



CCP PART III SECTION 5

CREDIT MANAGEMENT IN THE FINANCIAL SECTOR

WEDNESDAY: 27 November 2019.

Time Allowed: 3 hours.

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

**QUESTION ONE**

- (a) Distinguish between “hire purchase” and “lease financing” under the following headings:
- (i) Tax benefits. (2 marks)
  - (ii) Salvage value. (2 marks)
  - (iii) Deposit required. (2 marks)
  - (iv) Maintenance. (2 marks)
- (b) (i) Explain the term “digital credit”. (2 marks)
- (ii) Propose five minimum transparency and disclosure standards that digital credit providers should follow. (5 marks)
- (c) Microfinance allows individuals living in poverty to be financially independent to better their living conditions.
- With reference to the above statement, explain five benefits of microfinance in developing countries. (5 marks)
- (Total: 20 marks)**

**QUESTION TWO**

- (a) Discuss four steps of creating an equitable mortgage on a property. (8 marks)
- (b) In relation to Movable Property Security Rights Act:
- (i) Explain the term “Notice of Disposition”. (2 marks)
  - (ii) Enumerate five remedies available to a secured creditor as relief for non-compliance with default notification by grantor. (5 marks)
- (c) During the recently concluded annual general meeting (AGM), members of your Savings and Credit Co-operative (SACCO) approved a resolution to include land as an acceptable collateral in the SACCO’s By-Laws.
- With reference to the above statement, prepare a checklist of five documents that the SACCO will require to facilitate the charging of land. (5 marks)
- (Total: 20 marks)**

**QUESTION THREE**

- (a) Discuss five roles of the risk management function in lending. (5 marks)
- (b) Explain five principles of good lending that every lending institution should observe. (10 marks)
- (c) Examine five duties of the Commissioner of Co-operatives in the development of sustainable Co-operatives in your country. (5 marks)
- (Total: 20 marks)**

**QUESTION FOUR**

- (a) Describe four strategic factors that microfinance institutions (MFIs) should take into account before designing and launching new credit products in the market. (8 marks)
- (b) Discuss four advantages and four disadvantages of securitisation to an issuer. (8 marks)
- (c) Enumerate four functions of mortgage refinance company in accordance with Central Bank regulations in your country. (4 marks)

**(Total: 20 marks)**

**QUESTION FIVE**

- (a) Assess four steps involved in structuring a loan facility by a microfinance institution (MFI). (4 marks)
- (b) With reference to mortgage financing:
  - (i) Explain the term “work out”. (2 marks)
  - (ii) Suggest four possible alternatives available to a mortgagor during a mortgage work out. (4 marks)
- (c) Analyse six steps of credit card business cycle process. (6 marks)
- (d) Outline four disadvantages of using real estate as a security for a loan. (4 marks)

**(Total: 20 marks)**

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