

Jeff Judy & Associates

Training for Credit Unions: Typical Business Lending Topics

Credit unions enjoy exceptional relationships with their members, and more and more credit unions are expanding their services to include business lending to members. But business lending is not a simple linear extension of consumer lending. It differs in:

- ◆ Underwriting/credit analysis;
- ◆ Structure/terms/protections for the credit union;
- ◆ Risks/impact of defaults on the credit union;
- ◆ The member-credit union relationship.

While it certainly makes sense to draw on your vast consumer lending experience, credit unions that treat business loans to members as just a minor variation on that past experience will serve their business members less effectively, deliver business credit inefficiently (incurring costs that divert resources that could be used to serve members), and ultimately may put the credit union's financial health at risk.

Both as a service to members, and as a source of risk, business lending is too important to take lightly. I recommend looking at training needs at the following levels:

1. **The Strategic/Credit Union Level**, focusing on the Board of Directors and Senior Management in their role of guiding business lending policy and standards.
2. **Management/Supervisory Level**, supporting management and senior credit staff in overseeing business lending staff.
3. **Transaction/Loan Level**, providing technical knowledge and skill development for the employees who directly handle business lending.
4. **Support/General Credit Union Level**, for everyone in the credit union, to ensure that business member needs are recognized and handled.

These are not mutually exclusive. Some topics may be handled at one level, but others might be delivered across multiple levels. Depending on the size and structure of the credit union, some employees may fall in more than one level.

There are many topics, and many variations on topics, that could be applied to any of these levels. What follows are samples of typical topics, rather than an exhaustive list.

Training Delivery Options

Most topics can be delivered in a variety of formats. The best delivery options for your credit union will depend on the number and level of staff being trained, the geography of your locations, the specific topics covered, and the depth of treatment desired. For example:

- ◆ Directors/Sr. Management strategic topics might best be handled with either an in-person working session, or a teleconference approach.
- ◆ Multi-session webinars, spread over several weeks, can cover some technical lending topics.
- ◆ Support and general credit union staff might attend one-session seminars to gain the proper perspective on business lending for members.

To make sure I meet your needs, we will discuss delivery options – webinar, in-person seminar, teleconferences, etc. – as we explore the topics you need.

Please contact me if you require a *different* topic, if you would like to *know more* about the topics listed, or if you need a *custom approach* to any of these subjects.

STRATEGIC/CREDIT UNION LEVEL

Audience: Board of Directors and credit union executive staff. Senior management overseeing business lending may also be included in some topics. Sets the overall standards, and the strategic vision, that guide all business lending activities.

- ◆ **Business Lending Overview: It's Different!** From making the decision to understanding member needs, from documentation to repayment, business loans are different from consumer loans. Credit union leadership needs to understand key differences if they are going set the standards for business lending services.
- ◆ **Creating a Business Lending Environment.** There's a lot more to business lending than taking applications and approving loans. Business lending to members involves the entire credit union, not just the designated loan officers. This discussion helps your credit union determine how current roles must change, and what new roles may be needed. (We can provide additional consulting support in organizational effectiveness, as needed.)
- ◆ **Member Business Lending and Your Credit Union's Financial Health.** Business credit risk is very, very different from consumer credit risk. Failure to embrace that fact has had disastrous consequences for some credit unions. Covers business credit risk, repayment philosophy, need for consistent policy and oversight, key risk mitigators.

MANAGEMENT/SUPERVISORY LEVEL

Audience: Senior management, credit staff managers/supervisors, who ensure that business lenders follow guidelines, meet standards, engage in sound credit practices. May have a role in approving business loans to members. Some of the courses listed in the previous level could also be of value to this group.

- ◆ **Guiding Business Lenders to Meet Credit Union Goals.** The business lending function needs guidelines, goals, standards, and systems. In short, the credit union needs a business lending policy. Course covers why policy is so important, what needs to be in such a policy, and what it takes to implement and enforce policy.
- ◆ **Common Pitfalls of Business Lending.** Without eternal vigilance, losses can surprise you. Knowing where things can go wrong makes efficient but effective lending oversight possible. Covers issues from underwriting and documentation to loan structure, monitoring, and repayment.

Some credit unions may also require supervisory personnel to participate in some of the technical training described in the next category below.

TRANSACTION/LOAN LEVEL

Audience: The hands-on, front-line staff who work with the member, recommend approval/decline of the loan request, prepare the structure and terms of the loan. Anyone directly involved in making (or deciding to make) individual business loans.

Typical topics for this group are similar to standard training for commercial credit officers in banks, but with a stronger focus on lending to small businesses. Discussions also reflect how credit union members are more integrated across consumer and business services than are customers of most banks.

- ◆ **Understanding Why Your Member Needs a Business Loan**
- ◆ **Assessing Creditworthiness: Overview**
- ◆ **Financial Statement Analysis**
- ◆ **Cash Flow Analysis**
- ◆ **Analysis Of Individual Tax Returns And Personal Financial Statements**
- ◆ **Types of Business Loans (term, line, etc.)**
- ◆ **Loan Agreement/Credit Structure Overview**
- ◆ **Monitoring: Your First Line of Defense**
- ◆ **Protecting Your Interests: Collateral, Guarantees, Covenants**
- ◆ **Early Detection, Early Response to Problem Loans**

SUPPORT/GENERAL CREDIT UNION LEVEL

Audience: All credit union staff, as everyone needs to be able to recognize business lending needs and concerns among the membership. Unlike banks, members may not be segregated into "business" vs. "consumer" loans, so everyone who interacts with members (not just business owners) needs to understand how the credit union approaches business lending. At the same time, support staff who currently handle consumer loans may be "stretched" to answer questions, handle documentation and administration, and otherwise support business lending.

- ◆ **Understanding Business Needs.** How do representatives of the credit union, in various roles, listen for business needs of their members? What are the common reasons business owners seek loans? What tools, training, and communication does the credit union need to provide to make sure members have their business needs and issues addressed quickly and effectively?
- ◆ **The Business Lending Relationship.** Even though it may be the same person, your member has different concerns, different "hot buttons," different standards, and different needs when discussing a business loan rather than a home equity, auto, or other personal loan. Everyone who interacts with members needs to be sensitive to the "business side" of their relationship with the credit union.