



Success Story: Credit Group Operations

Client Classification: Major Middle Eastern Bank

Service Category: Change Management, Organization Transformation

Situation:

The credit group was a highly centralized operation that approved all credits over a nominal amount authorized in the branches. Overstaffed with credit analysts, the client had no formal written credit policy or credit procedures. The Credit Support Department was engaged in excessive administrative processes in an attempt to protect the bank against errors or fraud committed by the branches.

Recommendations:

- Develop a formal documented credit policy and credit processing procedures.
- Establish a loan review unit and a workout group.
- Eliminate the credit support unit.
- Assign responsibility for all credit files to the credit analyst.
- Create a central liabilities function to insure that the accounting for the credit limits remains accurate.
- Assign responsibility for follow-up on past due accounts and missing documentation to the branches, with exception reporting to the credit group.
- Combine the credit analysis units.
- Develop management processes to measure and control activities in the credit group, monitor and analyze the entire portfolio and evaluate the consumer portion with a view toward future product development.

Results:

- A documented credit policy and procedures manual is in place. Policies are now consistent and protect the bank from previously uncovered risk.
- A loan review procedure allows the head office to confirm compliance with its policies by the branches.
- The newly established workout group allows the bank to negotiate with clients to repair potentially bad loans before problems become irreversible.
- The credit policy clearly delineates responsibility, thus reducing follow-up activity. Communication channels between head office and the field are streamlined.
- Credit MIS that supports the credit policy is now in place.
- Early warning system identifies and manages potentially bad customer credits.
- Credit group has an established management process.

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Turnaround time on credit decisions has been shortened by 50%. The loan committee is spending more time on new and significant business opportunities and less on short-term



renewals. The reengineered operation provides for growth in processing volumes of 20-30% while reducing staff by 30%.