

# COMMERCIAL LENDING SCHOOL

## October 21-25, 2024

IBA Center for Banking Excellence, Springfield OR Live Streamed

This comprehensive school prepares your team to serve effectively and profitably as commercial loan officers by providing participants with the knowledge needed to evaluate, structure, and negotiate a commercial loan.

**MONDAY, OCTOBER 21 | 8:30am - 3:30pm**

### FOUNDATION CONCEPTS IN LENDING

The week kicks off with an overview of the business of banking and the role of the lender. This session introduces risk appetite, risk tolerance, risk culture and the risks assumed in the loan portfolio.

#### Learning Objectives

At the end of this session, you will be able to:

- Identify six major categories of risk banks assume in commercial lending
- Define risk appetite, risk tolerance and risk culture
- Enumerate at least five personal and technical skills of a successful commercial lender
- Enumerate the four key lending questions
- Describe the Loan Evaluation Process
- Identify the 5 Cs of credit
- Define the Loan Evaluation Equation
- Identify seven elements of the external environment in which a company operates
- Identify and explain the significance of the key variables

### UNDERSTANDING THE BORROWER'S BUSINESS

Each type of business and industry has a unique mix of assets, liabilities, margins, asset utilization and financial leverage. It is essential that the lender understand these critical differences among businesses.

#### Learning Objectives

At the end of this session, you will be able to:

- Explain the concept of working assets
- Define and apply the concepts of the operating cycle, the fixed asset cycle, the profit cycle, the life cycle, and the cash cycle in the operation of a typical business
- Define net working capital and recognize its role in the typical business
- Utilize the concept of financing gap to project working capital requirements
- List the major functions performed by typical businesses and explain the unique financing requirements of each
- Define excess cash and explain its role in defining borrowing needs and ability to repay debt
- Use the operating, fixed-asset, profit, and cash cycles to explain

how financing requirements can arise in the typical business, identify the appropriate loan structure to meet the financing need and define the appropriate sources of repayment

### EVALUATING MANAGEMENT

Examine the management process, with emphasis on evaluating the management team focusing on aspects of management including and apply the techniques.

#### Learning Objectives

At the end of this session, you will be able to:

- Describe the traits of a good manager and leader
- Identify members of the borrower's management team
- Evaluate management requirements to meet the challenges of the company's position in its life cycle
- Evaluate the quality of management's internal systems
- Evaluate the quality of banker/borrower communication
- Utilize three tools to evaluate management
- Define the "Do Right" Rule and the Purpose of a Corporation
- Apply the techniques in a short case study (optional)

### BANK PRESIDENT CONVERSATION

#### ASSESSING THE RISKS FACING THE BORROWER

Explores the risks impacting any business including risks introduced by the economic environment, the borrower's industry and the borrower's market.

#### Learning Objectives

At the end of this session, you will be able to:

- Identify and explain the causes of economic fluctuations
- Describe the tools available to the Federal government to influence economic activity
- Describe the operation of fiscal and monetary policy
- Understand the impact of recent legislative and regulatory initiatives
- List four tools that can be used to determine the current state of the economy and discern its future direction
- List at least five sources of economic information
- Explain what is meant by the strategy of a business and why a strategy is important

**TUESDAY, OCTOBER 22 | 9:00am - 3:30pm**

### **LOAN STRUCTURE AND SUPPORT**

Previous sessions have focused on understanding the borrower's business and quantifying the borrower's willingness and ability to repay debt. Equally important is structuring the loan.

#### **Learning Objectives**

At the end of this session, you will be able to:

- Identify each of the elements of loan structure
- Define the balance sheet equation and, using the equation, explain the three purposes for a loan and the three sources of repayment
- Define the appropriate loan structure to meet the financing needs of a business
- Evaluate six loan structure issues
- Define the role of loan support and identify the four elements
- Define collateral and understand how to analyze, value, document, control, and monitor it
- Define a guaranty, identify various types of guaranties, and explain its role
- Define the steps in the documentation process
- Properly employ a term sheet and commitment letter
- Define a loan agreement, explain its role, identify its basic components, and describe its use
- Define the role of a subordination agreement and explain its use
- Apply the concepts in a case study

### **GUEST PRESENTER TBA**

### **RESPONSIBLE COMMERCIAL REAL ESTATE LENDING**

Commercial real estate (CRE) lending including financing owner occupied real estate, income property and acquisition/development/construction has been a significant source of loan volume and income for many banks.

#### **Learning Objectives**

At the end of this session, you will be able to:

- Describe the types of CRE loans
- Define financial information requirements for each type of CRE loan
- Underwrite and monitor owner occupied, income property and acquisition/development and construction loans
- Employ an income property "30 Second" analysis and Loan Screening Worksheet
- Evaluate the environmental risk in real estate collateral
- Describe the types of appraisals and qualifications required of appraisers
- Describe when an evaluation is required and the requirements for an evaluation
- Identify High Volatility Commercial Real Estate Acquisition, Development and Construction (HVCRE ADC) loans
- Describe the role and use of various types of insurance including flood, casualty, loss of rents, business interruption, liability and key person insurance
- Employ the concepts in a case study

**WEDNESDAY, OCTOBER 23 | 9:00am - 3:30pm**

### **IDENTIFYING AND MANAGING PROBLEM LOANS**

Although problem loans are not always preventable, lenders can minimize losses from them with good underwriting, active monitoring, early problem loan identification and aggressive corrective action.

#### **Learning Objectives**

At the end of this session, you will be able to:

- Identify the causes of problem loans
- Describe how to detect problem loans
- Describe the first steps in dealing with a problem loan
- Describe the elements of a successful meeting with a problem borrower
- Describe how to formulate a problem loan strategy and evaluate the alternatives
- Define the steps in implementing a problem loan strategy
- Understand key legal concepts of bankruptcy
- Identify a troubled debt restructure (TDR)
- Understand the methodology utilized to assess the adequacy of the allowance for loan and lease losses (ALLL) including Current Expected Credit Losses (CECL)
- Apply the techniques in a case study

### **EFFECTIVE RELATIONSHIP MANAGEMENT**

This final session focuses on developing and managing profitable customer relationships.

#### **Learning Objectives**

At the end of this session, you will be able to:

- Describe the changing role of the lender
- Explain how the lender can add value to the customer relationship
- Identify the expectations of small business borrowers
- Describe the elements of a life cycle relationship plan
- Conduct a successful customer call
- Describe how to build a customer relationship
- Explain nine steps to profitably price lending relationships
- Apply the concepts in two structured role plays

**THURSDAY, OCTOBER 24 | 9:00am - 3:30pm**

### **ASSESSING BORROWER FINANCIAL PERFORMANCE**

Objective evaluation of a company's success in managing the critical key variables.

#### **Learning Objectives**

At the end of this session, you will be able to:

- Describe the objectives of financial analysis
- Describe the legal structures used by borrowers
- List the six components of financial statements
- Define the types of opinions rendered by accountants
- Utilize five tools of historical analysis—component, comparative, common-size, ratio and cash flow analysis
- Complete a "30 Second" analysis
- Complete a Loan Screening Worksheet
- Evaluate a personal financial statement and adjust net worth
- Interpret the nine most common schedules included in a personal tax return
- Construct a personal cash flow
- Construct a global cash flow
- Interpret Schedules M-1 and M-2 of a business tax return
- Apply the tools of historical analysis in a series of exercises

**FRIDAY, OCTOBER 25 | 9:00am - 3:30pm**

### PROJECTING FUTURE PERFORMANCE

Projections focus on quantifying the borrower's ability to make future payments based on past financial performance.

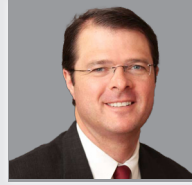
#### Learning Objectives

At the end of this session, you will be able to:

- Explain the purpose of projections
- Identify four keys to quality projections
- List information required to construct projections
- Distinguish between proformas and projections
- Construct proformas, projections, and cash budgets
- Stress test projections to determine the potential impact of different assumptions on the borrower's ability to repay debt

### IBA RECOGNITION AND CERTIFICATE PRESENTATION

### FACILITATORS



**MARK TYRPIN** is president and CEO of Mercantile Bank in Quincy, Illinois. His unique style of "Banker Teaching Bankers" emphasizes current banking examples and scenarios to supplement the classroom approach to learning. He has over 30 years of banking experience including commercial lending, commercial real estate lending, loan rehabilitation and workout as well as management.



**DERRICK JACKSON** is an Executive Vice President and Chief Credit Officer at First Savings Bank, a community bank in Jeffersonville, IN. He has over 25 years of experience in financial institution management, including commercial and consumer lending, credit risk management, credit analyst training, sales management, and team skill development. He is a Faculty Instructor for the Wisconsin Graduate School of Banking and the ABA's Commercial Lending Schools where he also serves as an Advisory Board Member. Derrick is a graduate of the ABA Stonier Graduate School of Banking, holds a B.A. degree in Economics and a Minor in Psychology from Centre College, and has obtained the Certified Financial Investment Manager (CCIM) designation.

#### LOCATION

IBA Center for Banking Excellence  
3201 West White Oaks Drive, Springfield, IL 62704  
(P) 217-789-9340  
*Networking, refreshments and lunch provided daily*

#### LODGING

Courtyard by Marriott  
3462 Freedom Drive, Springfield, IL 62704  
(P) 217-793-5300  
IBA Rate: 20% off the available rate

#### AUDIENCE

- New & Experienced Commercial Lenders
- Ag, Retail and Mortgage Lenders expanding knowledge in C&I Lending
- Management Trainees
- Retail Bankers
- Credit Risk Administration Staff
- Credit Analysts

### Continuing Education

The IBA is recognized as a public accountant continuing professional education sponsor by the Illinois Department of Financial and Professional Regulation. Public accountants licensed in the state of Illinois will earn 33.50 hours of CPE credit for completing this program.

#### Fee

IBA Member \$1,225 pp  
Nonmember \$2,045 pp

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