Cash Flow-Based Lending for Banks & Financial Institutions

Length: 2 days

Course Goals

Traditional financial analysis teaches financial health analysis. Cash flow analysis builds on this to determine availability of funds to repay debt. Cash, not net profit, repay loans. Since today's loan is repaid with tomorrow's cash, understanding the present and future cash flows of the company are key to any loan decision. It also has ramifications on loan structure and covenants.

Course Objectives

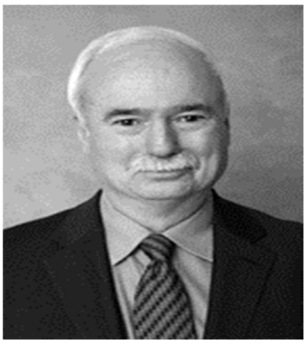
Upon completion of the course, participants will be able to demonstrate their knowledge of the following:

- Analyze the company's historical financial performance, including ratio analysis and linkage to management actions and decisions.
- Evaluate on a macro basis the effects of management and business environment factors on loan repayment.
- Assess the external and internal environments and the impact on loan repayment
- Construct and analyze a cash flow statement.
- Improve the probability of repayment through a solid understanding of cash flow logic.
- Evaluate sources and uses of cash on the financial statements.
- Explain the cash conversion cycle.
- Describe the difference between operating, investing and financing cash flows.
- Describe how key financial ratios can affect cash flow.
- Discuss the difference in cash flow methodology including: UCA, indirect, free cash flow, global cash flow, cash budgets and EBITDA.
- Describe the appropriate covenants to use to protect the primary, secondary and tertiary sources of repayment.
- Demonstrate the correct way to do a credit write-up of the cash flow information.
- Explain the process of communicating a complete credit analysis including the cash flows supporting the underwriting of the loan request.
- Communicate a cohesive argument regarding the acceptability of a credit transaction in spite of the identified risks.

Format

Lecture and discussion, supplemented by group exercises and role play keep the course both fast paced and interesting.

Tom Carlin



Tom specializes in teaching credit including corporate, middle market and small business banking. Particular specialties include cash flow analysis, loan structuring, the credit write-up and trade finance. In his years of training, he has developed the ability to adapt his training to fit the classroom and the experience level of the participants.

Tom has been teaching and developing credit training programs since 1990. He has worked at many of the major banks in the US and has extensive experience teaching overseas. He has delivered for numerous audiences ranging in experience from new hires in a boot camp setting, to training lenders with extensive experience. In addition, he has trained many open enrolment classes over the years through RMA.

Prior to his training career, Tom was a lender at First Pennsylvania Bank in Philadelphia and Bankers Trust in New York. He worked as a regional director for Omega Performance Corporation both selling and teaching their credit training programs. His experience as a lender allows him to bring this real-life skill to the classroom and adds a realistic element to roleplay exercises used in class when he acts as the borrower. He has had his own business since 1990. Not only does he teach, but Tom also develops and customizes credit training programs. He has written a textbook on Financial Statement Analysis and has authored 4 major e-learning programs on credit.

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