MOODY'S ANALYTICS

Improving Credit Writing

by ANDREA BINKLEY, SENIOR LEARNING PARTNER AT MOODY'S ANALYTICS

> "I didn't have time to write a short letter, so I wrote a long one instead."
>
> – MARK TWAIN

This quote undoubtedly resonates with credit approvers. Let me explain. Back when I managed the credit department at a large regional bank, I'd be up late every Wednesday night, a stack of credit write-ups in one hand and a red pen in the other. The struggle was getting the write-ups ready for loan committee on Friday.

Fast-forward 25 years and not much has changed in the quality of credit write-ups: I often hear the same complaints from managers about long, repetitive, disorganized and disjointed memos. In many ways, this aspect of the credit approval process has not improved to enable a speedy and efficient turnaround.

Credit writing tends to surface in conversations for two main reasons:

- Newer employees don't have strong writing skills, or understand how credit writing differs from essay writing. When you're writing a credit document, you need to start with your conclusion and then provide supporting information.
- Your organization's personnel are under immense pressure to turn deals around quickly, and they're often working on multiple deals at the same time. There's a need to provide them with tools and techniques to become stronger, faster writers.

One of the problems that causes an inefficient loan approval process is the failure to obtain sufficient information about the borrower's strategies and goals and the factors driving the business's financial performance. A deeper understanding of credit and the ability to apply that understanding during conversations with customers can help relationship managers resolve this issue.

But the question remains: how can they improve the quality of their credit approval documents?

A credit approval document might identify financial trends, but if those trends aren't linked to the external factors driving them, or weighed against the business's future performance, there's a problem. The document won't focus on the most substantial risks–or the ways to mitigate them.

If the document needs heavy reworking because it doesn't include the information credit approvers need to make an informed decision, the relationship manager must go back to the customer several times to ask additional questions or gather more information. This frustrates the customer and can damage the relationship manager's credibility.

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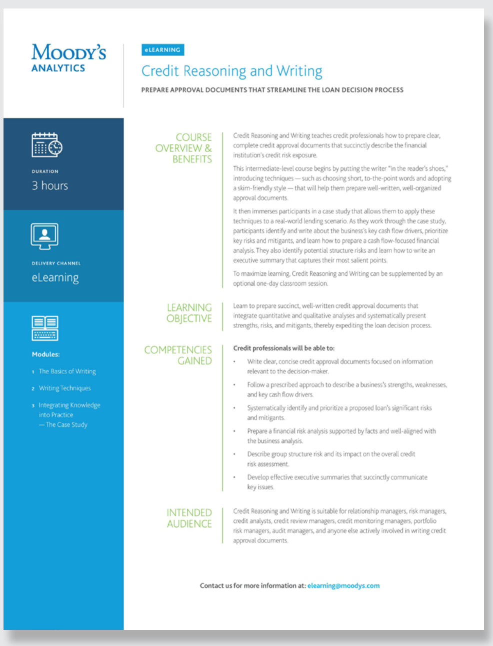
Bank management has spent a lot of time trying to come up with credit write-up templates that speed up the writing process and force the writer to focus on what's important. These templates often have a limit on the number of characters.

The results have been mixed. While some personnel can produce strong analyses within the character limit, others fill the space with unnecessary information that doesn't focus on the risks. Or they simply add attachments that include all the information that didn't fit in the space provided.

To accelerate the sales cycle and generate better outcomes for the bank and its customers, analysts, underwriters and relationship managers must be able to write for their readers. They must highlight the risks and mitigating factors so the approvers can make informed decisions. Credit writing is at its best when writers put themselves in the approver's shoes.



MOODY'S ANALYTICS

eLEARNING

Credit Reasoning and Writing

PREPARE APPROVAL DOCUMENTS THAT STREAMLINE THE LOAN DECISION PROCESS

DURATION
3 hours

DELIVERY CHANNEL
eLearning

Modules:
1 The Basics of Writing
2 Writing Techniques
3 Integrating Knowledge into Practice — The Case Study

COURSE OVERVIEW & BENEFITS

Credit Reasoning and Writing teaches credit professionals how to prepare clear, complete credit approval documents that succinctly describe the financial institution's credit risk exposure.

This intermediate-level course begins by putting the writer "in the reader's shoes," introducing techniques — such as choosing short, to-the-point words and adopting a skim-friendly style — that will help them prepare well-written, well-organized approval documents.

It then immerses participants in a case study that allows them to apply these techniques to a real-world lending scenario. As they work through the case study, participants identify and write about the business's key cash flow drivers, prioritize key risks and mitigants, and learn how to prepare a cash flow-focused financial analysis. They also identify potential structure risks and learn how to write an executive summary that captures their most salient points.

To maximize learning, Credit Reasoning and Writing can be supplemented by an optional one-day classroom session.

LEARNING OBJECTIVE

Learn to prepare succinct, well-written credit approval documents that integrate quantitative and qualitative analyses and systematically present strengths, risks, and mitigants, thereby expediting the loan decision process.

COMPETENCIES GAINED

Credit professionals will be able to:

- Write clear, concise credit approval documents focused on information relevant to the decision-maker.
- Follow a prescribed approach to describe a business's strengths, weaknesses, and key cash flow drivers.
- Systematically identify and prioritize a proposed loan's significant risks and mitigants.
- Prepare a financial risk analysis supported by facts and well-aligned with the business analysis.
- Describe group structure risk and its impact on the overall credit risk assessment.
- Develop effective executive summaries that succinctly communicate key issues.

INTENDED AUDIENCE

Credit Reasoning and Writing is suitable for relationship managers, risk managers, credit analysts, credit review managers, credit monitoring managers, portfolio risk managers, audit managers, and anyone else actively involved in writing credit approval documents.

Contact us for more information at: elearning@moodys.com

This is precisely why Moody's Analytics developed its Credit Reasoning and Writing eLearning and classroom training. These courses focus on what we call the Five Cs of Credit Writing: cash flow focused, clear, complete, consistent and concise. The Five Cs approach has proven to be highly effective and has already helped thousands of individuals improve their overall performance.

The bottom line is that in order to expedite the loan approval process, credit analysts, underwriters and relationship managers must be able to write clear, concise and complete credit approval documents that succinctly describe the financial institution's credit risk exposure.

Click Here to Learn More

Andrea Binkley is a Director at Moody's Analytics and a Senior Learning Partner of the Learning Solutions Division. Prior to joining Moody's Analytics, Andrea spent several years as a credit consultant, helping financial institutions and bank regulators develop custom training programs. Before consulting, Andrea held various positions on the lending and credit side of a bank, as well as running the commercial division of a training department. She has partnered with clients globally to create optimal commercial credit training solutions and customized programs. Andrea received a Bachelor's of Business Administration degree from Gettysburg College.