

CreditLab® Small Business Fundamentals

CreditLab®: Small Business Fundamentals builds on the basic understanding of small business lending principals, processes and products offered in the LendingLab™ Small Business course. The course provides an overview of the decision-making practices across the credit lifecycle through the tactical lens of credit policy and strategy development.

The course will advance participants' knowledge of the small business lending space through additional topics, such as judgmental v. automated decisioning; use of data, scores, ratings, and business rules to manage P&L; executable strategy development for originations, account management and collections; and compliance analytics to monitor portfolios and models.

Your new knowledge will be tested through activities and simulations. You will work with your team in a competitive testing environment. Your goal: Maximize your P&L under a variety of situations. This will be your opportunity to network with peers with adjunct skill sets that are important to success.

Target Audience

Small Business:

- Line of business team leaders
- Marketing manager
- Product Management team leaders and managers
- Portfolio management team and managers
- Branch Managers
- MIS and reporting team leaders and managers
- Underwriting team and managers
- Operations team leaders and managers
- Credit policy team
- Credit Operations team leaders and managers
- Marketing and risk analytics team and team leaders
- Corporate Analytics and Finance team
- Finance managers small business counterparts
- Compliances team leaders and managers
- Call/contact centre manager
- Customer Service manager
- Small Business Collections team leaders and managers
- Candidates who attended LendingLab: Small Business or nominated by manager

Sample Agenda

Day One	Day Two
The SME Marketplace and Their Needs	Strategy Development and Feedback Loop
Credit Policy & Credit Decision Considerations	Originations
Judgmental vs. Automated Decisions	Account Management
Decision Analytics: Data, Scorecard, Ratings and Business Rules	Collections
Activity: Underwriting	Activity: Strategy Development
Simulation Game: Credit Policy	Compliance Analytics
	Simulation Game: Underwriting

Course Module Learning Objectives

The SME Marketplace and their needs	<ul style="list-style-type: none"> • Explore defining the small business for your region and determine how the economy impacts small business • Evaluate the similarities and differences in decision making compared to retail/consumer banking • Define the potential benefits to bank from a growth, regulatory and competitive perspective • Identify SME customer needs including product, access and applicability • Define the SME Value Proposition for the business, the business owner and for the employees
Credit Policy & Credit Decision Consideration	<ul style="list-style-type: none"> • Learn about the importance of clear articulation of risk tolerance at the corporate level and how it impacts portfolio goals, strategies and tactics • Explore how to articulate a credit risk policy purpose that aligns with corporate risk tolerance • Evaluate your credit risk policy standards and how you can manage the portfolio within risk standards and exposure limits • Learn about sections commonly included in credit risk policies • Identify additional policies for inclusion
Judgmental vs. Automated Decisions	<ul style="list-style-type: none"> • Understand the overall small business risk/reward trade-off and how it is impacted by automation • Define when and how to use cash flow and financial analyses in your decision making strategy • Learn about the role of scores, calculations, ratios, and business rules in automation, strategy and managing P&L • Identify the benefits and implications of using automation for optimal risk and attrition control and management of P&L • Explore regulatory implications and benefits to using documented and automated strategies • Evaluate how to move from judgmental decision making to automation
Decision Analytics: Data, Scorecard, Ratings and Business Rules	<ul style="list-style-type: none"> • Determine the types of data available internally and externally in your bank and in your region • How much data do you captured today, how will it be retained, and for how long will it be retained? Identify how this may impact your decision making ability • Explore options to evaluate the impact of each data sources to your bottom line cost structure • Understand the fundamentals of scorecards development and how to

	<p>use scores, ratings, calculations, business rules and ratios to systematically rank order risk</p> <ul style="list-style-type: none"> • Basic reporting is fundamental to strategy effectiveness evaluation. Learn what reports are necessary and how to use them
Activity: Underwriting	<ul style="list-style-type: none"> • Team judgmental underwriting exercise – each team to identify ways to automate their decision making process. Present and discuss findings and identify implications for the bank
Simulation Game: Credit Policy	<ul style="list-style-type: none"> • Market understanding is important. We create an audience of interested credit applicants through marketing. Well-spent marketing dollars result in a good portfolio in terms of revenue and risk • Our underwriting decision is a combination of our use of credit policy and underwriting standards. The players need to try different strategies in order to create the best portfolio mix that returns profitability and capital efficiency
Strategy Development	<ul style="list-style-type: none"> • Understand the overall structure for any decision within all stages of the account lifecycle • Learn about the Implementation process including data completion, verification and processing; QA testing; rollout; tracking and reporting. • Understand how product assignment, pricing, fee structures, and product features impacts profitability • Adverse selection can happen at any point in the account lifecycle. Evaluate what aspects of the decision process can create a competitive advantage or disadvantage and how to identify adverse selection • Experimental design can help you efficiently and effectively create the optimal environment for testing and learning
Originations	<ul style="list-style-type: none"> • Acquisitions includes pre-screening and originations practices. Learn the ins and outs of best practices in acquisitions • Learn about issues regarding data, regulations, processes that can impact account acquisitions • The feedback loop allows you to evaluate key performance metrics that are the output of a strategy. For acquisitions, what are the KPIs that need to be evaluated and what actions can you take? • Learn about overarching considerations that boost your acquisition efforts to provide the right product, at the right price, at the right time to the right SME customer • Understand the basic building blocks for constructing an account acquisition strategy
Account Management	<ul style="list-style-type: none"> • Understand the types of decisions that occur once an account is on books and the best practices associated with account management • Evaluate issues that can impact your ability to manage your SME

	<p>portfolio. What issues exist within your organization and how can you put in place a sound business strategy to overcome these issues?</p> <ul style="list-style-type: none"> • Learn about the options on whether to manage an account at the account or customer level and how to make a decision about what level is best for your business • Define account management considerations that impact SME portfolio managers' ability to meet business goals • Understand the basic building blocks for constructing an account management strategy
Collections	<ul style="list-style-type: none"> • Collection practices can impact profitability and customer attrition if not well managed. Learn about the best practices for collections and how you can tailor these best practices to your business • Collection efforts can be hampered by regulations, technology, data and analytics. Learn about the potential issues that may exist in your bank and in your region and how you may be able to overcome them • Understand what metrics can be most impactful in your ability to evaluate the effectiveness of your collections shop • Describe conditions within the collections environment that facilitate your ability to control costs, reduce losses, outsource effectively, maximize recovery while preserving customer service efforts and retention of loyal customers • Understand the basic building blocks for constructing an collections strategy
Activity: Strategy Development	<ul style="list-style-type: none"> • Develop your business strategy include product, data, pricing strategy, target segment, credit policy, approval process, marketing communication and channels, cost, and success indicator, tracking and reporting
Compliance Analytics: Validation and Portfolio monitoring	<ul style="list-style-type: none"> • Learn about key regulations that impact SME banking in your region • Model management is industry best practice. In some regions, this effort is mandated by legislation. In others it is sound best practice used for communication and strategy evaluation. Learn about the components of model management • Understand how to monitor the SME portfolio. Learn about the key reports that facilitate meeting business and compliance goals • Sound reporting and documentation are the foundation for any regulatory review. Learn what reports need to be produced and how to use them effectively • Discuss one standard practice, changing cut-off scores, and how this can be accomplished by using sound business intelligence and existing performance monitoring reports
Simulation Game:	<ul style="list-style-type: none"> • Part of our underwriting decision is exposure. Larger exposure leads to higher interest revenue but may result in high losses. Strike the

Underwriting	<p>right balance.</p> <ul style="list-style-type: none">• High pricing may cause attrition but has bigger margins. Low pricing may retain customers but will result in thin margins. Players must observe this tradeoff in the results and strike the right balance.
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