

## Consumer Lender (CL) Career Track

### Kickoff

#### I. Establish a Mentor Relationship

*Mentors provide the CL a safe environment in which s/he can ask questions, discuss observations, vent frustrations, and share ideas. Mentors can foster understanding, growth and development in a non-judgmental and constructive way.*

Assess the CL's strengths and opportunities. Identify mentors for the CL to have 30-minute weekly calls/meetings with. Mentors should have the following qualifications:

- Is not the CL's direct leader
- Has been, or has been trained to be, a consumer lender
- Is seen by most of senior leadership as being actively engaged, a strong leader, and a model of the organization's desired culture
- Has strengths in the areas of the CL's opportunities
- Has experience mentoring employees or has gone through mentoring training

The initial mentoring meeting should begin within 30 days of the CL beginning the program. Subsequent meetings should be scheduled each week throughout the first 90 days. After the first 90 days the mentoring meetings should be shifted to bi-weekly or monthly based on the following guidelines:

- Bi-weekly during the first month of any new rotation
- Monthly after the first month of a rotation

#### II. Banking Basics

*Basic banking principles provide a core foundation for any banker. Understanding the industry, its history, and how each department contributes to the bank's success is a key part of the overall success of any rotational program.*

Basic banking principles should include:

- The business of banking
- Bank departments and functions
- Bank competition
- Basic bank financials
- Deposit product and services
- Lending product and services

Specific to the institution, the CL should also learn:

- Product and services offerings
- Organizational chart and departments
- Locations
- Policies and procedures
- Proper opening and closing procedures

## **Rotations**

Assign a point person for each rotation who is responsible for moving the CL through the various components. In addition, this point person will provide feedback on the CL's level of proficiency in each area and provide high level insight of the CL's strengths and opportunities revealed during the rotation.

### **I. Loan Products and Types**

*There are many different loan types and loan products offered by financial institutions. Even if a financial institution does not offer a particular loan type or product, it is important for its employees to understand what may be offered by competition in its market.*

The CL should be exposed to the components and benefits of the following loan types:

- Direct vs indirect
- Closed-end vs open-end
- Secured vs unsecured
- Fixed rate vs variable rate

The CL should be exposed to the components and benefits of the following loan products:

- Indirect
  - Floorplan financing
  - Leasing
- Secured closed-end
  - Mortgage loans
  - Home equity loans
  - Auto loans
  - RV, boat and airplane loans
- Unsecured closed-end
  - Student loans
  - Debt consolidation
- Secured open-end
  - Home equity lines of credit
  - Reverse mortgages
  - Personal lines of credit

- Unsecured open-end
  - Credit cards
  - Check overdraft lines of credit
  - Personal lines of credit
- Loan guarantees
  - Cosigned and personally guaranteed loans
  - Government-guaranteed programs

The CL should be aware of and able to explain the following:

- Loan pricing
- Loan terms
- Payment protection
- Loan profitability

## II. Loan Policy

*Making sound and consistent lending decisions and effectively managing risk, comes from an understanding of all components of the bank's loan policy and how to comply with its guidelines.*

The CL should fully review and be able to explain, the following:

- The bank's lending objectives
- Responsibilities of directors, management and staff
- Corporate responsibilities and ethics
- Geographic limits
- Pricing guidelines
- Loan types
- Loans to insiders and employees
- Lending authority
- Loan documentation
- Loan review
- Collections and charge-offs
- Credit criteria
- Decision-making system
- Regulatory compliance
  - FIRREA

### III. Loan Application

*The first formal step in the lending process is generating a loan application from the consumer. While there may be different processes based on products and delivery channels the main components of the process should be fully understood.*

The CL should be exposed to, and able to accurately and consistently explain and execute the following:

- Objectives of the application process
  - Generate applications
  - Collect information for a sound lending decision
  - Legal compliance
  - Create or strengthen applicant goodwill
- Components of the loan application
  - Name and residence
  - Credit history
  - Income
  - Employment
  - Collateral
- Marketing objectives and loan sources
  - Market segmentation
    - Geographic
    - Demographic
    - Psychographic
    - Volume
    - Benefit
  - MCIF systems and data mining
  - Promotion channels
    - Direct mail
    - Telemarketing
    - E-mail marketing and text messaging
    - The internet and social media
    - Consumer incentives
- Regulatory Compliance
  - FTC and FCC Telemarketing Rules
  - CAN-SPAM Act

#### IV. Credit Investigation, Evaluation and Decision Making

*Lending decisions should be made with information that is valid and loans should be made that are fair for the customer and the bank. These objectives can be achieved by conducting thorough investigations and evaluations.*

The CL should be exposed to, and able to accurately and consistently execute the following:

- Credit investigation
  - Verify application accuracy and completeness
    - Data accepted as given – length of time at current address, number of dependents, previous address, previous job, checking and savings account information with other banks
    - Data verified through the investigation – current employer, income, current home address, value of collateral to secure the loan
      - Review applicant’s account history
      - Contact employers and creditors
      - Verify collateral value
      - Review personal financial statements and tax returns
    - Data verified through the consumer reporting agency – credit references, name and address, social security number, public records
      - Obtain credit agency reports
        - Confirm consumer identifying information
        - Review trad lines
        - Consider inquiries
        - Review public record and collection information
  - Identify potential concerns
    - Gaps in information
    - Information inconsistent with applicant’s age
    - Aggressive or anxious applicant
  - Acquire any additional information
- Credit evaluation
  - Comply with regulations and bank policy
  - Ensure that the risk is acceptable
  - Evaluate the 5 C’s of credit
    - Character
      - Payment history
      - Types of credit used
      - Sources of credit
      - Level of debt
      - Credit-use patterns

- Capacity
    - Income – debt to income ratio
    - Stability of employment and marketability
    - Type of job
    - Cash flow
    - Potential debt
  - Capital
    - Liquid assets
    - Tangible assets
    - Debt structure
  - Collateral
    - Value the collateral and the value behavior (depreciating, appreciating, stable, fluctuating)
    - Determine ease of repossession
    - Determine marketability
    - Identify owners
  - Conditions
    - Changes in the economy
    - Social or political environment
    - Laws and regulations
    - Competition
    - Changes in the bank’s goals and objectives
- Decision making
  - Approving the loan
    - Determining terms and conditions
    - Notifying the customer
      - Within 30 days of receipt of the completed application
  - Declining the loan
    - If applicable, make a counteroffer suggesting an alternative
    - Align with Reg B’s adverse action provisions within 30 days of receiving a completed application
    - Retaining goodwill
  - Appraisal notices

## V. Loan Documentation and Closing

*Proper loan documentation helps bank earn a return, mitigate risk, and comply with legal requirements and bank policies. This rotation should include time spent in the loan processing and operations areas.*

The CL should be exposed to, and able to accurately and consistently execute or explain, the following:

- Pre-closing activities
  - Document preparation
  - Establishing a security interest
    - Creating a valid lien
    - Giving notice
    - Possession of collateral
- Closing activities
  - Explaining the terms to the customer
  - Cross-selling other bank products
  - Asking for referrals
- Post-closing activities
  - Document examination and error resolution
  - Booking the loan
  - Recording and reporting
  - Obtaining lien and insurance document

## VI. Collection and Recovery

*Though some customers may abuse credit and not pay their debit, most loan defaults are due to unexpected events or a lack of customer financial aptitude. Understanding the signs of, and managing, delinquencies helps both the customer and the bank.*

The CL should be exposed to, and able to execute or explain, the following:

- Differences between the collection and recovery functions
- Causes of delinquency
  - Changes in financial situations
  - Changes in marital status
  - Addiction
  - Economic downturns
  - Irresponsible lending
  - Poor money management
  - Fraud
- Counseling customers experiencing difficulty
- Maintaining acceptable delinquency rates
- Maintaining acceptable loan loss levels
- Generating loss recoveries
- Managing collection and recovery costs
- Charge offs

- Regulatory compliance
  - BAPCPA

## **VII. Consultative Selling**

*By understanding a customer's financial status, needs and goals the CL can best suggest product and service solutions. This active approach to meeting customer's needs can increase loan volume, loan profitability, loan quality, customer satisfaction and customer loyalty.*

The CL should develop and be able to accurately and consistently demonstrate the following:

- Effective communication skills
- Self-motivation
- Establishing customer rapport
- Identifying customer needs
- Overcoming customer concerns
- Closing the sale

The PB should be aware of, and be able to consistently support customers through, the following stages of the Selling Process:

- Needs recognition
- Prepurchase search
- Purchase decision
- Postpurchase feelings

### **Post-Rotation Review**

Assess the CL's strengths and opportunities. Review the feedback from each rotation area with HR, Training, mentors and the CL's leaders. Provide feedback to the CL and build out a development plan for any identified areas of opportunity.

## Consumer Lender Educational Options

### Optional external education for the Consumer Lender track

- **Banking Basics Section**
  - a. **OBL** – POB Remote Course, Banking 101 Seminar, Essentials of Banking Series
  - b. **Regulatory University (Reg U)** – Awareness-Ethics, Sexual Harassment, Diversity in the Workplace, Awareness-Physical Security
  - c. **TTS** – Fundamentals of Banking I & II, Deposit Products and Services
  - d. **ABA** – Banking Fundamentals, Banking Basics Suite
  
- **Overall Consumer Lending**
  - a. **OBL** – CBC Lending Compliance School, TRID for Lenders and Processors, Regulation Z Compliance School
  - b. **TTS** – Fair Lending Overview, Consumer Credit Products, The Five Stage Lending Process
  - c. **GSB** – Intro to Consumer Lending Seminar
  - d. **ABA** – Consumer Lending
  
- **Loan Products and Types Rotation**
  - a. **OBL** – TRID for Lenders and Processors, Reg Z University
  - b. **Reg U** – Fair & Responsible Lending, Truth in Lending Act – Home Equity Lines of Credit, Fair Credit Reporting Act for Lenders, Anti-money Laundering for Consumer Lenders, Anti Predatory Lending
  - a. **TTS** – Consumer Credit Products, Introduction to Credit Card Regulations, Telemarketing Consumer Fraud and Abuse Prevention Act, Unfair Deceptive or Abusive Acts or Practices for the Financial Institution, Consumer Lending Regulations, Community Reinvestment Act (CRA) for [institution size], Real Estate Settlement Procedures Act (RESPA): Regulation X, Truth in Lending Act: Regulation Z
  
- **Loan Policy Rotation**
  - a. **TTS** – Loans to Executive Officers Regulation O, Affiliate Transactions Regulation U
  
- **Loan Application Rotation**
  - a. **TTS** – Equal Credit Opportunity Act Regulation B, Taking the Loan Application
  
- **Credit Investigation, Evaluation and Decision-Making Rotation**
  - a. **TTS** – Analyzing Personal Financial Statements, FACT Act Overview, Fair Credit Reporting Act, Investigating the Applicant-Part 1&2, Making the Decision
  - b. **GSB** – Personal Tax Returns and Cash Flow Seminars
  - c. **ABA** – Analyzing Financial Statements, Processing and Underwriting Credit
  
- **Loan Documentation and Closing Rotation**
  - a. **TTS** – Processing the Loan

- **Collection and Recovery Rotation**
  - a. **TTS** - Fair Debt Collections Practices Act, Servicemembers Civil Relief Act (SCRA)
- **Consultative Selling Rotation**
  - a. **TTS** – Diagnosing Customer Needs, REAL Sales Series, SIMPLE IRA Basics
  - b. **GSB** – Customer Experience Management-Lead It or Lose It
  - c. **ABA** – Bank Sales and Service (Expanding Customer Relationships), Essential Selling Skills Bundle, Relationship Sales Suite

*For questions regarding any of the educational options listed in the section above, please go to [www.ohiobankersleague.com](http://www.ohiobankersleague.com) or contact any of the following members of the OBL Professional Development Team:*

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## Activities to enhance learning from the Consumer Lending track

- **Banking Basics**
  - Explain banking concepts learned to leaders in each department
  - Participate in a career day to explain banking to students
- **Loan Products and Types**
  - Research various loan promotions offered by competition in the market and outline differences in rates, types, terms, etc.
- **Loan Policy**
  - Compare the bank's loan policy with a generic policy and outline any differences
- **Loan Application**
  - Sit with senior bankers taking loan applications
  - Review previous marketing campaigns and analyze their success
  - Shadow on the front-line and review customer accounts to check on possible cross-sell opportunities revealed during transactions
- **Credit Investigation, Evaluation and Decision Making**
  - Review previous loan applications (for loans made and denied), without reviewing any of the file notes and outline any questions the bank should ask, any concerns and the loan recommendation
- **Loan Documentation and Closing**
  - Conduct a mini loan review on recently made loans to review the completion of pre, post and closing activities
  - Shadow a loan processor for one or two days. Create closing documents and process information received from loan closings

- **Collection and Recovery**
  - Review some current collections files and outline any red flag indicators and make suggestions on possible customer counseling
  - Attend a financial counseling course to see what is covered and outline how the information can be leveraged in customer conversations
  
- **Consultative Selling**
  - Track each of the stages of the selling process of a recent purchase, or purchases, the banker personally made