Specification of Competency Standards
for the Banking Industry
Unit of Competency

Functional Area - 3. General Enterprise Banking Credit Management
(Key Function – 3.2 Credit Acquisition)

Title	Conduct risk assessment for unsecured and / or secured lending using scorecard approach and proceed with approval
Code	109261L4
Range	Conducting preliminary risk assessment on credit application. This applies to risk assessment using scorecard approach covering small amount lending with collateral (e.g. SME financing guarantee scheme, overdraft, accounts receivable financing).
Level	4
Credit	3 （For Reference Only）
Competency	Performance Requirements 1. Knowledge in the Subject Area Be able to: • Familiarize theories and concepts related to credit assessment in order to assess the risks of loan application; • Understand the requirements of the bank in credit assessment to ensure the results are comply with credit policy before proceeding to approval; • Possess product knowledge on the features of different loan products offered by the bank in order to judge the suitability of loan applicants. 2. Applications Be able to: • Examine all necessary documents and analyse applicants' financial conditions (e.g. credit histories, property evaluations, financial standards etc.) and business operations; • Examine data regarding the application provided from applicants and identify irregularities or missing information; • Examine the report on collateral valuation and take the results into consideration when computing risks; • Calculate applicants' ability to repay loan, estimate time for debt repayment given amount of debt, interest rates and available funds; • Coordinate with credit association / bureaux and other business representatives to exchange credit information; • Calculate the amount to be allocated to loan loss reserve and capital charges for individual loan application based on default probability, loss levels, etc. 3. Professional Behaviour and Attitude Be able to: • Provide recommendation on approval (with or without condition(s) / rejection on loan application and the approved loan size with justifications provided; • Determine interest rates and formulate repayment schedules based on information (e.g. earnings, savings, payment history, etc.); • Calculate the probability of default and calculate the loan-to-value ratio; • Provide suggestions on payment terms and length of loan, accounting for loan purpose, collateral, cash flow and loan amount, credit history in accordance with internal guidelines; • Provide suggestions on terms and conditions (e.g. sales and leaseback) on loan including requirements on collateral and overdue treatment during delay of payment or failure to pay.

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Assessment Criteria	The integral outcome requirements of this UoC are: • Provision of accurate credit assessment for credit applications. The assessment should contain relevant documents for checking and assessment on credit worthiness, repayment ability and possible risks to the bank.
Remark	