



DCM LEVEL II

CREDIT MANAGEMENT

MONDAY: 26 November 2018.

Time Allowed: 3 hours.

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

**QUESTION ONE**

- (a) (i) Explain the term “re-aging” as used in credit management. (2 marks)
- (ii) Describe five characteristics of an account eligible for re-aging. (5 marks)
- (b) Explain the following types of microfinance credit lending models:
- (i) Rotating Savings and Credit Association (ROSCA) model. (3 marks)
- (ii) Village banking model. (3 marks)
- (c) Identify seven characteristics of shylock lenders in your country. (7 marks)
- (Total: 20 marks)**

**QUESTION TWO**

- (a) Distinguish between the following terms as used in mortgage finance:
- (i) “Possessory security interest” and “non possessory security interest”. (4 marks)
- (ii) “Attachment” and “security agreement”. (4 marks)
- (iii) “Amortisation schedule” and “repayment schedule”. (4 marks)
- (b) Discuss four roles played by donors in promoting cooperative societies in your country. (8 marks)
- (Total: 20 marks)**

**QUESTION THREE**

- (a) Describe seven elements of financial information characterising the cardholder that is stored by credit card applications. (7 marks)
- (b) Discuss five steps of the bank credit process. (10 marks)
- (c) Summarise three risks associated with hire purchase agreement. (3 marks)
- (Total: 20 marks)**

**QUESTION FOUR**

- (a) Explain five advantages of a written credit policy. (5 marks)
- (b) Describe five advantages of project finance. (5 marks)
- (c) Outline five ratios used by commercial banks to measure assets quality. (5 marks)
- (d) Highlight five advantages of asset securitisation. (5 marks)
- (Total: 20 marks)**

**QUESTION FIVE**

- (a) Outline six risks associated with consumer credit online lending (digital lending). (6 marks)
- (b) Argue four cases in favour of chip-and-pin credit card to the cardholder. (8 marks)
- (c) Indicate six key information that is contained in a customer master file that holds current information. (6 marks)
- (Total: 20 marks)**

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