

SOME ASPECTS OF BANKING CATCH LENDING

Conf. univ. dr. Titus SEREDIUC, Universitatea Româno-Germană din Sibiu

Sibiu – 550324, Calea Dumbrăvii, nr. 28-32

Tel. +40 269 233 568, +40 369 401 002, 401 003; Fax +40 269233 576

web: www.roger-univ.ro; e-mail: univ.ro_office@roger

Abstract: Philosophiae take risks when any bank loans and certainly all banks in the credit portfolio losses when some of debtors – and obligations. Whatever the risks, but the credit portfolio losses can be minimized if the creditor operations are organized and managed professionally. From this point of view the most important function of management is to control the bank's loan portfolio quality, this is because poor credit is a primary cause of bank failures and even can generate economic crisis (after 2007 U.S.).

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To overcome deficiencies such systems and procedures resulting in loss of bank lending must create and implement policies and performance crediteare hire / train staff with professional experts to observe discipline these rules. For this it is necessary to have feedback that bank management to be informed about the effectiveness of the quality control process so that those with credit problems to be collected and corrected (to the extent possible) and time. For a bank credit policy turns out to be useful must meet the conditions of correct form and content completely. In its elaboration attention should be given to achieve the following objectives:

1. Orientation and selection of reliable credit and a maximum probability of repayment.
2. Ensuring successful placements
3. Encouraging credit expansion which meet the operating bank market.

Lending policies vary in time depending on the economic cycle. They should be updated and become adaptable to changing economic competitive environment. Content credit policy act 3 parts:

1. Formulation of general policy on lending department tasks and best qualities of the loan portfolio.
2. Principles and procedures recommended in the establishment and administration of the loan portfolio.
3. Lending procedures and parameter details specific to each type of loan, the lending rules.

The first part is intended to establish the overall framework and objectives of credit. The structure includes: objectives, the strategies (types of loans and loan portfolio structure according to their liquidity and maturity, size of loan portfolio), market, credit characteristics (types and guarantees), their responsibilities regarding the approval and control their quality. Credit policy objectives can be internal or external, should define the role of the bank as and - take it from him overall profitability established for that period until the image you want to and - a market requires banks, public confidence, degree of aggressiveness in competition with other competitors ...

Beyond these general objectives and tasks be customized average growth (annual or quarterly) credit portfolio and its size in relation to total deposits and assets.

We believe that: lending strategies targeting three distinct areas:

1. Strategy in the structure of bank lending - sets different weight categories in total credite directions and the minimum portfolio diversification and degree of participation in consortia credite (syndicated). The most im-

portant asset bank loans are very important for providing bank liquidity, with the main objective of ensuring profitability bancare. Desi credit policy is to minimize credit risk or other credit management should not be neglected.

2. Defining markets - the bank is a long-term policy. Credit policy should define unequivocally primary and secondary market that will take all the credit and territorial priorities.

3. Credit standards should reflect clarifications regarding warranties and terms, defining the types of loans involves the establishment of lists: favorite credit bank loans due to high risk avoided, and prohibited loans (usually on the basis of legal foresee). The also be specified kinds of securities that the bank guarantee is willing to accept them in virtue of their expertise, the expertise and the evolution of traditional partenirilor market conditions and legal acelot. The credit policy should be established and responsibilities within all implicati. It limits liability of officers and committees credit. Aceste credit limit depends on the duration officer, warranties, seasonality and the size of bank capital.

Principles and procedures that the bank bases its lending, obligatorily include the following elements:

- Listing rules and regulations fleshing legal limits and prohibitions on lending.
- Protection of the insurance - can be for real, for people, for the bank itself as beneficiary for insurance and reinsurance. Usually it is advisable to conclude contracts of insurance on all insurable risks in terms of efficiency.
- documentation and collateral securities - should be in uniform credit files regardless of where the whole bank banking unit operations and staff.
- Treatment of outstanding loans and guarantees recovery can be achieved through a specialized task that can have control. Written procedure include information signaling difficulties, their defects, reporting immediate action, warranties and defect control fraud. Detection problem can be done in time if the debtor and its environment evolution followed closely by the bank. For an experienced loan officer can provide signals: reducing funds available in the account, increased call on credit lines, late submission of financial reports to
- The credit policy must provide and renegotiating contracts (rescheduling, completion of additional conventions for limiting the debtor's business and even bank involvement in management decisions and request additional guarantees)
- financial information requested by the client to treatment no significant differences between different applications reviewed by credit officers and expert analysis

applications. Veracity of the information contained in the financial statements only expertise is provided by large firms and small firms need to do to verify that the bank

Ethics compliance banker profession is essential to winning or retaining customers and other partners confidence in the correctness of the bank staff. The negative effects of this parameter is mandatory felt either long or short period. In order to ensure a minimum level of compliance with these rules formal credit policy to specify the list of prohibited activities staff for each function within the operations, standards of data transfer between compartments and outside the bank and codes of ethics. Examination and periodic monitoring of credit quality, the loan portfolio periodically inspection be defined by the objectives, formulated unambiguously and organized accordingly. The targets are to reduce losses in the loan portfolio, early detection of errors and problems, encouraging self initiative loan officers, formal lending standards by checking credit records, information management by exception and periodically on the status of the quality of the loan portfolio, the foundation deductions (deductions) credit

Lending rules on types of loans:

1. Mortgage
2. Mortgage
3. Construction
4. Investments
5. For stocks
6. Agricultural
7. Personal
8. Loans purchased

Rules must include a description of the type of loan, purpose, maturity preferred pricing (interest, rates, fees, minimum balances, credit, etc.) limits (minimum and maximum) insurance guarantees required, loan approval procedure.

The role and functions of credit policy consists in determining priority directions of development and improvement of investment banking activity in the bank's resources, obtaining and maximizing profit with acceptable risk.

Credit policy goals are:

1. Production: providing clients with banking, zoom in / out or closed new accounts, increase / decrease in accounts balance means.
2. Release banking products
3. Communication related to the image bank (no long-term increase. Customers)

Whatever the purpose may not be the same in all banks kreutzers policy, its content depends on a number of factors: Foreign-level economic development, GDP growth, budget deficit, monetary policy influence / of the NBM (base rate, the money supply in circulation, market operations REPO securities, foreign exchange transactions, the central bank dependence) , the standard of living of the population, the financial education of the population, the specific operation of banks, the level of competition, production cost banking services, social and political factors.

Inter-bank lending potential that determine the amount of funds made available to banks minus minimum liquidity reserve liquidity itself consists of primary reserve (Cash and deposits in other banks) and secondary reserves (assets with lesser degree of liquidity but profitable), the credit risk and profitability different depending on - kind banks customers banks, financial condition of borrowers existing mortgage insurance, term loans, deposit stability, specificity and banking operations, the quality of the

loan portfolio, the bank's policy in the pricing, training, qualifications and experience of bank workers, the bank's risk management.

Credit policy is a lever suitable to banking risk management must fulfill the following functions:

- Establish a loan portfolio quality
- Identification and monitoring of credit risk
- Ensuring development through increased bank

lending activity

The role of credit in the bank and has the purpose or essence in itself to overcome deficiencies leading systems and procedures of increasing lending losses. In particular lending policy goal is to meet unambiguously credit policy functions, thus take into account the following activities:

1. Identification of banking risk diversification depend on bank business lines and the range of banking products offered to clients and is focused on – developing risk profile in determining the risk profile must be remembered that many risks are interdependent, some exposure can generate more risks.

2. Quantification risk-involves techniques, tools, and skills needed to commensurate these risks. Development of modeling tools allow simulations that are useful in analyzing the effects induced by the rapid changes taking place in the banking environment on the risk profile of the bank and its impact on bank profitability and net worth.

3. Order to monitor bank risk is - minimizing costs associated risks identified and quantified all exposures.

4. Avoiding credit risk.
5. Financing credit risk.

Credit risk is the conditional probability not to honor obligations by the borrower is manifested through forgiveness Regulation (total or partial) of the amount of the loan and related interest in establishment terms in the contract. Risk management and other bank as credit risk in international practice is done through policy development, strategic and tactical decisions by the board of the bank credit committee, credit department, and more ...

Responsibility for policy making credit risk management department wears credit and customer relations department. Support Department (department computer technology) provides support information system to collect is information regarding risk management analysis.

Commercial banks participating in the loan approval process is influenced by various internal and external events. Therefore even if a perfect policy certain loan losses are inevitable. Bank shall not intentionally give bad loans, which, some may become unfavorable in the future. Bank's reputation can be seriously undermined by the increasing share of bad loans and this may influence the Bank's position in the market of credit resources. Basic indicators of credit risk venture fund formed characterize sufficient to cover possible losses on loans forgiveness. Planning indicators of bank credit risk exposure and determining rules is performed without regard to absolute size of collaterals and guarantees granted to current loans.

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