



Credit Risk Analysis for Private Bankers

Wealth advisors, including private bankers, are increasingly being asked to extend credit to their clients. Requests range from a home loan to leveraging a hedge fund. This two-day course provides private bankers with the concepts and tools to better evaluate risk.

Available Session(s):

No sessions currently available. Email customerservice@nyif.com to get the next available date.

Targeted Audience

Portfolio managers, individual investors, private bankers and other wealth advisers wishing to identify additional opportunities for lucrative business while maintaining a strong sense of risk and structuring and a proper risk reward balance.

Special Offer

Clients who register for this course will receive a complimentary 6 month subscription to the Financial Times and FT.com. The Financial Times is the world's most respected financial newspaper providing a broad assessment on finance, business and the industrial sector. Subscriptions will start within 6-8 weeks of the application process, and are limited to one per client. For questions about your subscriptions call 800-628-8088 or email uscirculation@ft.com. US and Canada enrollees only.

Advance Preparation

No advance preparation required.

Learning Objectives

Students will be able to:

- Understand the importance of credit analysis for both portfolio quality considerations and new business opportunities
- Appreciate the benefits of a risk evaluation framework
- Improve deal structuring capabilities for public companies, private companies, hedge funds, real estate
- Understand the relationship between qualitative and quantitative aspects of a credit analysis and calculate the ratios for a selected company

- Gain insight into collateral margining and the collateral process

Level: Basic

CPE Credits: 14

Instructional Method: Group-Live

Detailed Outline

Day One

Session 1: Why Credit Risk Analysis and Creating a Risk Evaluation Framework

- Who uses analysis and why
- Using credit products as a proactive marketing tool
- The importance of credit analysis
- Exercises: Creating a Risk Evaluation Framework and calculating Economic Benefit
- Identifying the true borrower Know Your Customer
- The Patriot Act
- Identifying the true purpose of the loan
- Identifying how and when repayment will happen
- Sources of repayment
- Risks of repayment (understanding the macroeconomic environment; understanding the client s business)
- Exercise: Identifying the purpose of the loan*

Session 2: A risk evaluation framework

- Security and Documentation
- Types of collateral
- Documentation
- Covenants
- Verifying the existence of the collateral, physical possession of the collateral
- Structure
- Pricing

Day Two

Session 1a - Lending against marketable securities

- Purpose
- Borrower
- Repayment & Risks
- Primary source: personal cashflows (portfolio income vs interest expense, cashflow generation from other sources)
- Secondary source: value of other investments (net worth), ability to liquidate, impact on relationship
- Security
- Publicly traded shares
- What exchange
- Percentage of ownership
- Float
- Stock price and volatility
- Currency and country risk
- Marking to market
- The importance of diversification - Enron
- Lending against Bonds
- Publicly traded bonds
- Bond types
- The effects of interest rate movements
- Are ratings from Moody's and S&P enough?
- Giving appropriate haircuts

Session 1b - Lending against marketable securities

- Marking to market
- Lending against cash structural issues
- Exercises: Loan to Value, Cash Secured*

Exercise: Identifying the sources of repayment on specific loan requests

Session 3: Credit products and uses

- What are typical credit products?
- What are credit products used for?
- Foreign exchange
- Margin trading
- Personal property
- Investment property
- Leveraging existing investments

Exercise: Matching credit products with various types of borrowing needs; Borrowing in Yen/repayment in USD

Session 4: Analyzing Personal Financial Statements

- Statement of Financial Position
- Assets estimated fair value
- Statement of changes in net worth
- The difference between net worth and cash
- The effect of leverage
- How to calculate liquid and adjusted net worth
- Estimating future cash flows
- Warning signs/creative accounting

Loans, Role Play Marketable Securities

Session 2: Lending against hedge funds

- Definition of a hedge fund
 - Hedge fund styles - where are the risks?
 - Exercise: Determine expected volatility with different fund styles
 - Due diligence on the fund
 - Where to find non-public information
 - Reviewing recent hedge fund debacles
 - The emergence of the SEC
 - Peter Chabot from Mississippi
 - David Mobley from Florida
 - A word on LTCM - When Genius Failed
- Exercise: Determining Hedge Fund Volatility*

Session 3: Lending to privately owned operating companies

- Purpose
- Borrower
- Repayment & Risks
- Primary and secondary sources: cashflows vs income (analysis of corporate cash flow statements, profit and loss statements)
- Corporate balance sheet: current and fixed assets, current and long term liabilities, equity, assessing the true value of the assets and liabilities
- Exercise: Balance sheet recognition
- Macro-economic and industry dynamics, understanding the business, liquidity
- Analyzing country risk
- Exercise: Calculating cash flows
- Quality of accounts, transparency, timeliness and disclosure
- Assessing management and shareholders, including assessing shareholder support
- Security
- UCC filings, personal guarantees, corporate guarantees (importance of economic benefit)
- Structure

- Repayment terms
- Ranking/subordination
- Covenants

Exercise: Matching purpose and tenor

Session 4: Lending against property

- Purpose: Personal property loans, Commercial property loans
- Borrower
- Repayment & Risks
- Primary source: rental cashflow/interest cover (project feasibility), cashflow generation from other sources
- Secondary source: value of other investments (net worth), ability to liquidate, impact on relationship
- Security
- Understanding the cycle
- The appraisal - which one is right?
- Cost
- Income
- Market
- Risks in collectability
- Structure (tenor, currency, loan to value)

Exercise: Participants will use real estate cases to structure both a personal and a commercial property loan

For more information regarding administrative policies such as complaints and refunds, please contact our offices at 212-641-6616.