

HOW TO USE THIS MANUAL

MANAGEMENT TOPICS

Using the direction and guidance in the *Community Bank Loan Management* manual (CBLM) is the simplest way to get a bank's loan department doing loan business properly. You and your people should immediately start comparing your existing system to the CBLM and see where our approach is better and where your approach is better. Combine the two and the result will be a significantly improved loan management system for your bank. *Guaranteed!*

The CBLM should become the cornerstone of a loan department central library. It features a clear and easy-to-understand style of writing. Each chapter is a stand-alone paper. This way you can copy a chapter, send it to a loan person and it will "stand-alone."

CUSTOMIZABLE SOLUTIONS

About half the chapters are in the form of model policies, procedures, and practices. This means that you can turn to the appropriate chapter, find a ready-made policy or procedure; simply substitute your bank's name for the model bank's name, make any needed changes, and print a draft of a new bank policy or procedure for your bank. When used this way, updating your bank's loan policies and procedures manual becomes a simple task.

All policies, procedures, and practices in the CBLM are currently in use in banks. We update the volumes quarterly to ensure that all information stays current and accurate. No other product on the market delivers what *Community Bank Loan Management* does in ease of use, practicality, and ongoing support.

WHAT YOU'LL FIND IN THE CBLM

Volume I — Commercial and Consumer Lending

Volume I consists of the following six sections:

1. *Model Loan Policies.* The first section begins with model loan policies. Immediately following these model policy statements is a chapter containing detailed guidance on credit underwriting procedures. These two chapters contain some of the most important material in the CBLM.
2. *Loan Organization.* This section begins by describing a standard community bank organization; then clearly spells out the duties and responsibilities of the people involved in lending. This is standard stuff but it still needs to be studied and compared to how your bank operates. It is unreal how often the organizational principles espoused in this chapter are violated and invariably the violations result in troubles for the bank. While the beginning chapter in this section is pretty standard, Chapter 4 is decidedly not standard material; it recommends an organizational system for consumer and small business loans that is both better and 50 percent more efficient than the system in use in most community banks.
3. *Loan Review.* In this section we describe in detail how to establish a sound loan review program whether done in-house (not recommended) or out-sourced (recommended).

4. *Loan Administration.* This section is primarily for the bank's CEO, senior loan officer, and senior credit officer. Subjects covered include:
 - Loan approval procedures
 - Loan structuring and pricing
 - Loan grading procedures
 - Credit files administration
 - Exchange of credit information between banks
 - Loan portfolio risk management
 - Stress testing
 - How to manage bank examinations for the best possible results
5. *Problem Loan Management.* To help our client banks cope with the twenty-first century's great recession this section of the CBLM has undergone a significant upgrade. This section covers:
 - Problem loan management
 - Collecting problem real estate loans
 - Collecting problem commercial loans
 - Collecting problem consumer loans
 - Deeds in lieu of foreclosure
 - Allowance for loan and lease losses
 - OREO management policy and procedures
6. *Loan Compliance Procedures.* The chapters in this section cover all aspects of loan compliance.

Volume II — Detailed Lending Guidance

Volume II of the CBLM is where we get specific with guidance that is applicable to individual loan officers. This volume contains the following 9 sections:

1. *Commercial Lending Underwriting.* This section begins with detailed guidance on how to underwrite larger commercial and industrial loans; then there is a chapter on how to underwrite small-business commercial and industrial loans. These small-business underwriting procedures should also be used when faced with customers who are incapable of producing adequate financial statements (there are a lot of these guys out there!) There are also chapters that provide very specific guidance on how to make about 20 different kinds of commercial loans, agricultural loans, and on how to make loans to local governments (the most profitable form of lending available to your bank).
2. *Letters of Credit.* This section contains detailed guidance on how to fund international letters of credit. This is followed by detailed guidance and precautions concerning standby letters of credit.

3. *Loan Agreements.* This section explains in detail when to use and when not to use loan agreements; then it gives specific instructions on covenants that should be in loan agreements and it concludes with a model loan agreement.
4. *Loan Documentation Procedures.* There is nothing more important in the CBLM than our material on how to document loans. We start by establishing a detailed understanding of the principles involved in documenting loans; then we have a lengthy chapter explaining in detail the Uniform Commercial Code, Article 9. Following these two important chapters there is a chapter explaining how to document specific types of real property loans (from aircraft to warehouse receipts).
5. *Consumer Lending.* This section contains two chapters; the first is an instructional how-to chapter that explains exactly how consumer loans decisions should be made. The second chapter gives specific guidance on how to make over a dozen different types of consumer loans. *Note:* Some types of consumer loans can be quite risky, so please pay close attention to the cautions associated with each type of consumer loan in the second of our two chapters.
6. *Real Estate Lending Policies.* The CBLM has one chapter devoted exclusively to model commercial real estate lending policies.
7. *Home Mortgage Lending.* In this section there is a chapter devoted to the fundamentals of home mortgage lending; another devoted to model home mortgage policies and procedures; followed by a chapter on how to document home mortgage loans.
8. *Commercial Real Estate Lending.* This section contains four chapters; one devoted to managing the bank's problem CRE loans, a second devoted to non-construction commercial real estate lending, a third devoted to construction lending, and a fourth to management oversight of construction lending.
9. *Miscellaneous.* The final section of the CBLM contains miscellaneous chapters including material on how to avoid lender liability suits, how to prevent losses due to contaminated real estate as collateral, and how to minimize losses due to customer bankruptcies.

THE COMPANION CD

This manual's companion CD provides helpful tools in the form of "Additional Resources" to help you with your everyday banking needs. To access these helpful tools click on the "Additional Resources" button of your CDs' opening screen where you will be directed to a list of folders containing dozens of ready-to-use items including:

- *Example Loan Contracts & Agreements*
- *An Example Loan Policy Manual*
- *Active Excel Worksheets.* Covering topics such as: risk management, stress testing, loan management, loan administration tickler files, and a loan pricing model.
- *Financial Statement Analysis Lessons & Worksheets*
- *Model Policies & Procedures.* Chapters 1, 5, 6, 12, 19, 28, 30, and 35 are now on the CD in Word format making them easily adaptable. These chapters provide you with policies and procedures for commercial and industrial lending, loan review, loan administration, allowance for loan and lease losses, specific types of commercial loans, real estate lending, home mortgage lending, and real estate construction loan management.

- *Ready-to-Use Loan Forms*
- *White Papers & Newsletters.* A source for one year of support papers that are independent of the two volumes. Among these papers will be a legal and regulatory newsletter, a newsletter reporting on recent court cases involving banks, and white papers covering the hottest topics in banking news.
- *A PDF of the manual.* Quickly search for guidance on issues that come up in your daily responsibilities, whether at your desk or out of the bank.

These “Additional Resources” offer you more options in using the manual information and can easily be copied and pasted into a folder of your choice on your hard drive.