113 Credit Risk interview questions to hire top talent

Questions

1. Imagine you're lending money to a friend. What things would you want to know about them before you decide?
2. What does 'credit' mean to you, like when grown-ups talk about credit cards or loans?
3. Why do you think banks charge interest when they lend money?
4. If someone has borrowed money before and always paid it back on time, what does that tell you?
5. What are some reasons why someone might not be able to pay back a loan?
6. Have you ever saved up for something you really wanted? How is that like a bank giving out loans?
7. If a company wants to borrow a lot of money, what kind of things should the bank check about them?
8. What do you think is more risky: lending a small amount of money or a large amount of money?
9. What are ways to check if a person or company is likely to pay back the money they borrowed?
10. Why is it important for banks to be careful about who they lend money to?
11. Explain in simple terms what you understand by the term 'risk'?
12. Let's say a business owner is planning to open a new restaurant, How would you analyse if lending money to this business is a good idea?
13. Can you define 'collateral' in the context of lending, as if explaining to someone new to the concept?
14. In your opinion, what makes a loan 'high-risk' versus 'low-risk'?
15. If a bank lends too much money, what problems could it cause?
16. How can a bank reduce the risk of losing money when giving out loans?
17. What is diversification of loan portfolio and why it matters?
18. Imagine a situation where interest rates suddenly increase. How might this affect people who have taken out loans?
19. How would you describe the role of a credit rating agency to someone who doesn't know what it is?
20. What are the different types of risks that a lender is exposed to?
21. If the economy is not doing well, how might this impact a bank's lending decisions?
22. What is the difference between a secured loan and an unsecured loan?
23. Explain in your own words what a credit score is and why it is important.
24. What are some examples of data that might be useful in determining credit worthiness?
25. How can technology help in assessing credit risk?
26. What is the role of regulations in managing credit risk?
27. Can you explain the concept of 'default' in lending?
28. Why is it important to monitor loans after they've been given out?
29. Imagine you lend your toys to a friend. What makes you sure they'll give them back in good shape?
30. If a company borrows money, what are some things that might make it hard for them to pay it back?
31. What does it mean for a bank if many people don't repay their loans?
32. Why do banks check someone's past borrowing habits before lending them money?
33. What are some things a bank can do to protect itself when lending money to a company?
34. How is giving a loan similar to making a bet?
35. What information would you want to know about a person before lending them a large sum of money?
36. What's the difference between a good loan and a bad loan from the bank's perspective?
37. Why do interest rates change?
38. What's one thing that could make a seemingly safe loan turn risky?
39. What does diversification mean in the context of lending?
40. If a company is doing really well, why might a bank still hesitate to lend it a lot of money?
41. How can a bank tell if a company is just pretending to be doing well?
42. What is collateral, and why do banks ask for it?
43. What happens if a company can't repay its loan, even with collateral?
44. How does lending money to a big company differ from lending to a small business?
45. Can you describe a situation where lending to the government could be risky?
46. Why is understanding the economy important in credit risk?
47. What are some early warning signs that a borrower might be in trouble?
48. What is credit scoring, and why is it important?
49. How do rating agencies like Moody's or S&P help in assessing credit risk?
50. What are some ways technology is changing how banks assess credit risk?
51. Imagine you are analyzing a company's financials. What are the top three things you'd look at?
52. What is a credit default swap (CDS), in simple terms?
53. How can global events impact the creditworthiness of a local business?
54. What are covenants in a loan agreement, and why are they important?
55. If a company has a lot of debt, is that always a bad sign? Explain.
56. How can a bank use data to make better decisions about who to lend money to?
57. How do you assess the creditworthiness of a company in a cyclical industry?
58. Explain the difference between Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD) and how they're used in credit risk modeling.
59. Describe a situation where you had to make a credit decision with limited information. What did you do?
60. How does macroeconomic factors influence credit risk? Give specific examples.
61. What are some common covenants in loan agreements and why are they important?
62. Explain different methods for stress testing a credit portfolio.
63. How do you validate a credit risk model?
64. What are the key risks associated with lending to startups?
65. Describe the process of securitization and its impact on credit risk.
66. How do you adjust credit risk assessments for qualitative factors not captured in financial statements?
67. Explain the difference between a secured and unsecured loan and the implications for credit risk.
68. What are some of the challenges in assessing credit risk for cross-border transactions?
69. How do you monitor credit risk after a loan has been issued?
70. Describe the different types of credit derivatives and their uses.
71. How do you handle a situation where a borrower is showing early signs of financial distress?
72. Explain the concept of credit scoring and its limitations.
73. What are the key considerations when setting credit limits for a customer?
74. Describe the Basel III accord and its impact on credit risk management.
75. How do you assess the credit risk of a project finance deal?
76. What are the implications of regulatory changes on credit risk management?
77. How would you determine if a company is using aggressive accounting practices to hide financial problems?
78. Walk me through the process of calculating a debt service coverage ratio (DSCR) and explain what it indicates.
79. What steps would you take to mitigate the risk of fraud in a lending portfolio?
80. How do environmental, social, and governance (ESG) factors influence credit risk?
81. Explain how transfer pricing within a multinational corporation might obscure the true creditworthiness of a subsidiary.
82. Describe a scenario where you had to restructure a loan. What factors did you consider?
83. How do you stay up-to-date with the latest trends and best practices in credit risk management?
84. Let's say a company's financials look great, but their industry is facing disruption. How would that affect your credit decision?
85. How do you deal with the subjectivity involved in credit risk assessment?
86. How do you assess credit risk for a company operating in a highly cyclical industry?
87. Describe a time when you had to make a difficult credit decision with limited information. What did you do?
88. Explain how you would validate a credit risk model.
89. What are the key differences between a corporate bond and a loan in terms of credit risk?
90. How would you evaluate the creditworthiness of a sovereign nation?
91. Discuss the impact of macroeconomic factors on credit risk.
92. Explain the concept of 'loss given default' and how it's estimated.
93. How do you stay updated on the latest developments in credit risk management?
94. Describe your experience with regulatory requirements related to credit risk, such as Basel III.
95. How do you handle conflicts of interest in credit risk assessment?
96. Explain the relationship between credit ratings and bond yields.
97. What is your approach to stress testing a credit portfolio?
98. Describe a situation where you identified a hidden credit risk. What were the clues and how did you act?
99. How would you structure a credit facility to mitigate specific risks?
100. Explain your understanding of credit derivatives and their role in credit risk management.
101. What are the limitations of using credit scores for assessing individual credit risk?
102. How do you assess the impact of environmental, social, and governance (ESG) factors on credit risk?
103. Explain the difference between economic capital and regulatory capital.
104. Describe your experience with managing credit risk during a period of economic downturn.
105. How do you evaluate the effectiveness of a credit risk management framework?
106. What are some common pitfalls to avoid when assessing credit risk?
107. How would you explain credit risk to someone with no financial background?
108. Discuss the role of covenants in loan agreements.
109. How do you determine the appropriate level of credit risk to take on?
110. What are the challenges of assessing credit risk in emerging markets?