

## CREDIT PROVIDING

### Alignment to the Target Market

---

**T**he first step when analyzing a customer to provide him/her a loan is to validate his/her level of alignment to the Target Market, which implies the following:

#### *Levels of adherence:*

The higher level of adherence (low percentage of exceptions) the lower individual risk level, because the customer has clear strengths of surviving and does not show weaknesses or risk factors.

On the other end are those customers that scarcely fulfill the minimum alignment levels, they will require a deeper and stronger analysis due to their strengths are reduced and / or their risk factors are increased.

#### *Starting point:*

Due to mentioned above, it is very important to have as starting point the alignment level of each company to be analyzed, showed either by the number of RAACs (Risk Assets Acceptance Criteria) or by the percentage of fulfillment.

In conclusion, the analysis of strengths and weaknesses done when defining the Target Market must be taken into account in the admittance stage, giving more emphasis to those variables that show weaknesses.

## RISK ASSETS ACCEPTANCE CRITERIA (RAAC):

Risk Assets Acceptance Criteria (RAAC) are qualitative and quantitative parameters chosen per sector, in order to select the companies that have the best performance in each sector.

RAACs are determined independently for each sector because depending on the sector, qualitative and quantitative variables behave in a different way. For example, in the sector of department stores, companies usually manage cash sale, which means that receivables rotation is very fast (less than 15 days). If in this sector we choose a RAAC of 60 days receivables rotation, maybe all the companies fulfill the criterion, for this reason, this RAAC is not a real decision factor.

For choosing RAACs it is important to determine which RAACs are more relevant in order to determine strengths and weaknesses of the companies that make up the sector, and RAACs quantification must be based on criteria and it has to be related to the rating that was given to the corresponding sector.

Then, RAAC will allow organizing the companies of each sector and choose, by means of a comparative analysis, those companies which have a better alignment with criteria, it means, the ones which fulfill more criteria.

[www.bprbenchmark.com](http://www.bprbenchmark.com)