



CCP PART III SECTION 5

CREDIT MANAGEMENT IN THE FINANCIAL SECTOR

THURSDAY: 24 May 2018.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

**QUESTION ONE**

- (a) Enumerate six factors that the central bank of your country should consider when categorising an institution as a deposit taking microfinance institution. (6 marks)
  - (b) Identify six signs of a troubled real estate market. (6 marks)
  - (c) Evaluate four likely causes of house foreclosure. (8 marks)
- (Total: 20 marks)**

**QUESTION TWO**

- (a) (i) Explain two types of reserves maintained by cooperative societies. (4 marks)
  - (a) (ii) Enumerate four characteristics of cooperative societies reserves. (4 marks)
  - (b) Discuss six factors that a financial institution should consider when estimating their credit losses. (6 marks)
  - (c) With reference to mortgage financing facility, describe any three types of construction lending. (6 marks)
- (Total: 20 marks)**

**QUESTION THREE**

- (a) In relation to credit management of a savings and credit cooperative (sacco) society under the Sacco Societies (Deposit-taking Sacco business) Regulations, 2010:
    - (i) Describe six disclosure requirements regarding lending terms and legal obligations between the parties. (6 marks)
    - (ii) Analyse four disclosure requirements on insider-lending. (8 marks)
  - (b) Discuss three risks associated with group lending methodology used by microfinance institutions. (6 marks)
- (Total: 20 marks)**

**QUESTION FOUR**

- (a) Highlight four factors that a prospective lender should take into account while advancing credit on the security of goods. (4 marks)
  - (b) Discuss five disclosure requirements contained in a mortgage contract. (10 marks)
  - (c) Evaluate six benefits associated with syndicated market source of financing. (6 marks)
- (Total: 20 marks)**

**QUESTION FIVE**

- (a) Discuss four circumstances when modification of a charge is required. (8 marks)
  - (b) Describe four precautions a credit cardholder should undertake when purchasing goods online. (4 marks)
  - (c) Explain the LAPP model of credit evaluation. (8 marks)
- (Total: 20 marks)**
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