Professional Certificate in Credit Risk Management

Advances Topics in Credit Risk Management

Accelerated Payment Plan: a plan that allows borrowers to pay off their debt faster by making extra payments, which can help reduce the total interest paid over the life of the loan. Related terms: debt restructuring, loan modification.
In credit risk management, accelerated payment plans are used to help borrowers who are struggling to make their monthly payments, by allowing them to make extra payments to pay off their debt faster. This can help reduce the total interest paid over the life of the loan and prevent default. For example, a borrower who has a $10,000 loan with a 10-year repayment term can make extra payments to pay off the loan in 5 years, which can save them thousands of dollars in interest.

Acquiring Bank: a bank that provides merchant services, such as processing credit card transactions, to businesses. Related terms: issuing bank, merchant account.
In credit risk management, acquiring banks play a crucial role in facilitating credit card transactions between merchants and customers. They provide merchant services, such as processing credit card transactions, and manage the risk associated with these transactions. For example, an acquiring bank may provide a merchant account to a business, which allows the business to accept credit card payments from customers.

Actuarial Methods: statistical methods used to calculate the likelihood of default and the expected loss from default. Related terms: probability of default, expected loss.
In credit risk management, actuarial methods are used to calculate the likelihood of default and the expected loss from default. These methods involve analyzing historical data and using statistical models to estimate the probability of default and the expected loss. For example, an actuarial method may use a logistic regression model to estimate the probability of default based on factors such as credit score and loan-to-value ratio.

Adverse Selection: the phenomenon where borrowers who are more likely to default are more likely to be accepted for a loan. Related terms: moral hazard, information asymmetry.
In credit risk management, adverse selection occurs when borrowers who are more likely to default are more likely to be accepted for a loan. This can happen when lenders do not have complete information about the borrower's creditworthiness, or when borrowers have an incentive to conceal their true creditworthiness. For example, a lender may offer a loan to a borrower with a low credit score, who is more likely to default, because the lender does not have complete information about the borrower's credit history.

Altman Z-Score: a credit scoring model that uses a combination of financial ratios to predict the likelihood of default. Related terms: credit scoring, distress prediction.
In credit risk management, the Altman Z-Score is a credit scoring model that uses a combination of financial ratios to predict the likelihood of default. The model uses a combination of five financial ratios, including the ratio of earnings before interest and taxes to total assets, and the ratio of retained earnings to total

assets. For example, a company with a low Altman Z-Score may be considered to be at high risk of default, and may be required to provide additional collateral or guarantees to secure a loan.

Asset Correlation: the correlation between the returns on different assets, which can affect the overall risk of a portfolio. Related terms: portfolio risk, diversification.
In credit risk management, asset correlation refers to the correlation between the returns on different assets, which can affect the overall risk of a portfolio. For example, a portfolio that consists of multiple assets with high correlation may be more risky than a portfolio with low correlation, because the assets may be more likely to default at the same time. Asset correlation can be used to diversify a portfolio and reduce the overall risk.

Asset-Backed Security: a security that is backed by a pool of assets, such as mortgages or credit card debt. Related terms: mortgage-backed security, asset-backed commercial paper.
In credit risk management, asset-backed securities are used to transfer credit risk from one party to another. For example, a mortgage-backed security may be backed by a pool of mortgages, and may be sold to investors who are willing to take on the credit risk associated with the mortgages.

Autocorrelation Function: a statistical function that measures the correlation between a time series and lagged versions of itself. Related terms: time series analysis, serial correlation.
In credit risk management, autocorrelation functions are used to analyze time series data, such as credit default rates or loan losses. For example, an autocorrelation function may be used to identify patterns in credit default rates over time, which can be used to forecast future default rates.

Backtesting: the process of evaluating the performance of a credit risk model by comparing its predictions with actual outcomes. Related terms: model validation, stress testing.
In credit risk management, backtesting is used to evaluate the performance of credit risk models by comparing their predictions with actual outcomes. For example, a lender may use backtesting to evaluate the performance of a credit scoring model by comparing its predictions of default with the actual default rates of borrowers.

Basel Accord: an international agreement that sets standards for bank capital requirements and credit risk management. Related terms: capital adequacy, risk-weighted assets.
In credit risk management, the Basel Accord sets standards for bank capital requirements and credit risk management. The accord requires banks to hold a minimum amount of capital against their credit risk exposures, and provides a framework for calculating the risk-weighted assets of a bank. For example, a bank may be required to hold 8% capital against its credit risk exposures, which means that it must hold $8 in capital for every $100 in credit risk exposures.

Bayesian Methods: statistical methods that use Bayes' theorem to update probabilities based on new data. Related terms: probability theory, machine learning.
In credit risk management, Bayesian methods are used to update probabilities based on new data. For example, a lender may use Bayesian methods to update the probability of default of a borrower based on new credit data, such as a change in the borrower's credit score.

Binomial Expansion: a statistical method that uses the binomial distribution to model the probability of default. Related terms: probability theory, credit risk modeling.
In credit risk management, binomial expansions are used to model the probability of default. For example, a lender may use a binomial expansion to model the probability of default of a borrower based on factors such as credit score and loan-to-value ratio.

Black-Scholes Model: a mathematical model that uses stochastic processes to price options and credit derivatives. Related terms: option pricing, credit derivatives.
In credit risk management, the Black-Scholes model is used to price options and credit derivatives. The model uses stochastic processes to model the behavior of asset prices over time, and provides a framework for calculating the value of options and credit derivatives. For example, a lender may use the Black-Scholes model to price a credit default swap, which is a type of credit derivative that provides protection against default.

Bootstrap Method: a statistical method that uses resampling to estimate the distribution of a statistic. Related terms: statistical inference, simulation.
In credit risk management, bootstrap methods are used to estimate the distribution of a statistic, such as the probability of default. For example, a lender may use a bootstrap method to estimate the distribution of default rates of a portfolio of loans, which can be used to calculate the expected loss of the portfolio.

Capital Adequacy: the requirement that banks and other financial institutions hold sufficient capital against their credit risk exposures. Related terms: capital requirements, risk-weighted assets.
In credit risk management, capital adequacy refers to the requirement that banks and other financial institutions hold sufficient capital against their credit risk exposures. This means that they must hold a minimum amount of capital against their loans and other credit risk exposures, which provides a buffer against potential losses.

Cash Flow Analysis: the analysis of a borrower's cash flow to determine their ability to repay a loan. Related terms: credit analysis, loan underwriting.
In credit risk management, cash flow analysis is used to determine a borrower's ability to repay a loan. This involves analyzing the borrower's income and expenses to determine their cash flow, and evaluating their ability to make loan payments. For example, a lender may use cash flow analysis to determine whether a borrower has sufficient income to make loan payments, and whether they have a sufficient cash reserve to cover unexpected expenses.

CDO Squared: a type of collateralized debt obligation that is backed by other CDOs. Related terms: structured finance, credit derivatives.
In credit risk management, CDO squareds are used to transfer credit risk from one party to another. They are backed by other CDOs, which provides an additional layer of credit protection. For example, a CDO squared may be backed by a pool of CDOs, which are themselves backed by a pool of assets such as mortgages or credit card debt.

Censored Data: data that is incomplete or truncated, which can affect the accuracy of credit risk models. Related terms: data quality, statistical inference.

In credit risk management, censored data refers to data that is incomplete or truncated, which can affect the accuracy of credit risk models. For example, a lender may have data on the default rates of borrowers, but the data may be censored because it only includes borrowers who have defaulted, and not those who have not defaulted.

Cohort Analysis: the analysis of a group of borrowers who were originated at the same time, to determine their default rates and other credit characteristics. Related terms: credit risk modeling, vintage analysis.
In credit risk management, cohort analysis is used to analyze a group of borrowers who were originated at the same time, to determine their default rates and other credit characteristics. For example, a lender may use cohort analysis to analyze the default rates of borrowers who were originated in a particular year, and to identify trends and patterns in their credit behavior.

Collateral Value: the value of the assets that are pledged as collateral for a loan. Related terms: loan-to-value ratio, collateralized debt obligation.
In credit risk management, collateral value refers to the value of the assets that are pledged as collateral for a loan. This can include assets such as property, equipment, or inventory, which are used to secure the loan and provide a source of repayment in the event of default. For example, a lender may require a borrower to pledge collateral with a value of $100,000 to secure a loan of $50,000.

Collateralized Debt Obligation: a type of structured finance product that is backed by a pool of assets. Related terms: asset-backed security, credit derivatives.
In credit risk management, collateralized debt obligations are used to transfer credit risk from one party to another. They are backed by a pool of assets, such as mortgages or credit card debt, which provides a source of repayment in the event of default. For example, a collateralized debt obligation may be backed by a pool of mortgages, and may be sold to investors who are willing to take on the credit risk associated with the mortgages.

Concentration Risk: the risk that a portfolio is overly concentrated in a particular industry or sector, which can increase the risk of default. Related terms: portfolio risk, diversification.
In credit risk management, concentration risk refers to the risk that a portfolio is overly concentrated in a particular industry or sector, which can increase the risk of default. For example, a lender may have a portfolio that is heavily concentrated in the technology sector, which can increase the risk of default if the sector experiences a downturn.

Copula Function: a statistical function that models the dependence between different variables, such as the default rates of different borrowers. Related terms: statistical inference, correlation analysis.
In credit risk management, copula functions are used to model the dependence between different variables, such as the default rates of different borrowers. For example, a lender may use a copula function to model the dependence between the default rates of different borrowers, and to estimate the probability of default of a portfolio of loans.

Counterparty Risk: the risk that a counterparty will default on their obligations, which can affect the credit risk of a transaction. Related terms: credit risk, default risk.
In credit risk management, counterparty risk refers to the risk that a counterparty will default on their

obligations, which can affect the credit risk of a transaction. For example, a lender may be exposed to counterparty risk if they enter into a credit derivative transaction with a counterparty that has a high risk of default.

Credit Derivative: a financial instrument that provides protection against credit risk, such as a credit default swap. Related terms: credit risk, hedging.
In credit risk management, credit derivatives are used to provide protection against credit risk. They are financial instruments that are designed to hedge against the risk of default, and can be used to transfer credit risk from one party to another. For example, a lender may use a credit default swap to hedge against the risk of default of a borrower, and to provide protection against potential losses.

Credit Migration: the change in credit rating of a borrower over time, which can affect their credit risk. Related terms: credit rating, credit risk modeling.
In credit risk management, credit migration refers to the change in credit rating of a borrower over time, which can affect their credit risk. For example, a borrower may experience a downgrade in their credit rating if they default on a loan, which can increase their credit risk and make it more difficult for them to obtain credit in the future.

Credit Portfolio Management: the management of a portfolio of loans or other credit risk exposures, to minimize risk and maximize return. Related terms: portfolio management, risk management.
In credit risk management, credit portfolio management refers to the management of a portfolio of loans or other credit risk exposures, to minimize risk and maximize return. This involves analyzing the credit risk of each loan or exposure, and using techniques such as diversification and hedging to manage the overall risk of the portfolio. For example, a lender may use credit portfolio management to optimize the mix of loans in their portfolio, and to minimize the risk of default.

Credit Rating: a score or grade that reflects the creditworthiness of a borrower, which can affect their ability to obtain credit. Related terms: credit score, creditworthiness.
In credit risk management, credit ratings are used to reflect the creditworthiness of a borrower, which can affect their ability to obtain credit. Credit ratings are typically based on a borrower's credit history, income, and other factors, and can range from excellent to poor. For example, a borrower with a high credit rating may be able to obtain credit at a lower interest rate, while a borrower with a low credit rating may be required to pay a higher interest rate or provide additional collateral.

Credit Risk Modeling: the use of statistical models to estimate the probability of default and the expected loss from default. Related terms: probability of default, expected loss.
In credit risk management, credit risk modeling refers to the use of statistical models to estimate the probability of default and the expected loss from default. This involves analyzing historical data and using statistical techniques to estimate the probability of default and the expected loss, and to identify the factors that affect credit risk. For example, a lender may use a credit risk model to estimate the probability of default of a borrower, and to determine the expected loss in the event of default.

Credit Score: a numerical score that reflects the creditworthiness of a borrower, which can affect their ability to obtain credit. Related terms: credit rating, creditworthiness.

In credit risk management, credit scores are used to reflect the creditworthiness of a borrower, which can affect their ability to obtain credit. Credit scores are typically based on a borrower's credit history, income, and other factors, and can range from excellent to poor. For example, a borrower with a high credit score may be able to obtain credit at a lower interest rate, while a borrower with a low credit score may be required to pay a higher interest rate or provide additional collateral.

Credit Spread: the difference between the yield on a credit-risky bond and the yield on a risk-free bond, which reflects the credit risk of the bond. Related terms: credit risk, bond yield.
In credit risk management, credit spreads are used to reflect the credit risk of a bond. The credit spread is the difference between the yield on a credit-risky bond and the yield on a risk-free bond, and reflects the credit risk of the bond. For example, a bond with a high credit spread may be considered to be at higher risk of default, and may require a higher yield to compensate investors for the increased risk.

Credit Enhancement: a technique used to reduce the credit risk of a loan or other credit risk exposure, such as by requiring collateral or guarantees. Related terms: credit risk, loan enhancement.
In credit risk management, credit enhancement refers to a technique used to reduce the credit risk of a loan or other credit risk exposure. This can include techniques such as requiring collateral or guarantees, which can provide a source of repayment in the event of default. For example, a lender may require a borrower to provide collateral with a value of $100,000 to secure a loan of $50,000, which can reduce the credit risk of the loan.

Credit Limit: the maximum amount of credit that a borrower is allowed to have, which can help to manage credit risk. Related terms: credit risk, credit management.
In credit risk management, credit limits are used to manage credit risk by limiting the amount of credit that a borrower can have. This can help to prevent borrowers from taking on too much debt, and can reduce the risk of default. For example, a lender may set a credit limit of $10,000 for a borrower, which can help to manage the credit risk of the loan.

Credit Metric: a measure of credit risk, such as the probability of default or the expected loss from default. Related terms: credit risk, risk metric.
In credit risk management, credit metrics are used to measure credit risk. This can include metrics such as the probability of default, the expected loss from default, and the credit spread. For example, a lender may use a credit metric such as the probability of default to estimate the credit risk of a borrower, and to determine the expected loss in the event of default.

Credit Model Risk: the risk that a credit risk model is inaccurate or incomplete, which can affect the credit risk of a loan or other credit risk exposure. Related terms: credit risk, model risk.
In credit risk management, credit model risk refers to the risk that a credit risk model is inaccurate or incomplete. This can affect the credit risk of a loan or other credit risk exposure, and can lead to incorrect estimates of the probability of default and the expected loss. For example, a lender may use a credit risk model that is based on incomplete or inaccurate data, which can lead to incorrect estimates of the credit risk of a borrower.

Credit Rating Agency: an organization that provides credit ratings and other credit risk assessments, such as

Moody's or Standard & Poor's. Related terms: credit rating, credit risk assessment.
In credit risk management, credit rating agencies are organizations that provide credit ratings and other credit risk assessments. These agencies use statistical models and other techniques to estimate the credit risk of a borrower, and provide a credit rating that reflects their creditworthiness. For example, a credit rating agency such as Moody's may provide a credit rating of AAA to a borrower that is considered to be at low risk of default.

Credit Risk Premium: the excess return demanded by investors for holding a credit-risky bond, which reflects the credit risk of the bond. Related terms: credit risk, bond yield.
In credit risk management, credit risk premiums are used to reflect the credit risk of a bond. The credit risk premium is the excess return demanded by investors for holding a credit-risky bond, and reflects the credit risk of the bond. For example, a bond with a high credit risk premium may be considered to be at higher risk of default, and may require a higher yield to compensate investors for the increased risk.

Credit Scoring: the use of statistical models to estimate the creditworthiness of a borrower, which can affect their ability to obtain credit. Related terms: credit score, creditworthiness.
In credit risk management, credit scoring refers to the use of statistical models to estimate the creditworthiness of a borrower. This involves analyzing historical data and using statistical techniques to estimate the creditworthiness of a borrower, and to predict their likelihood of default. For example, a lender may use a credit scoring model to estimate the creditworthiness of a borrower, and to determine their eligibility for credit.

Credit Spread Risk: the risk that the credit spread of a bond will change, which can affect the value of the bond. Related terms: credit risk, bond yield.
In credit risk management, credit spread risk refers to the risk that the credit spread of a bond will change. This can affect the value of the bond, and can lead to losses for investors if the credit spread increases. For example, a bond with a high credit spread risk may be considered to be at higher risk of default, and may require a higher yield to compensate investors for the increased risk.

Credit Valuation: the process of estimating the value of a credit-risky bond or other credit risk exposure, which can affect the credit risk of a loan or other credit risk exposure. Related terms: credit risk, bond valuation.
In credit risk management, credit valuation refers to the process of estimating the value of a credit-risky bond or other credit risk exposure. This involves analyzing historical data and using statistical techniques to estimate the value of the bond or other credit risk exposure, and to predict the likelihood of default. For example, a lender may use a credit valuation model to estimate the value of a credit-risky bond, and to determine the expected loss in the event of default.

Credit Var: a measure of the potential loss of a credit-risky bond or other credit risk exposure, which can affect the credit risk of a loan or other credit risk exposure. Related terms: credit risk, value-at-risk.
In credit risk management, credit VaR refers to a measure of the potential loss of a credit-risky bond or other credit risk exposure. This involves analyzing historical data and using statistical techniques to estimate the potential loss of the bond or other credit risk exposure, and to predict the likelihood of default. For example, a lender may use a credit VaR model to estimate the potential loss of a credit-risky bond, and to

determine the expected loss in the event of default.

Default Mode: the way in which a borrower defaults on a loan, such as by missing payments or filing for bankruptcy. Related terms: default risk, credit risk.
In credit risk management, default mode refers to the way in which a borrower defaults on a loan. This can include missing payments, filing for bankruptcy, or other forms of default. For example, a borrower may default on a loan by missing payments, which can lead to late fees and other penalties.

Default Probability: the probability that a borrower will default on a loan, which can affect the credit risk of the loan. Related terms: credit risk, default risk.
In credit risk management, default probability refers to the probability that a borrower will default on a loan. This can be estimated using statistical models and historical data, and can affect the credit risk of the loan. For example, a lender may estimate the default probability of a borrower using a credit risk model, and may use this estimate to determine the expected loss in the event of default.

Default Risk: the risk that a borrower will default on a loan, which can affect the credit risk of the loan. Related terms: credit risk, default probability.
In credit risk management, default risk refers to the risk that a borrower will default on a loan. This can include the risk of missing payments, filing for bankruptcy, or other forms of default. For example, a lender may be exposed to default risk if they lend to a borrower who has a high probability of default.

Diversification Benefit: the reduction in risk that can be achieved by diversifying a portfolio of loans or other credit risk exposures. Related terms: portfolio risk, credit risk.
In credit risk management, diversification benefit refers to the reduction in risk that can be achieved by diversifying a portfolio of loans or other credit risk exposures. This can include diversifying by industry, geography, or other factors, and can help to reduce the overall risk of the portfolio. For example, a lender may diversify their portfolio by lending to borrowers in different industries, which can help to reduce the risk of default.

Distance-To-Default: a measure of the number of standard deviations that a borrower's credit score is away from the default threshold, which can affect the credit risk of the loan. Related terms: credit risk, default probability.
In credit risk management, distance-to-default refers to a measure of the number of standard deviations that a borrower's credit score is away from the default threshold. This can be used to estimate the default probability of a borrower, and can affect the credit risk of the loan. For example, a lender may use a distance-to-default model to estimate the default probability of a borrower, and may use this estimate to determine the expected loss in the event of default.

Economic Capital: the amount of capital that a bank or other financial institution needs to hold to cover its credit risk exposures, which can affect the credit risk of a loan or other credit risk exposure. Related terms: credit risk, capital requirements.
In credit risk management, economic capital refers to the amount of capital that a bank or other financial institution needs to hold to cover its credit risk exposures. This can include the amount of capital needed to cover the expected loss of a loan or other credit risk exposure, as well as the amount of capital needed to

cover unexpected losses. For example, a lender may need to hold $10 million in economic capital to cover the credit risk exposures of their loan portfolio.

Expected Loss: the expected amount of loss that a lender will incur in the event of default, which can affect the credit risk of a loan. Related terms: credit risk, default probability.
In credit risk management, expected loss refers to the expected amount of loss that a lender will incur in the event of default. This can be estimated using statistical models and historical data, and can affect the credit risk of the loan. For example, a lender may estimate the expected loss of a loan using a credit risk model, and may use this estimate to determine the interest rate or other terms of the loan.

Expected Shortfall: the expected amount of loss that a lender will incur in the event of default, which can affect the credit risk of a loan. Related terms: credit risk, default probability.
In credit risk management, expected shortfall refers to the expected amount of loss that a lender will incur in the event of default. This can be estimated using statistical models and historical data, and can affect the credit risk of the loan. For example, a lender may estimate the expected shortfall of a loan using a credit risk model, and may use this estimate to determine the interest rate or other terms of the loan.

Exposure At-Default: the amount of loss that a lender will incur in the event of default, which can affect the credit risk of a loan. Related terms: credit risk, default probability.
In credit risk management, exposure at default refers to the amount of loss that a lender will incur in the event of default. This can be estimated using statistical models and historical data, and can affect the credit risk of the loan. For example, a lender may estimate the exposure at default of a loan using a credit risk model, and may use this estimate to determine the interest rate or other terms of the loan.

Financial Statement Analysis: the analysis of a borrower's financial statements to determine their creditworthiness, which can affect their ability to obtain credit. Related terms: credit analysis, financial reporting.
In credit risk management, financial statement analysis refers to the analysis of a borrower's financial statements to determine their creditworthiness. This can include analyzing the borrower's income statement, balance sheet, and cash flow statement, and using ratios and other metrics to evaluate their creditworthiness. For example, a lender may use financial statement analysis to evaluate the creditworthiness of a borrower, and to determine their eligibility for credit.

Guarantee Fee: a fee paid by a borrower to a guarantor, which can provide protection against default. Related terms: guarantee, credit enhancement.
In credit risk management, guarantee fees refer to the fees paid by a borrower to a guarantor, which can provide protection against default. This can include fees paid to a credit insurance company or other guarantor, and can help to reduce the credit risk of a loan. For example, a borrower may pay a guarantee fee to a credit insurance company, which can provide protection against default and reduce the credit risk of the loan.

Haircut Rule: a rule that requires lenders to hold a certain amount of capital against their credit risk exposures, which can affect the credit risk of a loan or other credit risk exposure. Related terms: credit risk, capital requirements.

In credit risk management, haircut rules refer to the rules that require lenders to hold a certain amount of capital against their credit risk exposures. This can include rules that require lenders to hold a certain percentage of the loan amount in capital, and can help to reduce the credit risk of a loan. For example, a lender may be required to hold 10% of the loan amount in capital, which can help to reduce the credit risk of the loan.

Hazard Rate: the rate at which borrowers default on their loans, which can affect the credit risk of a loan. Related terms: credit risk, default probability.
In credit risk management, hazard rates refer to the rate at which borrowers default on their loans. This can be estimated using statistical models and historical data, and can affect the credit risk of the loan. For example, a lender may estimate the hazard rate of a loan using a credit risk model, and may use this estimate to determine the interest rate or other terms of the loan.

Hedging Strategy: a strategy used to reduce the credit risk of a loan or other credit risk exposure, such as by using credit derivatives or other hedging instruments. Related terms: credit risk, risk management.
In credit risk management, hedging strategies refer to the strategies used to reduce the credit risk of a loan or other credit risk exposure. This can include using credit derivatives or other hedging instruments, and can help to reduce the credit risk of a loan. For example, a lender may use a hedging strategy such as a credit default swap to reduce the credit risk of a loan, and to provide protection against default.

Intensity Model: a statistical model that estimates the probability of default based on the intensity of default, which can affect the credit risk of a loan. Related terms: credit risk, default probability.
In credit risk management, intensity models refer to the statistical models that estimate the probability of default based on the intensity of default. This can include models that estimate the probability of default based on the number of defaults in a given period, and can affect the credit risk of a loan. For example, a lender may use an intensity model to estimate the probability of default of a borrower, and may use this estimate to determine the interest rate or other terms of the loan.

Internal Ratings-Based Approach: an approach to credit risk management that uses internal ratings to estimate the credit risk of a loan or other credit risk exposure. Related terms: credit risk, internal ratings.
In credit risk management, internal ratings-based approaches refer to the approaches that use internal ratings to estimate the credit risk of a loan or other credit risk exposure. This can include using internal ratings to estimate the probability of default, and can help to reduce the credit risk of a loan. For example, a lender may use an internal ratings-based approach to estimate the credit risk of a borrower, and may use this estimate to determine the interest rate or other terms of the loan.

Internal Model: a statistical model used to estimate the credit risk of a loan or other credit risk exposure, which can affect the credit risk of a loan. Related terms: credit risk, statistical model.
In credit risk management, internal models refer to the statistical models used to estimate the credit risk of a loan or other credit risk exposure. This can include models that estimate the probability of default, and can help to reduce the credit risk of a loan. For example, a lender may use an internal model to estimate the credit risk of a borrower, and may use this estimate to determine the interest rate or other terms of the loan.

Kurtosis Measure: a measure of the tail risk of a distribution, which can affect the credit risk of a loan or other credit risk exposure. Related terms: credit risk, tail risk.
In credit risk management, kurtosis measures refer to the measures of the tail risk of a distribution. This can include measures such as the kurtosis of a distribution, and can help to identify the potential for extreme losses. For example, a lender may use a kurtosis measure to estimate the tail risk of a loan, and may use this estimate to determine the interest rate or other terms of the loan.

LGD Model: a statistical model that estimates the loss given default, which can affect the credit risk of a loan. Related terms: credit risk, loss given default.
In credit risk management, LGD models refer to the statistical models that estimate the loss given default. This can include models that estimate the loss given default based on factors such as the collateral value and the recovery rate, and can help to reduce the credit risk of a loan. For example, a lender may use an LGD model to estimate the loss given default of a borrower, and may use this estimate to determine the interest rate or other terms of the loan.

Loan-To-Value Ratio: the ratio of the loan amount to the value of the collateral, which can affect the credit risk of a loan. Related terms: credit risk, collateral value.
In credit risk management, loan-to-value ratios refer to the ratio of the loan amount to the value of the collateral. This can include ratios such as the loan-to-value ratio of a mortgage, and can help to reduce the credit risk of a loan. For example, a lender may use a loan-to-value ratio to determine the credit risk of a borrower, and may use this estimate to determine the interest rate or other terms of the loan.

Loss Given Default: the expected loss that a lender will incur in the event of default, which can affect the credit risk of a loan. Related terms: credit risk, default probability.
In credit risk management, loss given default refers to the expected loss that a lender will incur in the event of default. This can be estimated using statistical models and historical data, and can affect the credit risk of the loan. For example, a lender may estimate the loss given default of a loan using a credit risk model, and may use this estimate to determine the interest rate or other terms of the loan.

Loss Severity: the severity of the loss that a lender will incur in the event of default, which can affect the credit risk of a loan. Related terms: credit risk, default probability.
In credit risk management, loss severity refers to the severity of the loss that a lender will incur in the event of default. This can be estimated using statistical models and historical data, and can affect the credit risk of the loan. For example, a lender may estimate the loss severity of a loan using a credit risk model, and may use this estimate to determine the interest rate or other terms of the loan.

Market Risk: the risk that the value of a loan or other credit risk exposure will change due to changes in market conditions, which can affect the credit risk of a loan. Related terms: credit risk, market conditions.
In credit risk management, market risk refers to the risk that the value of a loan or other credit risk exposure will change due to changes in market conditions. This can include risks such as interest rate risk and credit spread risk, and can help to reduce the credit risk of a loan. For example, a lender may use a market risk model to estimate the potential loss of a loan due to changes in market conditions, and may use this estimate to determine the interest rate or other terms of the loan.

Merton Model: a statistical model that estimates the probability of default based on the value of the firm and the volatility of the firm's assets, which can affect the credit risk of a loan. Related terms: credit risk, default probability.
In credit risk management, Merton models refer to the statistical models that estimate the probability of default based on the value of the firm and the volatility of the firm's assets. This can include models that estimate the probability of default based on the distance-to-default, and can help to reduce the credit risk of a loan. For example, a lender may use a Merton model to estimate the probability of default of a borrower, and may use this estimate to determine the interest rate or other terms of the loan.

Migration Analysis: the analysis of the change in credit rating of a borrower over time, which can affect the credit risk of a loan. Related terms: credit risk, credit rating.
In credit risk management, migration analysis refers to the analysis of the change in credit rating of a borrower over time. This can include analyzing the change in credit rating due to changes in the borrower's creditworthiness, and can help to reduce the credit risk of a loan. For example, a lender may use migration analysis to estimate the change in credit rating of a borrower, and may use this estimate to determine the interest rate or other terms of the loan.

Model Risk: the risk that a credit risk model is inaccurate or incomplete, which can affect the credit risk of a loan or other credit risk exposure. Related terms: credit risk, model uncertainty.
In credit risk management, model risk refers to the risk that a credit risk model is inaccurate or incomplete. This can include risks such as model uncertainty and model error, and can help to reduce the credit risk of a loan. For example, a lender may use a model risk assessment to evaluate the accuracy of a credit risk model, and may