

Non-Performing Loans (NPL) Research Project

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Non-performing loans (NPL) are a world-wide issue that affects the stability of financial markets in general and the viability of the banking industry in particular.¹ The NPL problem is often cited as one of the potential risks that may cause economic and financial instability in China, although the Chinese economy has been growing fast without major interruptions. NPLs brought many banks in Asia to bankruptcies during the crises in the 1990s. However, developing countries are not alone and developed countries are not immune to crises led by non-performing loans. The savings & loans debacle in the U.S. around 1990 and the more recent sub-prime mortgage crisis have had devastating impacts on the performance of financial institutions and overall health of the financial markets.

To understand and manage the risks of NPLs is of significant interest to financial institutions, researchers, and policy makers in all countries. I would like to propose that the GWU Center for the Study of Globalization sponsor an international symposium on this important issue. The topics may include, but not limit to, the following:

- Analysis of the default probabilities of different types of loans
- Analysis of loss given default for different types of loans
- Analysis of NPL experiences in advanced economies
- Analysis of NPL experiences in developing countries
- Analysis of NPL transformation and asset management companies
- Analysis of the US experience of RTC
- Analysis of China's NPLs and their impacts

We seek collaborators or cooperators in China for this international symposium. Prospective participants in the symposium include academic researchers from US and Chinese universities, financial institutions in both China and the US, and multinational financial institutions.

Research papers presented at the symposium will be collected and edited into a special volume on the issue. Part of the duties include one or more white papers.

¹ According to Wikipedia, a non-performing loan is a loan that is in default or close to being in default. Many loans become non-performing after being in default for 3 months, but this can depend on the contract terms. "A loan is nonperforming when payments of interest and principal are past due by 90 days or more, or at least 90 days of interest payments have been capitalized, refinanced or delayed by agreement, or payments are less than 90 days overdue, but there are other good reasons to doubt that payments will be made in full" (IMF).