

The External Management Methods of Problematic Assets

In case of ineffectiveness of internal management of problematic assets management the bank can make a decision about reasonability of external bank actions to improve the structure of its balance sheet and restore the liquidity. It actualizes the practical application of external management methods of problematic assets.

According to these methods, bank should transfer problem assets to the management of the third person (collector) without optimization of bank balance; transfer/sell problematic assets to associated financial company on the principles of optimizing the balance; sell problematic assets to unrelated financial company on the terms of factoring; implementation of the asset securitization; other methods.

The main usage feature of the mentioned methods is decision-making to select one of them on the stage of loan collection caused by ineffective preventive intrabank management of problematic assets.

Expediency of implementation of the methods mentioned above in practice of particular bank is determined by several criteria: special features of accounting and tax accounting, influence on sufficiency of regulatory capital, ensuring liquidity, improvement of management, decreasing the level of bank riskiness and ensuring profitability of loan portfolio.

The main factors of maximizing the value of the problematic bank assets portfolio are determining cost structure considering the volume of loans, available ensuring, conditions of overdue payment, terms of credit agreement, stages of proceeding the credit business (enforceability of extracting bail, judicial execution), availability of support in buying from positioning on market or expert assessment funded by investor.

Considering the question of selling problematic assets, bank management should maintain the balance between quick sales and price level. Assets the price on which increases slowly should be sold immediately.

Assets which price is expected to grow in the nearest future should be prepared and improved to be sold at a high price.

Nowadays banks face quite vexed problems, for example reducing the real value of problematic assets, legal aspects of selling mortgage property, developing the mechanism of public auctions for foreclosure of mortgage property, banks cooperation with management of problematic loans companies.

Quite actual questions which need urgent solution are creation and implementation of a mechanism for financing of problematic assets by combining interests of all stakeholders and developing appropriate legal support for carrying out such operations.