari, J.W., Commercial Banking: The Management of Risk, Wiley Company, latest edition.</p> <p data-bbox="544 1352 1425 1415">Rose P. and Hudgins S., Bank Management and Financial Services, McGraw-Hill Education, latest edition.</p> <p data-bbox="544 1453 1370 1516">Fridson M. and Alvarez F. 2002 Financial Statement Analysis: A practitioner's Guide, 3rd edition, Wiley</p> <p data-bbox="544 1554 1463 1617">Peterson P. and Fabozzi F. 2006 Analysis of Financial Statements, 2nd edition, Wiley</p> <p data-bbox="544 1654 1487 1717">Duffie, D. and KJ Singleton - 2012 Credit risk: pricing, measurement, and management</p> <p data-bbox="544 1755 1446 1818">Golin, J. and P Delhaise – 2013 The bank credit analysis handbook: a guide for analysts, bankers and investors</p>				

	<p>Huang, X, H Zhou, H Zhu - 2012 Assessing the systemic risk of a heterogeneous portfolio of banks during the recent financial crisis, Journal of Financial Stability</p> <p>Del Giovane, P, G Eramo, A Nobili – 2011 Disentangling demand and supply in credit developments: a survey-based analysis for Italy, Journal of Banking & Finance</p> <p>Gaynor, LM, L McDaniel, TL Yohn – 2011 Fair value accounting for liabilities: The role of disclosures in unraveling the counterintuitive income statement effect from credit risk changes, Accounting, Organizations and Society</p> <p>Financial Times (daily)</p> <p>Wall Street Journal (daily)</p> <p>The Economist (weekly)</p> <p>Newsweek (weekly)</p> <p>Federal Reserve Bank Quarterly Reports (quarterly)</p> <p>The Banker (monthly)</p>
INDICATIVE MATERIAL: <i>(e.g. audiovisual, digital material, etc.)</i>	REQUIRED MATERIAL: N/A RECOMMENDED MATERIAL: N/A
COMMUNICATION REQUIREMENTS:	Use of appropriate academic conventions as applicable in oral and written communication.
SOFTWARE REQUIREMENTS:	Word, Excel, PowerPoint
WWW RESOURCES:	<p>Federal Reserve Bank Economic Data (FRED): http://wueconb.wustl.edu/EconFaq/EconFaq.html</p> <p>Organization for Economic Cooperation and Development: http://www.oecd.org</p> <p>International Central Banking Resource Centre: http://patriot.net/~bernkopf/</p> <p>The World Bank (includes World Development Report): http://www.worldbank.org http://www.bloomberg.com http://www.reuters.com http://www.economist.com http://www.ft.com www.ecb.europa.eu</p>

INDICATIVE CONTENT:	<ol style="list-style-type: none"> 1. Overview of Principles of Lending <ol style="list-style-type: none"> 1.1. Credit Risk Modelling 2. Consumer Lending <ol style="list-style-type: none"> 2.1. Credit Scoring Techniques 2.2. Precautions 2.3. Pricing and Structuring Consumer Loans 3. Real Estate Lending <ol style="list-style-type: none"> 3.1. Evaluating Applications 3.2. Precautions 3.3. Pricing and Structuring Real Estate Loans 4. Firm Lending <ol style="list-style-type: none"> 4.1. Financial Statement Analysis 4.2. Corporate Lending 4.3. Small Business Lending 4.4. International Lending 5. Problem Loan Management <ol style="list-style-type: none"> 5.1 Loan Defaults 5.2 Regulation 6. Impact on Bank Profitability
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