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# International Conference on Credit Analysis and Risk Management

**July 21-23, 2011**

Oakland University  
Rochester, Michigan, USA

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*Through its Center for Integrated Business Research and Education, Oakland University's School of Business Administration is pleased to host and present the 2011 International Credit Analysis and Risk Management Conference.*



School of Business Administration  
Elliott Hall  
2200 North Squirrel Road  
Rochester, MI 48309-4401  
(248) 370-3287

[www.sba.oakland.edu](http://www.sba.oakland.edu)



### ABOUT THE CONFERENCE

The International Conference on Credit Analysis and Risk Management is hosted by the Enterprise Risk Analysis Institute, a part of the Center for Integrated Business Research and Education (CIBRE), and the Department of Accounting and Finance at Oakland University's School of Business Administration.

OU's Department of Accounting and Finance established the Enterprise Risk Analysis Institute to foster academic and practitioner research and interaction in all aspects of enterprise risk, including credit, bankruptcy, audit, information systems; and business risk. The Enterprise Risk Analysis Institute will facilitate a successful business environment **through** its support in the assessment, analysis, forecasting and management of these risks.

Through conferences such as this one, the Enterprise Risk Analysis Institute will bring scholars and practitioners from around the world together to examine important issues related to credit analysis, expand knowledge in this area and encourage development of new models. Future discussion topics may include bankruptcy prediction and prevention, controlling business risk, turnaround strategies for risky businesses, system integration risk and more.

### A SPECIAL THANK YOU TO OUR SPONSORS:

- PNC Bank
- Accounting and Finance Department at OU's School of Business Administration
- Center for Integrated Business Research and Education at OU's School of Business Administration
- Enterprise Risk Analysis Institute, a part of the Center for Business Research and Education (CIBRE), and the Department of Accounting and Finance at Oakland University's School of Business Administration
- Executive MBA at OU's School of Business Administration
- School of Business Administration at Oakland University

### KEYNOTE SPEAKERS

#### **Sean Keenan, GE Capital**

Sean Keenan is risk analytics and reporting leader at GE Capital and portfolio analytics leader for GE Commercial Finance, where he is responsible for the design and implementation of portfolio level credit risk measurement/management systems. Prior to joining GE, Sean worked in the Risk Architecture group at Citigroup developing quantitative models for obligor and portfolio credit risk. Previously, Keenan worked at Moody's Investors Service and as a senior econometrician at Loan Pricing Corporation.

Keenan holds a BA in history and a Ph.D. in economics, both from NYU. He was a recipient of GE's Edison Award for technological innovation in 2007.

#### **Uday Rajan, University of Michigan**

Uday Rajan is associate professor of finance at the Stephen M. Ross School of Business at University of Michigan. Rajan uses game and contract theory to model strategic interaction in financial markets. His research explains puzzles such as the high cost of credit card loans and rationing of allocations in IPOs. His current work focuses on asymmetric information in limit order markets and on informational frictions created by securitization. His publications include articles in the *American Economic Review*, *Journal of Finance* and *Journal of Financial Economics*. He has received the GSAM award for best paper in the *Review of Finance* and the NYSE award for best paper on equity trading at the WFA meetings.

Prior to University of Michigan, Rajan served as associate professor and assistant professor at the Graduate School of Industrial Administration (GSIA) Tepper School of Business at Carnegie Mellon University. He holds a BA from University of Delhi, MSIA from Carnegie Mellon University, and a Ph.D. from Stanford University.

#### **Erik Heitfield, Board of Governors, Federal Reserve System**

Erik Heitfield is chief in the risk analysis section of the division of research and statistics for the Board of Governors of the Federal Reserve System where he has conducted research and technical analysis in support of the board's bank supervision and regulation responsibilities. While there, he also researched on the measurement and management of credit risk in complex financial institutions.

His fields of interest include banking and financial institutions, risk management, and econometrics and statistics. In 2004 and 2005, he co-chaired the Basel Committee's Loss Given Default Working Group. In 2006 and 2007, he also served as a senior staff economist for the President's Council of Economic Advisors.

He holds a BS in economics from George Mason University and a Ph.D. in economics from University of California, Berkeley.

### FEATURED SPEAKERS

#### **Lawrence Mielnicki, PNC**

Lawrence Mielnicki is executive vice president and head of retail risk analytics at PNC. He has nearly 30 years experience in various aspects of economics and forecasting in the telecommunications and financial services industries. His interests and specialties include credit risk, Basel II Advanced IRB compliance, stakeholder value management, pricing, and portfolio valuation. Prior to his position at PNC, Mielnicki was senior vice president of value analytics at De Lage Landen. He also held positions in credit risk at FleetBoston Financial and Dun & Bradstreet.

Mielnicki has published in academic and business publications on the topics of credit risk and Basel II AIRB compliance, and has presented the results of his research to banking supervision and industry groups on a variety of topics. He holds a doctorate in economics from Fordham University with concentrations in international trade, finance and industrial organization.

#### **Patrick Sperti, Fifth Third Bank**

Patrick Sperti is vice president, East Michigan Affiliate, for Fifth Third Bank where he is responsible for increasing market in the health care industry for the organization's Business Banking Group. Prior to that, Sperti was business development officer responsible for all industries in the group with revenue between \$1 and \$20 million.

Sperti's career includes executive leadership positions in various financial and health care organizations including First Independent Bank, Oakland Regional Hospital, Southeast Michigan Surgical Hospital and Kern Hospital. Sperti holds a BA and MBA from University of Detroit.

#### **Joseph Breeden, CEO, Strategic Analytics**

Joseph Breeden is CEO and co-founder of Strategic Analytics. He leads the design of advanced analytic solutions that comprise Strategic Analytics' market offerings. In addition, Breeden recently published his book, *Reinventing Retail Lending Analytics*.

Prior to Strategic Analytics, Breeden was a senior scientist in the investment analytics group at CASA, the Center for Adaptive Systems Applications, where he used advanced modeling and simulation technologies to solve business problems for several top corporations. Among these, he created a consumer lending portfolio management tool for emerging markets for Citicorp, a merger and acquisition simulator in telecommunications for a top strategic consulting firm, and a product features optimizer for a leading agrichemical and biotech company.

Breeden holds two BS degrees in mathematics and physics from Indiana University. He earned a Ph.D. in physics in 1991 from the University of Illinois.

**CONFERENCE AGENDA**

All sessions take place in Elliott Hall unless otherwise noted.  
(Discussants noted in *italic*)

**Thursday, July 21, 2011**

**1 – 1:30 p.m.**  
**Special Teleconferenced Presentation**  
**Do CDS Spreads Reflect Counterparty Risk? – An empirical analysis on the efficiency of CDS pricing**  
242 Elliott Hall

**1:30 – 1:45 p.m.**  
**Opening Remarks**  
242 Elliott Hall

**2 – 2:30 p.m.**  
**Panel Discussion: Credit Analysis of Individual Loans**  
Panelists: Lawrence Mielnicki, PNC; with Joseph Breeden, Strategic Analytics; and Sean Keenan, GE Capital  
242 Elliott Hall

**5:30 – 6 p.m.**  
**Panel Discussion: Teaching and Learning Credit Analysis**  
242 Elliott Hall


**6 – 8 p.m.**  
**Networking Reception**  
Auburn Hills Marriott at Pontiac Centerpoint  
3600 Centerpoint Parkway  
Pontiac, MI 48341

**Thursday Concurrent Sessions**

LOCATION	242 Elliott Hall	237 Elliott Hall	239 Elliott Hall
2:45–3:15 p.m.	<b>Loan Pricing and Risk Management</b> Terry Benzschawel, Citibank  <i>Swati Virmani</i>	<b>New Risk Analysis Tools in Accounting</b> Seong Cho, Oakland University  <i>Liang Fu</i>	

**Thursday Concurrent Sessions** continued

LOCATION	242 Elliott Hall	237 Elliott Hall	239 Elliott Hall
3:30–4 p.m.	<b>Credit Risk in Shipping Finance</b> Thomas Schumacher, University of Hannover and Deloitte Consulting  <i>Herbert Rijken</i>	<b>Analysis of New Corporate Bond Issues</b> Igor Kozhanov, University at Buffalo  <i>Hong Qian</i>	<b>Institutional Investor Benefits from Securitization</b> Anit Deb, TU Darmstadt  <i>Ranadeb Chaudhuri</i>
4:15–4:45 p.m.	<b>Credit Rating Changes</b> Qin Wang, University of Michigan-Dearborn  <i>Igor Kozhanov</i>	<b>The Effect of Allowing Unregulated Credit Default Swaps</b> Austin Murphy, Oakland University  <i>Dror Parnes</i>	
5–5:30 p.m.	<b>Rating Outlook Review</b> Herbert Rijken, VU University  <i>Julia Sawicki</i>	<b>Securitization Risk Measurement</b> Daniel Roesch, University of Hannover  <i>Ranadeb Chaudhuri</i>	



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The Enterprise Risk Analysis (ERA) Institute at the School of Business Administration's (SBA) Center for Integrated Business Research and Education (CIBRE) and the Department of Accounting and Finance at Oakland University are proud to host the **2011 International Conference on Credit Analysis and Risk Management.**

The ERA Institute fosters academic and practitioner research and interaction in all aspects of enterprise risk. The institute will host conferences to examine and expand knowledge on topics such as:

Information Risk Reduction in Systems by Design	Risk-reducing Technologies and Methods
Bankruptcy Prediction and Prevention	Financial Standards Risk
Factors and Determinants of Audit Risk	Application Design Risk
Controlling Business Risk	Internal Control Failure Risk
Turnaround Strategies for Risky Businesses	System Integration Risk

**For more information, please contact:** Department of Accounting and Finance  
School of Business Administration  
436 Elliott Hall | 2200 North Squirrel Road | Rochester, MI 48309-4401  
(248) 370-4361 | [www.oakland.edu/acffin](http://www.oakland.edu/acffin)

Friday, July 22, 2011

**7:15 – 7:45 a.m.**  
Registration and Continental Breakfast

**7:45 – 8 a.m.**  
Opening Remarks  
242 Elliott Hall

**8 – 9 a.m.**  
Panel Discussion: Commercial Credit Analysis  
Panelists:  
Sean Keenan, GE Capital; with Joseph Breeden, Strategic Analytics; and Patrick Sperti,  
Fifth Third Bank  
242 Elliott Hall

**12:15 – 1:45 p.m.**  
Lunch: Importance of Soft Analysis in Credit Evaluation  
Uday Rajan, University of Michigan  
224 Elliott Hall

**6 – 8 p.m.**  
Reception/Dinner: The Evolution of Credit Scoring Markets  
Oakland University's Meadow Brook Hall

Friday Concurrent Sessions

LOCATION	242 Elliott Hall	237 Elliott Hall	239 Elliott Hall
9:15–9:45 a.m.	<b>Operating Lease and Credit Assessments</b> Rick Johnston, Purdue  <i>Mohinder Parkash</i>	<b>Credit to Low Income Mortgagors</b> Michel Dietsch, University of Strasbourg  <i>Andres Sagner</i>	
10–10:30 a.m.	<b>Practical Consumer Credit Risk Analytics</b> Senthil Ramanath, Ace Cash Express  <i>Andres Sagner</i>	<b>Modeling Credit Risk</b> Indranarain Ramlall, University of Mauritius  <i>Rajeev Singhal</i>	

Friday Concurrent Sessions continued

LOCATION	242 Elliott Hall	237 Elliott Hall	239 Elliott Hall
10:45 – 11:15 a.m.	<b>Credit Analysis of Financial Statements</b> Laurie Horvath, Walsh College; Julia Sawicki, Dalhousie University; Austin Murphy, Oakland University  <i>Yin Yu</i>	<b>Debt Liquidity Premiums</b> Steven Shin, Ping Chen, Morgan Stanley  <i>Anit Deb</i>	
11:30 a.m.–noon	<b>Sovereign Debt Analysis</b> Kevin Lucey, O'Keefe and Associates; Joe Callaghan, Oakland University;  <i>Yin Yu</i>	<b>Does Modeling Framework Matter?</b> Yalin Gunduz, Deutsche Bundesbank  <i>Dale Rosenthal</i>	
2–2:30 p.m.	<b>Probability of Default Implied by the Market</b> Terry Benzschawel, Citibank  <i>Swati Virmani</i>	<b>Implications of CDO Ratings for Originating Banks</b> Anit Deb, TU Darmstadt  <i>Frank Lehrbass</i>	
2:45–3:15 p.m.	<b>Estimating Consumer Defaults</b> Andres Sagner, Central Bank of Chile  <i>Yin Yu</i>	<b>Default Estimates on Low Risk Portfolios</b> Rung Roengpitya, Pratabjai Nilla-Or, Bank of Thailand  <i>Seong Cho</i>	
3:30–4 p.m.	<b>Estimating Default with Soft Information</b> Dror Parnes, University of South Florida  <i>Ellen Zhu</i>	<b>Estimating Systematic Risk</b> Liang Fu, Oakland University  <i>Indranarain Ramlall</i>	
4:15–4:45 p.m.	<b>Analysis of Loss Given Default</b> Abdolreza Nazemi, University of Karlsruhe  <i>Ellen Zhu</i>	<b>Credit Concentration</b> Chinmay Naralkar, Aditya Bisen, Goutam Sanyal, ICICI Bank  <i>Rajeev Singhal</i>	
5–5:30 p.m.	<b>Relation Between Defaults and Losses</b> Jon Frye, Federal Reserve Bank of Chicago  <i>Terry Benzschawel</i>	<b>Estimating Mortgage Delinquencies</b> Qingqing Chen, Office of the Comptroller, U.S. Department of Treasury  <i>Michel Deutsch</i>	

Saturday, July 23, 2011

8 – 9 a.m.

**Panel Discussion: Limitations of Statistics in Credit Analysis**

Eric Heitfield, Federal Reserve; with Lawrence Mielnicki, PNC; and Joseph Breeden, Strategic Analytics  
242 Elliott Hall

**Saturday Concurrent Sessions**

LOCATION	242 Elliott Hall	237 Elliott Hall	239 Elliott Hall
9:15 – 9:45 a.m.	<b>A Hedge Fund's Perspective on Debt Cycles</b> Jose Gonzalez-Heres, Morgan Stanley  <i>Hong Qian</i>	<b>Risk Decomposition</b> Philipp Rindler, European Business School  <i>Fatih Yegenoglu</i>	<b>Insurance Risk</b> Huong Dang, University of Canterbury  <i>Swati Virmani</i>
9:45 – 10:15 a.m.	<b>Debt Governance and Cost of Debt</b> Jason Wei, Federal Reserve Bank of New York  <i>Swati Virmani</i>	<b>The Design and Validation of Economic Models</b> Michael Jacobs, U.S. Department of Treasury  <i>Donna Free</i>	<b>Measuring Credit Risk and Financial Reporting</b> Julia Sawicki, Dalhousie University  <i>Mohinder Parkash</i>
10:30 – 11 a.m.	<b>Earnings Smoothness and Cost of Debt</b> Ed Owens, University of Rochester  <i>Jason Wei</i>	<b>Measuring Risk</b> Fatih Yegenoglu, Okan University  <i>Philipp Rindler</i>	
11:15 – 11:45 a.m.	<b>Correlated Defaults</b> Dale Rosenthal, University of Chicago  <i>Chen Qinqing</i>	<b>Credit Risk Management of a Commodity Sales Portfolio</b> Frank Lehrbass, GMX  <i>Srdjan Stojanovic</i>	
Noon – 12:30 p.m.	<b>Bankruptcy Risks and Costs</b> Ellen Zhu and Rajeev Singhal, Oakland University  <i>Ed Owens</i>	<b>Portfolio Pricing and Risk Management</b> Srdjan Stojanovic, University of Cincinnati  <i>Swati Virmani</i>	<b>Hedge Fund Risk Management</b> Joseph J. Gerakos, University of Chicago  <i>Liang Fu</i>

# 2010 BANK OF THE YEAR IN THE U.S.

—The Banker magazine, London

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### **About the Center for Integrated Business Research and Education**

An academic research center that integrates research experts, business leaders, industry, government and other key stakeholders, the Center for Business Research and Education (CIBRE) at Oakland University's School of Business Administration serves as a catalyst for transforming the region's economic future, educating a work force to find success in it and driving business success in a rapidly changing global marketplace. For more information, visit [www.sba.oakland.edu/cibre](http://www.sba.oakland.edu/cibre).

### **About the School of Business Administration**

Oakland University's School of Business Administration sustains its 40 years of educational excellence by remaining relevant to the ever-changing global business environment and providing students a distinctive educational experience that integrates classroom learning with real-world business experience and research. Its accredited business school offers undergraduate and graduate degrees as well as special programs that satisfy many educational interests while supporting the employment needs of the business community. For more information, visit [www.sba.oakland.edu](http://www.sba.oakland.edu).



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