

CREDIT TRAINING SYLLABUS

Sponsored by the Connecticut Bankers Association

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Texts: Analyzing Financial Statements, A Decision Tree Approach, Part 1 8th Edition (“AFS”)

Commercial Lending, A Decision Tree Approach, Part 2 7th Edition (“CL”)

Additional Cases and Handouts at Class Sessions

NOTE: It is strongly recommended that participants review AFS chapters 4-7 as an accounting refresher prior to attending the class sessions. This is important if your prior accounting coursework and/or accounting skills are “dated.” We move very quickly into financial analysis, and the limited class time does not allow us to effectively cover these basics.

SESSION 1 – MORNING

Introduction
Fundamental credit assessment principles (Sustainability, Financial Flexibility, Debt Capacity, Ways Out)
Business legal entities
Why businesses borrow
Overview of a financial institution’s risk management structure
Assessment of borrower and guarantor character and willingness to pay

Preparation: AFS Chapters 1-3, CL Chapter 1

SESSION 1 – AFTERNOON

Types of credit facilities
The components of the assessment model
The working capital cycle and financing gap
Financial statement alternatives (Compiled, Reviewed, Audited)
Intro to financial statement analysis (Earnings, liquidity, Leverage, Cash Flow, Debt Service Coverage)

Preparation: AFS Chapters 4-7, 8 and 10

SESSION 2 – MORNING

Financial statement analysis and cases (Continued)
The Adjusted Working Capital Model
Income property cash flow analysis (IRS 1040 Schedule E)

Preparation: AFS Chapters 9 and 10

SESSION 2 – AFTERNOON

Analyzing personal financial statements
Overview of personal and business tax returns as sources of information

Preparation: AFS Chapters 12-15

SESSION 3 – MORNING

The Global Cash Flow Model
Credit due diligence and information requirements
Basic credit facilities (Lines of Credit, Revolving Credits, Term Loans)
Trade finance alternatives (Letters of credit covered in detail Session 5)
Basics of real estate lending

Preparation: CL Chapter 2

SESSION 3 – AFTERNOON

Ways Out analysis and sources of repayment
Industry and management analysis
Credit structuring
Loan Documentation (Notes, Credit Agreements)
Covenants, Material Adverse Change clauses (“MAC”)
Lending against government receivables (government contractors, healthcare providers)

Preparation: CL Chapters 5-7

SESSION 4 – MORNING

Loan Documentation – Continued (Collateral, Subordinations, Guarantees, Landlord Waivers)
The concept of collateral perfection
Misc. related documentation/structural issues
Bank loan syndications and participations
Real estate appraisals
Overview of SBA loans

SESSION 4 – AFTERNOON

The beauty of Post-Closing Memos
Credit administration topics (Risk Ratings, Credit Approval Memos)
Loan monitoring; Loan monitoring exercise
Basics of interest rate swaps

Preparation: CL Chapters 3 and 4

SESSION 5 – MORNING

Overview of asset based or formula lending
Problem loans – identification and management
Overview of workouts and the bankruptcy process

Preparation: CL Chapter 9

SESSION 5 – AFTERNOON

Business life cycles
Overview of federal regulations relevant to commercial lending
More on Letters of Credit (Documentary and Standby/Clean)
Lender Liability concepts
Final thoughts