



# Retail Lending

RETAIL LENDING, COLLECTIONS, UNDERWRITING, CLEARING, RISK MANAGEMENT, PORTFOLIO MANAGEMENT, RESTRUCTURING, DISTRESSED ASSETS REGULATION AND REPORTING, RISK WEIGHTED ASSETS, SECURITIZATION, SCORE CARDING, WRITE OFF APPROACHES BORROWERS CASH FLOW MODELING, COUNTERPARTY RATING, LOSS GIVEN DEFAULT, EXPOSURE AT DEFAULT, PROBABILITY OF DEFAULT, WRITE OFF POLICY, REVOLVING CREDIT, SECURED CREDIT, PLEDGING, GUARANTORS, LOAN LIFE RATIOS, EQUITY UNLOCK FACILITIES, BUNDLING, PORTFOLIO ANALYTICS, LOAN APPLICATION PROCESSING

### OBJECTIVE

This is an exciting course which reviews retail lending front to back, leaving no stone unturned. The course has been designed for intermediate retail bankers who wish to gain a complete oversight into retail lending, the risks and how the bank manages these exposures. This course will also look at the borrowing cycle for retail clients, the various products that are available to them and how the bank can maximize its returns, improve sales and control origination failures. Understand what metrics to capture in loan processing and learn about new collection process techniques.

### KEY AREAS

- Loan Origination Policy
- Collections & Asset Realization
- Portfolio Analytics
- How to score a retail client
- The loan processing centre on the inside
- How to sell lending facilities
- How to fight fraud & what to look for
- Regulatory reporting for lending institutions, Basel II and capital.
- Retail lending products & how they work

### FOCUS

#### THE CUSTOMER PERSPECTIVE

How do customers perceive the bank, what drives borrowing decisions and why do customers select one bank of another will be investigated. The specific methods in which customers take on risk and how they should be managed will be discussed in detail.

#### THE BANK PERSPECTIVE

Within the organization, the loan processing centre will be discussed at a functional level, the roles of various departments will also be clearly shown. Learn about new techniques for reduce risk on a loan portfolio and the key factors that drive default in retail markets.

### WHO SHOULD ATTEND

- Branch Staff
- Account Managers
- Loan Processing Staff
- Collection Clerks
- Credit Risk manager
- Financiers and brokers
- Retail Back Office Analysts
- New staff to the bank

### About your trainer



Martin Davies is a specialist banker consultant who has worked with some of the largest local and tier one international banks across Asia assisting them to create risk frameworks, training staff, carryout regulatory reporting campaigns, compliance initiatives, process streamlining and many other areas of retail banking. For the Commonwealth Bank he ran the demarcation between operational and credit risk for the retail bank, has assisted other banks develop score carding programs and has worked front to back across the bank with over twelve years of on hand experience.

He has also worked with regulators across the region, promoting Basel II awareness and assisting risk managers reduce losses from portfolios of distressed assets. Unlike many risk or back office analysts Martin has also been involved project valuation and worked in the letter of credit space. Finally he is a member of the PRMIA risk organisation building new and improved methods for loan sales and management.



## Day 1 Agenda

## From the outside – Understanding the client

## Session 1

- 08:30 **Overview**
- Retail Lending fractional reserve and how retail banks generate revenue.
  - Review of banks balance sheets to understand the importance of lending.
  - Understand specific definitions in lending and the central bank perspective.
- 09:30 **Key Retail Products**
- Secured Lending fully explained with cash flow models.
  - Review various types of unsecured lending products, including personal loans, student loans.
  - Revolving Credit, how does it work? What is the portfolio effect?
  - Other lending instruments such as bridging loans, farm loans, overdrafts, progressive draw downs, auto loans
  - Build a complete product map of lending instruments in retail banking from equity unlock facilities to an overdraft.
- 10:30 Coffee Break
- 10:45 **Secured Lending Case Study**
- Follow through with a complete borrowers case study to see cash flow options a retail borrower may have.
  - What needs to be captured for a home loan at point of sale and how is it used in the loan calculations & processing centres.
- 12:00 **Borrowers and the market**
- What options do borrowers have
  - Understand Good vs Bad borrowers what is the difference
  - What do borrowers look for?

## Session 2

- 13:00 Lunch
- 14:00 **The Asia Market**
- What are the differences between Asia Markets and Western markets?
  - Understand micro finance and sub-prime lending?
  - Look at credit dynamics in China, Malaysia and Indonesia
- 15:00 **Selling credit & brokers**
- How to sell loans to different customer types?
  - Gain insight into brokers, why are they important and how does the bank manage them?
  - Gain insight into client expectations and how they need to be set.
  - Lending is a competitive market how can banks improve their closing ratios.
- 16:00 Coffee Break
- 16:30 **Understanding the client**
- How do clients reduce their borrowing risk?
  - What are the key market factors that impact clients most, from interest rates to borrowing hurdles?
  - Learn about pledges, liens, guarantors and how hypothecation functions.
- 17:30 **Close**

## OBJECTIVE

The objective of the first day is to bring all participants up to speed and to look at the market retail lending from various perspectives to improve selling and loan origination practices.

## KEY LEARNING

- Understand the local lending market.
- Go through a secured lending case study from cash flow to utility.
- Learn about the key retail lending products and the mistakes clients make with them.
- Truly understand the clients perspective, how they see the bank.
- Gain insight into the brokerage channel and how it interfaces with the bank.
- What impacts default risk with retail borrowers.

## Day 2 Agenda

## On the Inside – Understanding the bank

## Session 1

- 08:30 **Inside the LPC**
- Review the processes within loan processing centre, what is the purpose of each function.
  - How does the LPC interact with the rest of the bank?
  - What kind of operational risks occur in LPC's.
  - Understand how a distributed processing centre functions.

- 09:30 **Collections**
- Understand the differences between collections front end and back end.
  - Understand what techniques do banks use to reduce delinquency
  - Collection sorting and modes of collection.
  - Review the flow chart for asset realisation, what legal options do banks have and how do they use them from wage garnishing to asset liquidation.

10:30 Coffee Break

- 10:45 **Working with Fraud**
- The banks largest exposure area is fraud in lending areas understand how the bank can control fraud.
  - Review the various drivers for fraud from a client perspective.
  - Learn about different types of fraud from kitting through to kite flying.
  - How does the LPC and collections department fight fraud.

- 12:00 **Credit scoring models**
- Look at various credit scoring models such as FICO, Experien
  - What is captured to create score
  - How are scores built up

## Session 2

13:00 Lunch

- 14:00 **Distressed Assets**
- How do banks write off encumbered assets, what are the PnL impacts?
  - How can banks restrict distressed assets?
  - Debt Collection Agencies how do the work, what is the return from the bank.
  - Understand structured product solutions such as CDO for reducing portfolio exposure.

- 15:00 **Regulatory Reporting**
- What regulatory reporting requirements exist for banks in Asia.
  - Gain insight into Basel II from a retail risk weighted asset perspective.
  - Lean the framework that needs to exist for estimating capital requirements from retail portfolios.

16:00 Coffee Break

- 16:30 **Portfolio Management**
- Gain insight into the portfolio metrics of LGD, EAD, PD
  - How do banks model probability of default?
  - How can the bank securitize potential loan portfolios through structured products why should banks that don't even use this facility understand its pricing mechanism?

17:30 **Close**

## OBJECTIVE

The second day extends on from the first session by looking at the various functional areas of the bank which are involved in lending. How does collections truly operate, what is the fraud team looking for, how is credit risk reported to the regulator and how the bank can manage the duration on large loan portfolios will be discussed in a straight forward manner.

## KEY LEARNING

- Model a portfolio dynamically in Excel.
- What is credit scoring and how can the bank build a credit scoring framework.
- What options exist for banks with distressed assets.
- How to restructure loan contracts.