

# KASNEB

## CCP PART III SECTION 5

### CREDIT MANAGEMENT IN THE FINANCIAL SECTOR

THURSDAY: 25 May 2017.

Time Allowed: 3 hours.

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

#### QUESTION ONE

- (a) Describe four situations in which it would be necessary to apply "Know Your Customer (KYC) policy" in microfinance. (8 marks)
- (b) Explain four reasons for global growth of microfinance. (4 marks)
- (c) Analyse four components of a loan agreement. (8 marks)
- (Total: 20 marks)**

#### QUESTION TWO

- (a) "DIVAN" is an acronym for the security taking procedure by lenders.  
With reference to the above statement, explain the meaning of the acronym. (6 marks)
- (b) Discuss four advantages of using sale and lease back as a form of financing. (8 marks)
- (c) Propose three drawbacks of using ratios to measure creditworthiness of a customer. (6 marks)
- (Total: 20 marks)**

#### QUESTION THREE

- (a) According to the Fair Credit Reporting Act (FCRA) and Credit Reference Bureaus Regulations, all users of consumer credit report must have a permissible purpose to obtain the report.  
**Required:**  
With reference to the above statement, examine eight permissible purposes of obtaining consumer credit report. (8 marks)
- (b) Describe seven features of a real estate loan granted by banks to their customers. (7 marks)
- (c) Explain five advantages of hire purchase as a source of asset financing. (5 marks)
- (Total: 20 marks)**

#### QUESTION FOUR

- (a) Outline five factors that could cause a declaration of SACCO loan due before its expiration, requiring total payment of the loan. (10 marks)
- (b) Summarise five provisions of the Consumer Protection Act in relation to mortgages in your country. (10 marks)
- (Total: 20 marks)**

#### QUESTION FIVE

- (a) (i) Explain the term "finance lease". (2 marks)
- (ii) Outline three conditions that qualifies a lease to be classified as a finance lease. (3 marks)
- (b) Highlight seven precautions that a prospective member should take into account when joining a SACCO. (7 marks)
- (c) Discuss four measures that a credit manager could implement in an effort to prevent problem loans from arising and recurring. (8 marks)
- (Total: 20 marks)**
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