



**Schools
of Banking**
School of Lending Principles
Session Objectives

INTRO TO LENDING – SESSION OBJECTIVES

- Understand the typical structure of the average bank today, its sources and uses of funds and risk management.
- Explain how a bank runs a profitable business.
- Identify the duties, responsibilities, and skills of bank management, lenders and employees in their role as providers of loans.
- Define various lending regulations.
- Explain the benefits that borrowing clients can expect from their bank.
- Describe the objectives of depositors, borrowers and lenders and explain how their needs are met through the lending process.
- Identify bank competitors and how they compete for loan demand.

CONSUMER LENDING – SESSION OBJECTIVES

- Understand the various types of consumer loans.
- Identify the differences between direct and indirect lending.
- Understand the different sections and purposes of the loan application.
- Be able to interview an applicant for a loan.
- Comprehend the investigation process and its purpose.
- Be able to discuss the five C's of credit: character, capacity, capital, collateral & conditions.
- Understand the characteristics of various forms of collateral.
- Be able to demonstrate how to communicate the lending decision.
- Understand the importance and critical nature of loan documentation.
- Identify all required documents needed to close a consumer loan.
- Be able to explain how a lender negotiates an acceptable lending arrangement.

RESIDENTIAL REAL ESTATE LENDING – SESSION OBJECTIVES

- Understand various types of residential real estate mortgage products.
- Understand some of the documentation requirements for bank portfolio and secondary market loans.
- Understand the purpose of each section of the standard residential real estate loan application.
- Be able to assist applicants with pre-qualification.
- Understand the importance and timing of initial compliance disclosures.
- Know how to analyze key sections of a residential appraisal to determine market value sufficient to support the loan.
- Know the purpose of title insurance and attorney opinions.
- Understand the fundamentals of a loan closing.
- Have a basic understanding of the required real estate lending regulations and knowledge of the timing requirements involved.

ANALYZING SMALL BUSINESS LOANS – SESSION OBJECTIVES

- Understand the components of lending risk management.
- Answer the two “most important” lending questions.
- Identify the various legal structures available to commercial or agricultural borrowers.
- Identify and explain the key risks in lending to manufacturers, wholesalers, retailers and service companies.
- Conduct an interview and investigation for a commercial applicant.
- List and define the types of financial statements.
- Describe the basic organizational structure of the income statement and balance sheet.
- Analyze and interpret income statement and balance sheet components.
- Apply tools of financial analysis.
- Understand how to structure a commercial loan.
- Understand how to collect problem commercial loans and apply concepts to a case.

LOAN DOCUMENTATION – SESSION OBJECTIVES

- Understand and use basic concepts of both small business loan documentation and loan closings.
- Identify the documents that are commonly used in documenting commercial and agricultural loans.
- Explain how a security interest in collateral is attached and perfected by the bank.
- Differentiate between titled property, non-titled property and real property.
- Understand the steps in a loan closing.

AGRICULTURAL LENDING – SESSION OBJECTIVES

- Develop an appreciation for the size and scope of U.S. agriculture; specifically gain an awareness of the characteristics of the four main classifications of farm size.
- Gain an understanding of the Farm Financial Standards Council (FFSC) purpose and the impact of the FFSC recommendations on Agriculture lending.
- Recognize and identify the Key Financial Statements as recommended by the FFSC.
- Define the classification of assets and liabilities for two category and three category balance sheets.
- Understand how to calculate deferred taxes and the impact of such taxes on agriculture financial analysis and lender decisions.
- Gain an understanding of the differences in cash versus accrual income statements.
- Begin and develop a working knowledge of accrual income statements and its impact on proper financial analysis and lender decision making.
- Develop an understanding of the statement of owner equity.
- Understand the role of cash flow analysis in an agriculture operation and in making lending decisions.
- Begin developing a working knowledge of the “Sweet Sixteen” ratios, specifically: Repayment, Liquidity and Solvency Analysis.
- Develop an appreciation for the purpose of your loan policy in your bank.