



## **Online Commercial Credit Training Program**

**Eensight offers you a low-cost effective, customizable and comprehensive online commercial credit training program that provides the core skills necessary to underwrite commercial loans.**



The top half of the page features a dark grey background with several yellow geometric shapes. A large yellow triangle is on the left, pointing downwards. A diagonal line runs from the top right towards the center. To the right, there is a yellow trapezoidal shape. The word "Content" is written in a bold, dark grey font in the lower right area of this yellow section.

# Content

**Overview**

①

**Target Market**

②

**Program Description**

③

# 1

## Overview

### Online Commercial Credit Training Program



Offers the best cost / benefit advantage for a program of its type.



Incorporates the knowledge and expertise of seasoned credit officers into Eensight's Repayment Analysis Framework.



Reduces opportunity costs and traveling expenses of a traditional classroom based program.



Can be tailored made for the specific needs of a financial institution.

# Target Market

2

**The program is intended for:**

Credit Analysts

Credit Officers

Commercial Loan Officers

Loan Review Officers

Relationship Managers

Branch Managers

# Program Description

## Online Commercial Credit Training Program

# 3

### Commercial Credit Training Program

M1	Accounting
M2	Financial Statement Analysis
M3	Cash Flow Construction
M4	Cash Flow Analysis
M5	Cash Flow Forecasting
M6	Sources of Repayment
M7	Guarantor Analysis
M8	Loan Structuring
M9	Loan Documentation
M10	Credit Write up
Commercial Lending Final Assessment	

\* There is a multiple choice exam at the end of each course.

Ensight can also provide, by specific request and at an additional cost, tutoring services, webinars, classroom based courses, as well as customization of the online courses.

# Program Description

## Recommended Program of Study



# 3

It takes approximately 20/30 hours to complete the entire on-line credit training program. Students can proceed at their own pace to complete the course.

Students have four months to complete the entire on-line commercial credit training program. Listed below is a recommended course of study to complete the entire program within a three month time span. This allows enough time for vacation, personal or work related issues that can interrupt the course of study. Modules can be studied more than one time, however, the assessments at the end of each course should only be taken when the student feels he/she has mastered the material.

- Week 1 Accounting
- Week 2 Financial Statement Analysis
- Week 3 Cash flow Construction
- Week 4 Cash Flow Analysis
- Week 5 Cash Flow Forecasting
- Week 6 Sources of Repayment
- Week 7 Guarantor Analysis
- Week 8 Loan Documentation
- Week 9 Loan Structuring
- Week 10 Credit Write-up
- Week 11 Review plus Video Clips
- Week 12 Final Assessment

## Course Overview

---

The ability to understand financial statements is based on having an understanding of the basic accounting conventions used to generate the financial statements.

The participant will be introduced to the theory of financial accounting and the application of debts and credits. This course will be a primer for the Financial Statement analysis course.

## Learning Objectives

---

- Understand the basic concepts in financial accounting.
- Apply the accounting concepts to various situations.

## Target Audience

---

All Lenders

## Specific Course Topics

---

- Accounting Theory
- Debits and Credits
- Income Statement
- Balance Sheet

# Financial Statement Analysis

(2 –3 hours)

FSA

## Course Overview

---

The ability to get behind the numbers when completing a financial statement analysis is critical to understanding the capacity of a borrower to repay. This course focuses on the analysis of the income statement and balance sheet.

The instruction focuses on the trend and ratio analysis, but also on how these tools are used in evaluating performance. The conclusions developed focus on understanding the capacity of the company to continue to generate profits combined with an understanding of the overall financial position of the borrower.

## Learning Objectives

---

- Apply consistent analytical process to financial statement evaluation.
- Understand how to use horizontal, vertical and ratio analysis.

## Target Audience

---

All Lenders

## Specific Course Topics

---

- Financial Statement Analysis, benefits and limitations
- Horizontal and Vertical Analysis
  - Trend Causes
- Ratios Analysis
  - Liquidity ratios
  - Activity ratios
  - Profitability ratios
  - Solvency Ratios
- Statement of Changes in Stockholders' Equity

# Cash Flow Construction

(2 – 3 hours)

CFC

## Course Overview

---

This foundational course introduces the cash flow construction skills.

## Learning Objectives

---

- Understand how a business generates cash and how it is used.
- Become familiar with the influences impacting a company's ability to generate cash.
- Explain the construction of the three different cash flow presentations, FASB 95 (the cash flow statement that is required in all audited financial statements), Uniform Credit Analysis (UCA), and the EBITDA approach (earnings before interest, taxes, depreciation and amortization), and for what purpose each is used.
- Identify the benefits and shortfalls of the various cash flow presentations.
- Construct a UCA cash flow statement from a company's financial information.

## Target Audience

---

Lenders who are new to cash flow construction or who need to update cash flow construction skills.

## Specific Course Topics

---

- Cash Flow Basics: Sources and Uses of Cash.
- Comparison of Cash Flow Presentation Formats:
  - FASB 95
  - UCA
  - EBITDA
- Cash Flow Construction exercise.

# Cash Flow Analysis

(2 – 3 hours)

CFA

## Course Overview

---

This course introduces the cash flow analysis necessary to begin to analyze a credit.

## Learning Objectives

---

- Identify if a company has the capacity to service interest and principal payments, as well as to cover its capital expenditures.
- Explain the underlying causes of changes in cash flow within a company.
- Interpret the meaning of some of the most widely used cash flow coverage ratios.

## Target Audience

---

Lenders who are new to cash flow analysis or who need to update cash flow analysis skills.

## Specific Course Topics

---

- Framework for Analysis
- Analysis of NCAO
  - Growth Impacts
  - Efficiency Impacts
- Cash Flow Coverage Analysis
  - Debt Service Coverage Ratios
  - Fixed Charge Coverage Ratios

# Cash Flow Forecasting

(2 – 3 hours)

CFF

## Course Overview

---

The purpose of the course is to move forecasting from a number massaging exercise into the creation of a “Most Likely Case” scenario within a range of probable performance scenarios.

The course builds the skills necessary to identify and to assess the sources of repayment and to create sensitivity forecasts that incorporate risk analysis.

## Learning Objectives

---

- Understand the purposes of different types of forecast scenarios.
- Integrate credit risk analysis into scenario development.
- Identify primary and secondary sources of repayment of the forecast.

## Target Audience

---

Commercial lenders responsible for structuring, underwriting and managing commercial credit risk. The course is designed for individuals familiar with the fundamentals of industry analysis, financial accounting, financial statement analysis and cash flow analysis.

## Specific Course Topics

---

- Forecasting Framework Developing Forecast Assumptions
- Identifying Key Cash Flow Drivers
- Establishing Assumed Forecast levels
- Key Credit Risks and Mitigating Factors
- Sensitivity and Breakeven Analysis
- Developing the Expected Case Forecast
- Utilization of “Management’s” Forecast
- Development of a “Expected Case” Scenario

# Sources of Repayment

(2 – 3 hours)

SOR

## Course Overview

---

This course will focus on the determination and evaluation of the Primary Source of Repayment and the Secondary Source of Repayment. This conceptual area is at the heart of a financial institution's capacity to determine if a borrower will repay.

## Learning Objectives

---

- Identify the Primary Sources of Repayment ("PSR") from which a financial institution expects to be repaid.
- Calculate the Primary Source Breakeven.
- Evaluate the strength of the PSR considering its "scale" and "predictability".
- Identify and prioritize the Secondary Sources of Repayment ("SSR")
- Evaluate the SSR strength by considering scale, predictability and interdependence of the PSR.

## Target Audience

---

Experienced and inexperienced lenders who are competent in cash flow construction and analysis, as well as loan structuring.

## Specific Course Topics

---

- Acceptable Primary and Secondary Sources of Repayment:
  - Net Cash After Operations ("NCAO"), Seasonal
  - Conversion of A/R and Inventory, Refinancing, Sale of Assets, New Equity.
- Characteristics of the Sources of Repayment
- Evaluation of Primary and Secondary Sources of Repayment: Scale, Predictability, Liquidity, Interdependence.

# Guarantor Analysis

(2 –3 hours)

GA

## Course Overview

---

This course will focus on the analysis of the financial strength of a guarantor and his/her capacity and willingness to make interest and principal payments, by reviewing their tax returns and personal financial statements.

## Learning Objectives

---

- Define a guarantor, his/her obligations and the process to assess the strength of a guarantor.
- Calculate the guarantor's combined business and personal cash flow from the information provided in the tax return.
- Evaluate the sufficiency of the guarantor's combined business and personal cash flow to support the interest payments of the loan.
- Construct the Guarantor's Global Cash Flow and calculate the debt coverage ratio.
- Analyze the Guarantor's Net Worth to determine if it is sufficient to cover the entire principal amount on the loan.

## Target Audience

---

Experienced and inexperienced lenders who are competent in cash flow construction and analysis, as well as loan structuring.

## Specific Course Topics

---

- Introduction to Guarantor Analysis.
- Guarantor's Cash Flow Analysis from information from the Tax Return.
- Guarantor's Net Worth and Liquidity from information from the Personal Financial Statement.

# Loan Structuring

(2 – 3 hours)

LS

## Course Overview

---

The primary tenant of this course is the protection of the primary and secondary sources of repayment. An appropriate loan structure should go well beyond the loan type; it involves the integration of loan type, amortization schedules, covenants and collateral/guarantees which together create a “structure” that protects the primary source of repayment and ensures value in the secondary sources when necessary.

## Learning Objectives

---

- Understand the various types of loans and their purpose.
- Match the appropriate loan type to the borrower’s need.
- Develop a structure that will protect the sources of repayment and match anticipated events.

## Target Audience

---

Experienced and inexperienced lenders who are competent in cash flow construction and analysis.

## Specific Course Topics

---

- Loan Structure Process and Goals
- Seasonal loans
- Permanent Working Capital loans
- Bridge loans
- Term loans

# Loan Documentation

(1 – 2 hours)

LD

## Course Overview

---

As a lender, you must craft secure documents which protect your financial institution, even in the event of non-payment. The loan documentation process enables to match the needs of your customer and to develop a framework that safeguards your financial institution.

## Learning Objectives

---

- Define the Legally Responsible Entities.
- Identify the documents that:
  - establish the existence of an entity,
  - provide authority to act,
  - establish the obligation to pay,
  - establish security.
- Explain the risks to a financial institution of inadequate documentation.

## Target Audience

---

Experienced and inexperienced lenders who understand cash flow, sources of repayment and loan structuring.

## Specific Course Topics

---

- Most common legal entities:
  - Individuals and Sole Proprietors, Corporations (C and S), LLC and LLP, Partnerships, General/Joint Venture, Limited Liability, Trusts (Revocable / Irrevocable).
- Credit Agreement and Ancillary Documents
- Security Interest
- Types of Collateral

## Course Overview

---

As a lender, your ability to communicate a cohesive argument regarding the acceptability of a credit transaction is as important as the quality of the credit analysis itself. A credit write-up is key for analyzing, understanding and communicating the credit worthiness of a business.

## Learning Objectives

---

- Explain the process of communicating a complete credit analysis supporting the underwriting of a loan request.
- Communicate a cohesive argument regarding the acceptability of a credit transaction in spite of the identified risks.

## Target Audience

---

Experienced and inexperienced lenders who are competent in cash flow construction and analysis.

## Specific Course Topics

---

- Credit write-up framework
- Qualitative analysis
- Quantitative analysis
- Forecasting, sources of repayment and loan structure
- Executive summary

# Video Credit Clips

(5 – 8 minutes)

VCC

Ensight offers short online videos (5 – 8 minutes) that explain some of the fundamental concepts on commercial loan underwriting.

## **The topics of the videos are:**

1. What is liquidity
2. Analyzing accounts receivable
3. Analyzing inventory
4. Adjusted or Net Working Capital
5. Cash flow coverage analysis
6. Fixed charge coverage analysis
7. Leverage
8. Balance Sheet Leverage
9. Cash Flow Leverage