REGULATORY GUIDELINE
Credit Management

SYSTEM COMMUNICATION NUMBER
Guideline 2013-06

ISSUE DATE
JULY 2013

INTRODUCTION

This regulatory guideline is a Regulatory Guidance Document as contemplated by the Standards of Sound Business Practice (the Standards). It supplements and expands upon section 2.1, *Financial Management* and section 2.4, *Risk Management* of the Standards and must be adhered to by Saskatchewan credit unions.

The Standards specify the principles and requirements for an effective financial management framework. This guideline identifies the minimum policy and procedure requirements for an effective credit management framework.

CREDIT MANAGEMENT

Credit management involves managing activities where reliance is placed on loan repayment from a third party.

Credit unions must have policy and procedure with respect to:

- types of credit facilities and services offered, both on- and off-balance sheet;
- limits on aggregate credit exposure per individual, loan type, industry or economic sector warranting aggregation and taking into consideration the credit union's risk tolerance and ability to bear risk;
- analysis and approval of credit proposals and if applicable, the objectives and framework used to establish a credit scoring system;
- loan security requirements;
- security valuation processes, including method used to determine the fair market value of real property and personal property when that property is to be subject to a mortgage or other charge;
- unsecured lending;
- the maximum loan to value ratio where a mortgage or other charge on real or personal property is to be taken by the credit union;
- loan documentation requirements;
- loan re-negotiation, extension and renewal processes;
- processes to identify adverse situations and trends, including risks associated with economic, geographic and industry sectors;
- control and monitoring of the loan portfolio including portfolio risk identification and delinquency tolerances;
- timely loan analysis processes to identify, assess, and manage delinquent and impaired loans;
- collection processes including action plans for deteriorating loans;
- establishment and maintenance of appropriate levels of allowances commensurate with the risk of the portfolio;
- overdraft control and administration;
- lending support programs;
- loan sale, securitization, purchase or participation arrangements;
- asset liquidation; and
- property management.