2022 Virtual Advanced Commercial Lending School Pre-Work

*You will need to schedule time with your Chief Lending officer and/or Chief Credit Officer to complete this pre-work assignment before the seminar. Please bring your completed pre-work with you on March 11, 2022.*

Questions related to topics covered in Module 1:

1. What is your bank’s average spread (in bps) on its commercial loans?

Questions related to topics covered in Module 2:

1. Given the importance of businesses having access to cash, how does your bank measure its borrowers’ liquidity?
2. What are your bank’s typical advance rates on A/R and Inventory? Why are they different?

Questions related to topics covered in Module 3:

1. If a borrower has subordinated debt, do you classify (spread) it as debt or equity? Why?
2. Which is a more common leverage ratio at your bank: debt/worth or debt/EDITDA?
3. Does your bank have a separate “bucket” for “highly leveraged loans”?

Questions related to topics covered in Module 5:

1. Does your bank focus more on Debt Service Coverage ratio (DSC) or Fixed Charge Coverage ratio (FCC)?
2. How does your bank calculate a borrower’s annual capital expenditures?
3. Do you distinguish between “maintenance” CapEx and “growth” CapEx?

Questions related to topics covered in Module 6:

1. Does your bank have a policy dictating how frequently CRE and equipment appraisals should be performed?

Questions related to topics covered in Module 7:

1. How does your bank assess the quality of a borrower’s A/R and Inventory? Do you ever go on site to verify?
2. In which situations would your bank request an A/R Agings Report?
3. What are your bank’s criteria to determine which A/R are ineligible as lendable collateral?

Questions related to topics covered in Module 8:

1. Under what circumstances is a borrowing base (formula) employed on working capital lines of credit?
2. When might your bank decide to advance more than 80% on A/R or more than 50% on INV?

Questions related to topics covered in Module 9.

1. What criteria does your bank use to determine when a commercial loan is a non-performing asset (NPA)?
2. Does your bank have a numerical Risk Rating scale? If so, what is it?
3. How are the risk ratings determined on specific loans?
4. Given the importance of keeping your bank’s Provision for Credit Losses low, how well do your bankers understand their roles in doing this?