

Federal Reserve Board of Governors

Course Description for Retail Credit Risk Seminar

Last Revised: January 16, 2019

Retail Credit Risk Seminar

Course Overview

This 3 day training course provides examiners, with general credit knowledge, a sector-specific background necessary for assessment of credit risk for retail exposures. Retail exposures covered include auto lending, mortgage and home equity products, credit card lending, and additional consumer lending such as student loans and unsecured personal loans. This course will delve into several retail topics viewed through the credit risk lens, including business strategies, loan origination strategies and channels, credit policy, underwriting and collection practices. Topics follow a model/solutions life cycle approach and each key component is accompanied by a case study breakout session. Range of practice will be a focus for the case studies.

This course also covers credit risk estimation methods such as models and judgmental approaches, both from a business-as-usual perspective as well as stress testing perspective. Modeling topics include the different techniques used to estimate the probabilities of default, the loss-given-default, and the exposure at default. With a central focus around the specification, development, and use of effective retail models, important topic areas ranging from risk identification, management review, model implementation, validation, and performance monitoring are also covered. The course addresses governance topics such as internal audit review of retail lending and loan review practices. Additionally, the reserve practices currently under use and the determination of the ALLL.

The course uses presentations, case studies, questions (with class participation encouraged in assessing questions), review of relevant supervisory guidance, with final conclusion from the participants and instructors.

Course Objectives

By the end of the course, participants will:

- Understand the end-to-end key components involved in an institution's management of retail credit risk.
- Know the regulatory guidance relevant to examining retail credit and how to locate the information.
- Know how to approach credit risk exams in the retail sector, including horizontal exams such as CCAR, HCR, or DFAST.

Type of Participant Targeted

Retail Credit Risk Seminar is designed for an examiner who oversees firms that have significant retail exposures or who wants to work with the horizontal team performing stress testing such as CCAR, HCR, and DFAST. Participants are typically new to supervision of Retail exposures and this is meant to be a one-time overview for the subject area. Examiners in other regulatory agencies (OCC, FDIC, State) in similar roles could also benefit from this course.

Prerequisites

None

Class Size and Instructors

The course may be run with as few as 10 participants with a maximum of 25. There are usually 2-3 instructors for this course.