Problem Loans
RECOGNIZE AND RESPOND TO DISTRESSED COMMERCIAL LOANS

Banks take a risk every time they make a loan. When a borrower becomes financially distressed, the loan can become a problem loan. To minimize the negative impact of problem loans, lenders must be able to spot early warning signs of deteriorating credit and proactively work to reduce exposure to undue risk.

Problem Loans (PL) teaches lenders how to recognize and respond to deteriorating credit conditions. It reinforces the organization’s risk culture broadly while providing proven techniques for mitigating risks on a loan-by-loan basis.

The course begins by exploring seven different categories of early warning signs. It then examines the role that covenants, collateral and guarantees play in helping the financial institution safeguard repayment. Participants also learn a four-step process to follow when it becomes clear the loan will need to be restructured, including strategies to determine the likelihood of the company’s short-term and long-term viability.

To complete their studies, participants apply what they’ve learned to an interactive case study. They’re also provided with the Early Warning Signs checklist, a robust job aid they can use post-training to help them actively monitor loans for signs of distress.

LEARNING OBJECTIVE

Learn to recognize and respond to distressed loans by monitoring covenants, detecting early warning signs, taking corrective action and determining next steps when default is unavoidable.

COMPETENCIES GAINED

Participants will be able to:

• Spot early warning signs of deteriorating credit and respond to them before the borrower defaults
• Develop an action plan for conducting difficult conversations with clients following a covenant breach
• Understand the overall steps to take when debt must be restructured
• Apply the concepts learned to their day-to-day loan monitoring activities, thus improving and protecting portfolio quality

TARGET AUDIENCE

PL is suitable for anyone involved in the commercial lending process, including credit analysts, underwriters and relationship managers, and anyone involved in the second line of defense, such as loan reviewers and auditors. It is also appropriate for business analysts who gather and analyze data at the portfolio level.

This course is on the path to the Moody’s Certificate in Commercial Credit (CICC).