

FINC 4330 - FALL 2017 SYLLABUS

SAM HOUSTON STATE UNIVERSITY

Course Number: FINC 4330

Course Title: Commercial Bank Lending

Instructor: Ray Sanders, Regional President
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Office Hours: By appointment only

Text: *Beyond Traditional Credit Analysis*, Edgar M. Morsman, Jr., RMA
The text can be downloaded for \$40 at the rmahq.org website
(see attached instructions)

Description of Course: A study of conceptual issues and various applications relevant to the commercial lending activities of an insured financial institution using finance principles. Readings, mock scenarios, and case studies are utilized to provide a contemporary perspective.

Objectives of Course: It is understood the student will already have an understanding of: basic financial statement analysis; statement spreading; ratio, trend, and industry analysis; projections; and cash flow analysis. The major objectives of this course are:

1. To build student's knowledge and skills required to identify credit needs of various types of business customers.
2. To provide an understanding of proposed credit transactions and their structures.
3. To provide students with a practical approach on how to deliver a succinct opinion on the probability of loan repayment.
4. To introduce students to practical methods of determining and mitigating credit risk within a loan structure.
5. To provide students with an understanding of the necessary skills and tools used in commercial bank lending and credit decisions.
6. To provide students with opportunities to build their interpersonal skills in teamwork and in expressing themselves both orally and in writing.

Course Evaluation Process: There will be three unit examinations and a final comprehensive examination. Additionally, there will be chapter quizzes, a written individual case study to turn in, and a group written case study and oral presentation to be made on a case study. Grade weighting will be as follows:

• Unit Examination #1	_____	X 20% =
• Unit Examination #2	_____	X 20% =
• Unit Examination #3	_____	X 20% =
• Group Case Presentation	_____	X 10% =
• Chapter Quizzes & Individual Case	_____	X 10% =
• Final Examination	_____	X 20% = _____
		Sum = Course Grade

Course grades are determined by applying the following scale to a student's weighted average:

90% and above	A
80% to 89%	B
70% to 79%	C
60% to 69%	D
Below 60%	F

Examinations: All exams will be a combination of matching, fill in the blank, and short answer questions. Some questions may require specific calculations. Exams will be given at the beginning of the class period indicated and students will have up to one and a half hours to complete the exam. Questions for exams will come from lectures & discussions in class, outside of class assignments, and exercises completed both in and out of class.

Make-Up Exams: No makeup exams will be given. If an exam is missed, a grade of zero (0) will be assigned for the exam. Each student will be allowed to drop one exam grade. If more than one exam is missed, a score of zero (0) will be retained for those missed exams. If a student is pleased with their three unit exam grades, then they can drop their final exam grade and option out of taking the final exam. If the final is dropped, the other grades will be adjusted accordingly.

Chapter Quizzes: Prior to the chapter discussion and review, students will answer and turn in chapter quizzes posted on Black Board. The quizzes are designed to probe the student's understanding of concepts, theories, principles, and calculations for the chapter to be discussed, and to prepare the student for the Unit Exams. All assignments must be turned in on the date due at the beginning of class. No late assignments will be accepted. If an assignment is late, a grade of zero (0) will be earned for the late assignment. Each weekly assignment will be totaled and will count toward 10% of your final grade.

Any act of academic dishonesty will result in a grade of zero (0) for the associated assignment and the student will be referred to the appropriate department.

Attendance: Attendance is necessary and expected. Attendance will be checked for each scheduled class. **One class period, equal to three hours, can be missed without penalty, except for examination days and presentation days.** For each hour missed from the 4th through the 7th, 1-point will be subtracted from the final grade for each hour missed. All absences totaling 8 hours or more will result in a grade of “F” for the course. **Any student arriving after roll has been taken is responsible for informing the instructor after class of their attendance and signing the roll sheet.** Experience has shown that students who attend all class sessions generally do better in the class.

Breaks: Class will begin promptly at 6pm and students will be given a ten (10) minute break at approximately 7:20pm. Class will resume exactly 10 minutes after the break is announced. Students will be treated with fairness and equality. If you need to take a break earlier than scheduled, you may do so, but will be responsible to obtain the missed notes. Class will end at approximately 8:50pm, with the remaining class time available to answer individual questions.

Class Participation: Students will be expected to have already read the chapter to be discussed that evening and will be expected to participate in the discussion of the class and to ask questions regarding any of the presented materials or lecture which requires clarification. All questions are considered valid and probably will help all students to better understand.

Student absences on religious holy days policy: Section 51.911(b) of the Texas Education Code requires that an institution of higher education excuse a student from attending classes or other required activities, including examinations, for the observance of a religious holy day, including travel for that purpose. A student whose absence is excused under this subsection may not be penalized for that absence and shall be allowed to take an examination or complete an assignment from which the student is excused within a reasonable time after the absence. University policy 861001 provides the procedures to be followed by the student and instructor. A student desiring to be absent from a scheduled class in order to observe religious holy day(s) shall present to each instructor involved a written statement concerning the religious holy day(s). This request must be made in the first fifteen (15) days of the semester or the first seven (7) days of a summer session in which the absence will occur. The instructor will complete a form notifying the student of a reasonable timeframe in which the missed assignment(s) and/or examination(s) are to be completed.

Americans With Disabilities Act: Sam Houston State University adheres to all applicable federal, state, and local laws, regulations, and guidelines with respect to providing reasonable accommodations for students with disabilities. Any student with a disability that affects his/her academic performance should contact the Office of Services for Students with Disabilities in the SHSU Lee Drain Annex (telephone 936-294-3512, TDD 936-294-3786) to request accommodations. All disclosures of disabilities will be kept strictly confidential. NOTE: No accommodation can be made until you contact the Office of Services for Students with Disabilities.

Case Study Presentation Instructions

Students will be divided into groups selected by the instructor to prepare and present a case to the class. The case will be presented by a single team. Every member of the team is expected to participate. The case write up and PowerPoint will be turned in by the presenting team by e-mail no later than midnight the day before the case is due. The purpose of the case study is to develop a team solution approach similar to what would be encountered in the actual workplace. Grading will be based on the team's approach as discussed in class and their presentation skills. Each team member will also complete and turn in a Team Member Evaluation form on the other members of their team.

Oral presentations are common in presenting loans to committees or to a Credit Officer. You will be judged on the approach of your presentation, your ability to identify and present both the weaknesses and the strengths of the credit, loan structures, covenants, risk rating, required monitoring, and a discussion of what to do if the loan does not perform as intended. You will also be judged on your ability to present the case in a way to gain your audience's trust and confidence. I will keep track of every "Uh", "Um" and "Like" used in your oral presentation. These will not help your presentation grade. The presentation will be no less than five minutes nor more than twenty minutes in length.

Individual Case Study

All students will also be assigned a case individually to prepare and turn in to help assure the concepts discussed in class have been understood and to help each student in finalizing their own group case study. A format will be handed out and discussed in class prior to this case study being turned in. Each student is expected to use the same format.

CLASS SCHEDULE: FINC 4330 Fall 2017 Wednesdays 6:00pm – 8:50pm

- Aug 23: Introductions, syllabus handout, discuss course objectives, discuss evaluation process, discuss Exams & Homework, discuss Attendance, discuss group Case Study & Oral Presentation, and review Class Schedule. Overview of commercial banking, discussion of commercial lending and its organizational structure within the bank, and an overview of managing lending risk.
- Aug 30: Chapter 1: Historical Statement Analysis & Chapter 2: Working Capital
- Sep 06: Chapter 3: Leverage & Chapter 4: Elements of Analysis
- Sep 13: Unit Examination #1 Notes & Chapters 1-4
- Sep 20: Chapter 5: Cash Flow; Assign Case Study & Groups; Case Discussion
- Sep 27: Chapter 6 Loan Structuring – pps. 77-86 Seasonal & Term Loans
- Oct 04: Chapter 6 Loan Structuring – pps. 86 – 103 Bridge & Permanent Capital Loans
- Oct 11: Unit Examination #2 Chapters 5- 6; prep for Group Case presentation
- Oct 18: Chapter 7: Covenants & Monitoring; prep for Group Case presentation
- Oct 25: Chapter 8: When Things Go Wrong; prep for Group Case presentation
- Nov 01: Unit Exam #3 Chapters 7-8; prep for Group Case presentation
- Nov 08: Individual Case Study & Class Discussion
- Nov 15: Turn in individual Case Study; final prep for Group case presentation
- Nov 22: No Class - Student Holiday
- Nov 29: Group Presentations; Review for Final Examination
- Dec 06: Final Comprehensive Examination Chapters 1-9, Class Notes, Case Study 8-10pm

Course Learning Objectives

After successfully completing this course, you will be able to:

- Recognize the process and types of information bankers should acquire during a business development call
- Explain the importance of a credit investigation and describe what it entails
- Identify industry, market, and management risks that can affect a borrower
- Identify the key elements of a credit risk rating
- Describe the loan review process as an independent validation of risk ratings and other commercial lending issues
- Identify borrowing structures and describe their advantages
- Identify sources of repayment that are appropriate for various commercial loan borrowing arrangements and the factors that affect collateral values
- Describe the loan documentation process and requirements
- Identify and explain the loan negotiation process
- Identify the costs and causes of problem loans
- Explain the steps in resolving a problem loan