1. Evaluate client industry, markets, and competitors.

**The candidate should be able to:**

- Identify and interpret risks related to general industry and business dynamics.
- Analyze the influence of macroeconomic, market-driven, competitive, and strategic influences on industry and business risks.
- Evaluate client’s competitive advantages and disadvantages on a current and prospective basis, including life cycle of client industry and related financial requirements.
- Identify and analyze any impact to client from other industry factors to include but not limited to environmental and regulatory effect where applicable.
- Incorporate financial statement analysis results along with other basic economic, market and business risk analysis to complete a competent assessment of aggregate entity risks.

2. Assess management’s ability to formulate and execute business and financial strategy.

**The candidate should be able to:**

- Analyze management’s strengths, skills, and overall risk management capabilities, including integrity, adequacy of MIS infrastructure, core competency gaps, and strategies for mitigating these gaps.
- Identify and evaluate the client’s business and financial strategies for mitigating risk factors related to industry and overall business condition.
- Assess viability and execution risk associated with business and financial strategies in light of overall management analysis including controls and succession.

3. Complete accurate, ongoing, and timely financial assessments of the client and its other credit sponsors.

**The candidate should be able to:**

- Analyze borrower/sponsor (personal and business entity level) financial statements in light of Generally Accepted Accounting Principles for the purpose of identifying risks related to borrower's/sponsor’s creditworthiness.
- Identify implications of financial statement footnotes and supplemental disclosures, the nuances of business and individual tax accounting/returns, determinants of income statement and balance sheet quality and strength, and the significance and impact of financial ratios.
- Analyze balance sheet strength, credit capacity and repayment source arguments.
- Assign appropriate risk ratings using institution's risk rating philosophy that capture the client's financial condition, position in industry, management background and experience, and its product/geographic diversity.
- Evaluate a company's liquidity, solvency, and profitability.

The candidate should be able to:

- Interpret the core concepts, practices, and metrics of cash flow in the construction of cash flow statements.
- Construct a global cash flow statement when appropriate in order to determine the probability of loan repayment.
- Determine accurate debt service coverage, including basic cash flow, global cash flow when appropriate incorporating relevant calculations for borrowers, guarantors, and client sponsors that impact repayment capability.
- Analyze the strength, sufficiency and durability of the borrower's cash generating ability, while understanding the limitations of EBITDA as an accurate and reliable measure of cash flow.
- Apply historical cash flow to validate historical events/strategies, identify borrowing causes, and guide financial forecasts for the client.
- Create informed scenario-based financial forecasts to identify repayment sources.
- Determine effects of intercompany and/or personal financial transactions between related entities.

5. Evaluate collateral values and conduct periodic inspections of collateral.

The candidate should be able to:

- Assess collateral using appraisals, site inspections, and other appropriate means.
- Evaluate all client assets for quality, liquidity, and valuation fairness.
- Determine the extent to which client assets represent potential flexibility or resources for the client and the credit equation.
- Assess the four classes of assets: trade (e.g., A/R, inventory), fixed (e.g., real estate), investment and intangibles: (e.g., copyrights, goodwill).
- Assess and analyze the appropriateness of advance rates on collateral.
- Understand loan structure and its impact on clients, sponsors, and lenders.

6. Identify repayment sources and appropriately structure and document credit exposures for their intended purpose (loan structure and documentation).

The candidate should be able to:

- Determine appropriate use of loan structures, such as revolving line of credit, seasonal line of credit, amortizing term loan, letter of credit, etc. in order to assist the borrower with borrowing needs and to match loan structure with the appropriate repayment sources.
- Identify repayment sources and assess their respective strengths and/or weaknesses in various scenarios.
- Identify and evaluate risks to those repayment sources, including an accurate assessment of guarantors or indirect credit enhancements.
- Structure credit extensions to address the intended loan purpose and optimize the institution’s repayment prospects by managing risk to an acceptable level.
- Understand the dynamics of and implement repayment terms, defaults and remedies, and rights and responsibilities, as well as affirmative, negative, financial, and security covenants, and their limitations.
- Identify appropriate level of collateral support.
Negotiate appropriate and complete credit documents, and monitor such in order to assure ongoing conformance of the client’s performance, including the following standard credit documents:

- Borrower’s organizational structure and entity documents.
- Forms of obligation/credit agreement.
- Forms of security (UCC, Mortgage, Deed of Trust, pledge, etc.).
- Forms of Subordination.
- Environmental disclosure and indemnification documents.
- Forms of guaranty including an understanding of:
  - Scope of various guaranties (payment, full, interest, top 10% etc.).
  - Recourse implications/procedures in the relevant state.
  - Lesser types of guaranties (comfort letters, awareness letters).
- Craft appropriate covenants to address specific risks and credit-related exposures, including environmental risk and be able to properly perform periodic testing.
- Identify key risks that may arise when financial covenants are breached at the borrower level.

7. Identify Problem Loans and Determine Appropriate Actions

The candidate should be able to:

- Identify a problematic loan or borrower/sponsor through appropriate monitoring of financial and nonfinancial information.
- Identify financial and nonfinancial early warning signs of credit deterioration, to include but not limited to:
  - Payment or reporting delinquency.
  - Covenant breach.
  - Frequent overdrafts or over-advances.
  - Negative financial trends.
  - Economic/industry deterioration.
  - Management/ownership issues.
  - Buyer/supplier relationship problems.
- Follow appropriate institutional protocol to arrest the deterioration of client risk profile or collateral value, minimize exposure, and insulate the bank from loss.
- Recognize the client, sponsor and/or collateral value in the vein or problematic relationships may be subject to discount vs. the value of same at underwriting or inception of financing.
- Recognize key triggers in a problematic credit relationship that would prompt the involvement of third party subject matter experts in the client/loan workout protocol.
- Accurately identify criticized and classified credit exposures.
- Utilize and apply risk rating tools and techniques to properly reflect declining risk profiles associated with problem borrowers/credit facilities.

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