

## **LEARNING NEEDS ASSESSMENT**

**Topic:** Train Corporate and SME Credit Analysts to properly fill out a complete and consistent credit assessment memo (CAM)

### **Part 1: Background of the Project**

#### **Preview**

The purpose of this project is to train corporate and SME credit analysts to properly fill out a systematized and consistent credit assessment memo (CAM). In order to do this, credit analysts should understand the importance and value of a CAM in the decision-making process and how this task should be ideally performed.

#### **Restate the request**

“In response to difficulties encountered by the Heads of the Corporate Credit and Credit Risk Departments in making decisions on credit proposals due to incomplete, irrelevant, and inconsistent data, the First Local Bank has undertaken an initiative that entails the development of a 30-minute training program designed to equip credit analysts with the necessary knowledge and skills to complete credit assessment memos proficiently and thoroughly. Importantly, this training program is an integral part of a larger program that demonstrates the bank's commitment to addressing data quality issues and improving the overall credit assessment process.” (Source: Sponsor, The First Local Bank)

#### **The purpose of the project**

This is a project to develop a 30-minute in-class training intended for corporate and small- to medium-sized business (SME) credit analysts. The objective is to equip them with the knowledge and skills necessary to proficiently complete a well-organized credit assessment memo (CAM). This training program aims to ensure that these professionals are well-versed in the complexities of properly filling out a complete and consistent CAM (Onyiriuba, 2016) that will help credit committee members make informed decisions on proposed credit requests. Such informed decisions are instrumental in avoiding non-performing loans (Roeder, Palmer, and Muntermann, 2022), which affect the bank's credit portfolio quality and decrease its losses resulting from these types of loans.

#### **Business need**

The main business need for this project is to optimize the decision-making process for credit approvals and reduce the First Local Bank's financial losses caused by non-performing loans (NPLs). This strategic endeavor aims to enhance the overall quality of the bank's credit portfolio by minimizing non-performing loans.

To achieve this goal, a central component of the project involves standardizing the essential information pertaining to prospective clients as well as the core data concerning their business performance. This standardization ensures a consistent and uniform approach to information gathering across all credit analysts. Consequently, this improved coherence in data collection and reporting will enable senior management to make more streamlined and proficient decisions, ultimately reinforcing the bank's credit risk management and performance (Roeder, Palmer, and Muntermann, 2022).

## Research strategy

For the purpose of preparing my needs assessment, I referred to the following resources:

1. Literature Review: To develop a thorough learning needs assessment for training credit analysts on correctly completing a credit assessment memorandum, I conducted a review of academic literature in the field of finance, with a specific focus on credit. In addition, I attentively read literature and academic works authored by experts in the field of banking. The information provided valuable insights into established standards and key factors to consider while drafting credit assessment notes. The primary focus of my research was to determine the basic information needed in a credit assessment memorandum (CAM) as well as the fundamental responsibilities and obligations of the credit analyst during its preparation.
2. The second component of my research approach was examining regulatory mandates and circulars issued by industry legislators, and seeking guidance from professionals in the sector. I meticulously examined the instructions and regulations provided by the central bank and the guidelines and recommendations put out by professionals within the banking industry. Keeping up with changes in the sector and understanding the rules that govern it were essential in establishing what training credit analysts needed and making sure that the training remained in line with law and industry standards.
3. I conducted interviews with subject matter experts (SMEs) within the bank, specifically the credit department head and credit risk heads who possess hands-on experience. Additionally, I sought advice from human resources specialists. This analysis offered realistic perspectives on typical obstacles faced in the credit industry and other demographic diversity aspects, including levels of expertise and educational qualifications. Through the analysis of the provided data, I tried to identify patterns and disparities in training requirements with the aim of developing a comprehensive and inclusive training program for the targeted credit analysts. This analysis will be customized to improve skills across a wide range of backgrounds and positions within the organization.

## Part 2: Performance

This section provides comprehensive information about performance, including details about current versus ideal behaviors.

### Performance problem

The following sections of the needs assessment will illustrate the performance problem triggering the training request. The first section illustrates the performance problem using real-life scenarios which illustrate what ideal and current performances look like. The next sections will list the tasks that learners should carry out under ideal performance and the entry-level tasks compared to those carried out under current performance and finally present a gap analysis between the two performance levels.

### *Scenario of ideal and current performance*

Table 1 below displays two types of performance. The first one, i.e., the ideal performance, pertains to an optimal scenario in which the client has explicitly expressed their expectation for the learners to perform. Whereas the current performance reflects how the learners are performing their tasks,

Table 1  
*Scenarios of ideal and current performance*

Type of Performance	Scenario
Ideal Performance	<p>First Local Bank employs Adam, an experienced credit analyst. To develop a credit report for a customer seeking business funding, Adam starts by acquiring financial and non-financial borrower and business information. He ensures that the data collected includes prior financial records, market developments, industry norms (Allianz Trade, 2023), and qualitative data like the company's structure, management team, and competitive position (Bouteille and Coogan-Pushner, 2022). Adam meticulously analyzes data to uncover financial ratios, trends, and risk indicators. To determine the borrower's capacity to repay the facility (Allianz Trade, 2023), Adam performs a rigorous financial study. He then evaluates the borrower's business plan and competitive edge while being attentive to any potential shortcomings or signs of concern. After this extensive study, Adam fills out a detailed CAM which includes his main findings in terms of financial assessment, risk assessment, and a well-reasoned recommendation that aligns well with his findings (Onyiriuba, 2016). Adam crafts the CAM in a clear and systematized manner, whereby he populates the CAM with relevant information in the appropriate sections. His CAM points out the borrower's strengths and weaknesses and financial soundness. It also suggests measures to mitigate risk factors (Onyiriuba, 2016). Within his recommendation, Adam suggests security measures or covenants to preserve the bank's interests if needed. He then submits the CAM to the credit committee for approval, thus providing the committee members with a solid foundation for making an informed decision.</p>
Current Performance	<p>First Local Bank recently hired Jad, a fresh university graduate. When the Head of the Credit Department requests that Jad create a credit file for a retail trader who applied for a loan to finance his business, Jad struggles to gather the necessary information and then encounters additional difficulties structuring the data. He frequently skips important financial data. Even when he manages to obtain the information, he fails to verify its authenticity. The unstructured process of collecting this data leads to an insufficient and unreliable assessment.</p> <p>In addition, Jad experiences difficulty incorporating both quantitative and qualitative factors, often overlooking crucial information related to the borrower's day-to-day operations. As a result, he compiles a CAM that is verbose and disorganized, frequently misplacing relevant information. The lack of a coherent CAM makes it difficult for the credit committee to extract crucial information from the memo, preventing them from gaining a clear understanding of the borrower's position. As a result, Jad's recommendation, which may contradict the findings, leaves the committee perplexed and impedes them from making well-informed decisions.</p>

### **Tasks in ideal performance**

This section details the tasks that a credit analyst should carry to demonstrate ideal performance, how those tasks are currently performed, the entry skills that the learner should possess, and the gap between the ideal and current performance.

### ***End Result***

Properly fill out a complete and consistent credit assessment memo (CAM) that enables senior credit management to make sound and informed decisions.

### ***Main and supporting tasks***

1. Identify the core purpose of a CAM
  - ❖ Define a CAM
  - ❖ State the benefits of a CAM (Onyiriuba, 2016)
    - Explain the impact of CAM on decision making
    - Explain the role of the CAM as a means of documentation (Bouteille and Coogan-Pushner, 2022)
    - Describe the role of a CAM in addressing credit risks
2. Describe the structure of a CAM
  - ❖ Identify the main sections within a CAM (Onyiriuba, 2016)
    - Specify the type of information in each section
    - Specify the sources of information in each section
  - ❖ Highlight the significance of the major sections of the CAM (Onyiriuba, 2016)
    - Explain the purpose of each section
    - Describe the specific role and impact of each section on decision-making
3. Evaluate the creditworthiness of an applicant for a loan
  - ❖ Identify the importance of financial statements analysis in determining borrower's financial standing (Onyiriuba, 2016; Roeder, Palmer, and Muntermann, 2022)
    - List the primary financial statements necessary for financial analysis
    - Explain the significance of the elements of financial statements (Income Statement, Balance sheet, Cashflow Statement)
    - Document the findings in the relevant section within the CAM
  - ❖ Describe the central role of risk analysis in a CAM
    - Define credit risk and its various components, such as default risk, financial risk, and operational risk (Bouteille and Coogan-Pushner, 2022; Onyiriuba, 2016)
    - Highlight the significance of risk analysis in credit decision-making (Roeder, Palmer, and Muntermann, 2022)
    - Document the findings in the relevant section within the CAM
  - ❖ Define a Collateral
    - Clarify the rationale behind requesting collateral (Bouteille and Coogan-Pushner, 2022; Onyiriuba, 2016)
    - Determine the qualities of an adequate collateral (Bouteille and Coogan-Pushner, 2022)
    - List other Covenants (Onyiriuba, 2016)
    - List other ways-out (Onyiriuba, 2016)
    - Document the findings in the relevant section within the CAM

#### 4. Define Conclusion and Recommendation

- ❖ Explain the importance of drawing a conclusion
  - Describe the structure of a conclusion
  - Emphasize the role of conclusion in summarizing the assessment findings
- ❖ Describe the significance of Recommendations within a CAM
  - Explain the role of Recommendation in providing guidance or suggesting courses of action based on the assessment
  - Examine the coherence of Recommendations with Findings in the CAM (Onyiriuba, 2016)
  - Highlight the Role of Recommendations in decision-making (Saliya, 2019).

#### ***Entry-level task***

Learners must have already attained a high level of proficiency in the following (Grimste, 2022):

1. Read a CAM with a full understanding of the content
2. Collect financial data from various sources, such as financial statements,
3. Enter financial data into spreadsheets for later analysis.
4. Extract basic financial figures,
5. Draft primary reports and outlines of credit evaluations
6. Comply with the bank's policies, industry standards, and legal requirements
7. Conduct preliminary analyses on relevant industries.

#### **Tasks in current performance**

#### ***End Result***

Fill out a credit assessment memo (CAM) proposing a credit request and providing a recommendation to the subject credit committee.

#### ***Main and supporting tasks***

1. Meets with prospective borrower and conduct a shallow probing process
2. Collects documents to support the proposed credit
3. In some instances, fails to validate collected information
4. Conducts financial analysis (Grimste, 2022) but may:
  - Present minor financial ratios and indicators
  - Perform inconsistent analysis from derived figures
5. Presents a risk analysis and propose risk mitigation factors (Roeder, Palmer, and Muntermann, 2022)
6. Suggests collaterals but may
  - Present them in a disorderly manner
  - Provide irrelevant collateral information
  - Require unnecessary covenants
7. Crafts a conclusion and subsequent recommendation (Onyiriuba, 2016) that might be inconsistent with findings reflected in other sections within the CAM

**Gap between current and desired (ideal) performance**

<p>Gap between ideal and current performance</p>	<p>The credit department in any bank normally includes a diverse group of credit analysts with varying qualifications and levels of expertise.</p> <p>The lack of experience plays a principal role in submitting an inconsistent or incomplete CAM. Nonetheless, other factors may also affect experienced and proficient analysts, such as time constraints, personal biases, or even portfolio targets that they have to meet. Accordingly, once a CAM is submitted to the respective credit committee, the committee members fail to understand such unorganized data and make an informed decision that might lead to a bad debt.</p> <hr/> <p>Performance Gap Analysis.</p> <hr/> <table border="0"> <tr> <td data-bbox="475 642 673 674">End Result</td> <td data-bbox="708 642 1409 743">Properly fill out a credit assessment memo (CAM) that enables senior credit management to make sound and informed decisions.</td> </tr> <tr> <td data-bbox="475 753 673 821">Foundational concepts</td> <td data-bbox="708 753 1409 1073"> <ul style="list-style-type: none"> <li>- To properly fill out a CAM, credit analysts should be able to explain the importance of a CAM in terms of lending and its role in sound and informed decision-making (Onyiriuba, 2016).</li> <li>- Credit analysts should be able to outline all sections incorporated in the CAM and the significance of each section in synthesizing recommendation that is consistent with the findings reflected in relevant sections.</li> </ul> </td> </tr> <tr> <td data-bbox="475 1083 673 1184">Process for performing the task</td> <td data-bbox="708 1083 1409 1444"> <ul style="list-style-type: none"> <li>- Determine the major sections within a CAM and the value of each section in terms of the information it reflects.</li> <li>- Validate the collected data and documents.</li> <li>- Ensure that the verified collected data is incorporated in CAM in the proper sections.</li> <li>- Ascertain that risk factors and risk mitigants are clearly defined and reflected in the proper section.</li> <li>- Make sure that the findings are consistent with the proposed recommendation.</li> </ul> </td> </tr> <tr> <td data-bbox="475 1455 673 1522">Variation on the process</td> <td data-bbox="708 1455 1409 1598">Several CAM templates will be presented, ensuring that all reflect the same quality of data necessary for a well-informed credit decision (Roeder, Palmer, and Muntermann, 2022)</td> </tr> <tr> <td data-bbox="475 1608 673 1709">Handling common problems</td> <td data-bbox="708 1608 1409 1730">Some of the problems that may arise are misinterpretation of certain terms or misconceptions like longer memos are better, underestimating certain information or ratios, etc.</td> </tr> </table>	End Result	Properly fill out a credit assessment memo (CAM) that enables senior credit management to make sound and informed decisions.	Foundational concepts	<ul style="list-style-type: none"> <li>- To properly fill out a CAM, credit analysts should be able to explain the importance of a CAM in terms of lending and its role in sound and informed decision-making (Onyiriuba, 2016).</li> <li>- Credit analysts should be able to outline all sections incorporated in the CAM and the significance of each section in synthesizing recommendation that is consistent with the findings reflected in relevant sections.</li> </ul>	Process for performing the task	<ul style="list-style-type: none"> <li>- Determine the major sections within a CAM and the value of each section in terms of the information it reflects.</li> <li>- Validate the collected data and documents.</li> <li>- Ensure that the verified collected data is incorporated in CAM in the proper sections.</li> <li>- Ascertain that risk factors and risk mitigants are clearly defined and reflected in the proper section.</li> <li>- Make sure that the findings are consistent with the proposed recommendation.</li> </ul>	Variation on the process	Several CAM templates will be presented, ensuring that all reflect the same quality of data necessary for a well-informed credit decision (Roeder, Palmer, and Muntermann, 2022)	Handling common problems	Some of the problems that may arise are misinterpretation of certain terms or misconceptions like longer memos are better, underestimating certain information or ratios, etc.
End Result	Properly fill out a credit assessment memo (CAM) that enables senior credit management to make sound and informed decisions.										
Foundational concepts	<ul style="list-style-type: none"> <li>- To properly fill out a CAM, credit analysts should be able to explain the importance of a CAM in terms of lending and its role in sound and informed decision-making (Onyiriuba, 2016).</li> <li>- Credit analysts should be able to outline all sections incorporated in the CAM and the significance of each section in synthesizing recommendation that is consistent with the findings reflected in relevant sections.</li> </ul>										
Process for performing the task	<ul style="list-style-type: none"> <li>- Determine the major sections within a CAM and the value of each section in terms of the information it reflects.</li> <li>- Validate the collected data and documents.</li> <li>- Ensure that the verified collected data is incorporated in CAM in the proper sections.</li> <li>- Ascertain that risk factors and risk mitigants are clearly defined and reflected in the proper section.</li> <li>- Make sure that the findings are consistent with the proposed recommendation.</li> </ul>										
Variation on the process	Several CAM templates will be presented, ensuring that all reflect the same quality of data necessary for a well-informed credit decision (Roeder, Palmer, and Muntermann, 2022)										
Handling common problems	Some of the problems that may arise are misinterpretation of certain terms or misconceptions like longer memos are better, underestimating certain information or ratios, etc.										

**Part 3: Learners**

This section describes the targeted learners of the program in terms of their demographics, previous knowledge, and characteristics. Additionally, it will demonstrate constraints in the learning environment that might affect targeted learners.

**Demographics Information about learners**

<i><b>Demographics</b></i>	<p>Credit analysts generally are:</p> <ul style="list-style-type: none"> <li>- At the minimum, university graduates holding degrees in accounting, finance, or money and banking (Grimste, 2022).</li> <li>- While experienced credit analysts are normally over 30 years of age, entry-level analysts might assume the function of associate credit analysts.</li> <li>- Males normally exceed females in this specific department.</li> </ul>
<i><b>Previous Knowledge</b></i>	<ul style="list-style-type: none"> <li>- Training will include credit analysts with longer experience and who are familiar with most training program’s content. Their presence will bolster discussions.</li> <li>- Junior credit analysts who normally struggle with CAM preparation will benefit more from the concise data provided in the training program.</li> <li>- Some analysts have worked in other institutions and will reflect further on the content of the training program.</li> </ul>
<i><b>Influences</b></i>	<ul style="list-style-type: none"> <li>- Portfolio evaluation: credit analysts will have their portfolio evaluated periodically in terms of the quality of loans they assess (Onyiriuba, 2016). Portfolio evaluation tied to loan quality can motivate credit analysts to focus on CAM training.</li> <li>- Achieving their sales targets: analysts, on the other hand, have to achieve a pre-determined sales figure which exerts further pressure on them and might affect a prudent assessment. The pressure to meet sales targets can create a potential conflict of interest for credit analysts during their training, as they may prioritize sales over thorough risk assessment.</li> <li>- During the training, multiple external communications, such as receiving calls or messages from their clients, will affect their concentration on the training.</li> </ul>

**Constraints in the Learning Environment**

This section demonstrates factors affecting the learning process during the training program, in addition to other issues that affect the application of skills sought.

***Issues Affecting Learning and its Application in the Work Environment***

<b>Types of Constraints</b>	<b>Considerations relevant to this issue</b>
Issues affecting learning	<ul style="list-style-type: none"> <li>- Junior analysts may become overwhelmed or confused by the differing approaches and perspectives presented by various senior analysts. This confusion can arise from variations in the interpretation of guidelines, risk assessment techniques, or the emphasis on different factors when evaluating creditworthiness.</li> </ul>

	<ul style="list-style-type: none"> <li>- Senior analysts might take the training very lightly, as they assume they know better.</li> <li>- The time constraints faced by analysts, who are often managing ongoing client interactions and management updates, can pose challenges to their ability to dedicate sufficient time to their training.</li> <li>- In training programs, incorporating a diversity of examples is essential to capture the full attention of the learners and ensure that they can relate to and engage with the material being presented.</li> </ul>
Issues affecting the application of learning in the work environment	<p>Several issues might affect analysts when applying their sought-after skills, among which are:</p> <ul style="list-style-type: none"> <li>- Time constraint: This might affect their in-depth analysis, which will be reflected in a poor, misrepresentative CAM.</li> <li>- Sales constraint: as analysts are required to achieve a sales quota, they might window-dress their CAM to ensure getting approval and recording a sale.</li> <li>- Biases: credit analysts may be prone to biases such as confirmation bias, anchoring bias, and overconfidence bias, which can impact their judgment when assessing credit risk (Saliya, 2019).</li> <li>- Lack of feedback: from supervisors or senior analysts will result in persistently poor performance.</li> </ul>

**Part 4: Constraints**

This section covers the constraints related to the product, which is the design of the training program, in addition to constraints pertaining to the project in terms of available resources to carry out the training program.

**Product and project constraints affecting the training program**

Type of constraint	Specific constraints
Product	<ul style="list-style-type: none"> <li>- The length of the training session is 30 minutes which is very challenging for the instructional designer.</li> <li>- The bank requires the use of certain technical financial terms and templates.</li> <li>- the requirement of all credit analysts to attend the training session necessitates the availability of a conference room equipped with authoring tools.</li> </ul>
Project	<ul style="list-style-type: none"> <li>- The budget is limited to a ceiling of \$x</li> <li>- Training has a definite drop-dead deadline.</li> <li>- Involving both Subject Matter Experts (SMEs) and an instructor is a potential limitation for the project, as their availability and scheduling may impose constraints on the project's timeline.</li> </ul>



## Part 5: Requirements

This section outlines the business and learning objectives of the project and considers various evaluation techniques for assessing the extent to which the training program achieved its goal.

### Business Objective

The ultimate objective of this project is to enhance the decision-making process to mitigate financial losses attributed to non-performing loans (NPLs) at First Local Bank. This training program aims to improve the overall quality of the bank's credit portfolio by decreasing the probability of non-performing loans.

### Learning objective

**End result:** By the end of this training program learners should be able to properly fill out a complete and consistent credit assessment memo (CAM) that enables senior credit management to make sound and informed decisions.

### *Main and supporting objectives.*

1. Given a sample credit assessment memo and a list of possible purposes credit analysts are expected to identify the core purpose of a CAM selecting the correct answer with at least 90 % accuracy.
  - ❖ Define a CAM
  - ❖ Explain the advantages of using a CAM, including its influence on decision-making, its role in documentation, and its contribution to managing credit risks
2. By the end of this course, all credit analysts will be able to describe the structure of a CAM, its main sections with their respective sources of information, and the significance and purpose of each section for decision-making, using a CAM template as a guide, with 100% accuracy, and with no assistance.
3. With an accuracy rate of 90% or higher and using a complete set of financial statements and a CAM template, credit analysts will be able to conduct a comprehensive analysis of financials, risk, and collateral.
  - ❖ Highlight the significance of financial and risk analysis in credit decision-making
  - ❖ Accurately record the outcomes in the designated sections of the credit assessment memo
4. Given a filled-out CAM and a checklist, credit analysts should synthesize a conclusion and a recommendation that integrates the assessment findings and highlights their implications with consistency and with no errors.

**Entry tasks**

Learners must have already attained a high level of proficiency in the following (Grimste, 2022):

1. Read a CAM with a full understanding of the content
2. Collect financial data from various sources, such as financial statements,
3. Enter financial data into spreadsheets for later analysis.
4. Extract basic financial figures,
5. Draft primary reports and outlines of credit evaluations
6. Comply with the bank's policies, industry standards, and legal requirements
7. Conduct preliminary analyses on relevant industries.

**Evaluation**

This section includes three levels of evaluation. The first level checks the satisfaction level of learners post-training. It is essential in understanding how well the training program met the participants' expectations. The survey will include sample questions to assess overall satisfaction, training content, and identify the most valuable aspects of the training. The second level of evaluation focuses on the acquisition and comprehension of learning. The purpose is to evaluate the participants' grasp of the training material. This level will utilize questions that consist of multiple-choice, true or false questions, as well as scenario-based questions. To ensure the assessment questions accurately measure the desired outcomes, it's crucial to conduct pilot testing by presenting the questions to a small group. This helps identify any ambiguities or comprehension difficulties. Accordingly, the results of such testing are used to refine and achieve the clarity and alignment of the questions with learning objectives taking into consideration the diverse backgrounds and learning needs of credit analysts to ensure fairness in the assessment process. This third level of evaluation will assess the success of the training program through measuring the extent to which skills transfer into on-the-job behavior after the credit analysts have returned to work and a period of time has passed. This evaluation should take place no earlier than one month and not later than a year.

**Level 1 (satisfaction)**

1. The instructor's knowledge and communication skills were:
 

1	2	3	4	5
Limited		Satisfactory		Outstanding
2. I feel \_\_\_\_\_ in properly filling out a CAM after this training:
 

1	2	3	4	5
Less Confident		Equally Confident		More Confident
3. I found the practical questions and examples:
 

1	2	3	4	5
Not Valuable at All		Moderately Valuable		Extremely Valuable
4. The pace of the training was appropriate:
 

1	2	3	4	5
Slow		Moderate		Fast
5. Describe how you feel about this program in a word: \_\_\_\_\_
6. Please provide any additional comments or suggestions for improvement: \_\_\_\_\_

**Level 2 evaluation**

**Main Objective 1.** Given a sample and with 90% accuracy, identify the core objective of a CAM with

*Question 1.* What is the primary purpose of a CAM

- A. Detailing the steps that a CAM undergoes after submission.
- B. Listing the personnel involved in the decision-making process.
- C. Optimizing the credit decision-making process

*Feedback*

- A. Not correct because while documenting these steps may be part of the CAM's content, it is not the core objective.
- B. Not correct because the CAM may include information about decision-makers but this is not its primary goal
- C. Correct because the CAM is designed to enhance and improve the quality and effectiveness of credit-related decisions by providing comprehensive information and analysis.

*Question 2.* In the context of regulatory compliance, what does a CAM primarily serve as?

- A. A means of evidence in case of disputes.
- B. A means of evidence in case of regulatory inquiries.
- C. A record of decision-making hierarchies and roles.

*Feedback*

- A. Not correct: a CAM may serve as a means of evidence, its primary purpose in the context of regulatory compliance is to address regulatory inquiries, not disputes.
- B. Correct: It acts as a documentation of the credit assessment process and decisions made, ensuring that the bank can provide evidence of compliance with regulatory lending policies to regulatory authorities.
- C. Not correct: while it may include information about decision-making, its primary purpose is not to serve as a record of decision-making hierarchies and roles.

**Main Objective 2.** Provided with a CAM template, describe the structure of a CAM with 100% accuracy and with no assistance

*Question 3.* The CAM consists of three major sections: Borrower Information, Description of Requested Credit, and Recommendation, and these sections serve as the primary basis for the credit assessment process. Please indicate whether the statements are True or False and explain why.

*Feedback:*

The statement is false because the CAM includes additional crucial sections such as Financial and Risk Assessments, Management Evaluation, a Background section including repayment history, Proposed Collateral, and more, which collectively serve as the basis for crafting the recommendation which should be consistent with the findings reflected in those sections

*Question 4.* What is the primary purpose of the Borrower Information and Background section in a CAM?

- A. To analyze the borrower's financial and risk assessment.
- B. To assess the borrower's creditworthiness and repayment capability.
- C. To identify the borrower's name, address, and contact information.

*Feedback:*

- A. Not Correct: the analysis of financial and risk assessment is not within this section of the CAM. It is included in a different section that holds the title of Financial and Risk Assessment
- B. Correct: The purpose of the Borrower Information and Background section in a CAM is to assess the borrower's creditworthiness and repayment capability.
- C. Not Correct: this option focuses on identifying basic borrower information, which is not the primary purpose of this section although it should be included in this section

**Main Objective 3.** Fill out financial, risk, and collateral analysis findings in relevant sections provided with a full set of financial statements and with 90% accuracy; consultation of and guidance from senior analysts &/or Head of the Department may be sought.

*Question 5:* In a CAM, when assessing a borrower's creditworthiness, it's acceptable to present calculated financial data in sections that deviate from their intended placement, as long as it does not significantly affect the overall analysis and recommendations. Please indicate whether the statements are True or False and explain why.

*Feedback*

The statement is False because accurate presentation of financial data in the appropriate sections is crucial to ensure a comprehensive and reliable credit assessment. Incorrect placement of financial data can lead to inconsistencies and misinformed lending decisions.

*Question 6:* In the Financial and Risk Assessment section of a CAM, presenting financial ratios and metrics with inconsistencies doesn't significantly affect the overall risk analysis, as long as the narrative explanation is clear and well-supported. Please indicate whether the statements are True or False and explain why.

*Feedback*

The statement is False because inconsistencies in financial ratios and metrics can significantly impact the risk analysis. Accurate data is vital for evaluating creditworthiness, and inconsistencies can lead to misguided conclusions.

**Main Objective 4.** Provided with a properly filled-out CAM, synthesize the conclusion, and recommendation, with consistency and with no errors

*Question 7:* During your review, you notice a discrepancy in the "Recommendation" section of the CAM. The CAM indicates a "High Credit Risk" recommendation based on the financial analysis and risk assessment. However, you have found that the financial data and risk metrics

suggest a lower level of risk. Additionally, the borrower has a solid credit history and stable cash flow. What should you do in this scenario, and why is it essential to ensure that the "Recommendation" section aligns with the accurate assessment of the borrower's creditworthiness?

- A. Delay the completion of the CAM until the discrepancy can be resolved with additional data.
- B. Keep the initial "High Credit Risk" recommendation to err on the side of caution, regardless of the data.
- C. Revise the recommendation to reflect the lower credit risk and provide a clear rationale for the adjustment.

*Feedback*

- A. Not correct, the issue can likely be resolved by revising the recommendation to align with the accurate assessment of the borrower's creditworthiness.
- B. Not correct because it ignores the importance of making a recommendation that accurately reflects the borrower's creditworthiness based on the available financial data. Making recommendations that do not align with the data can lead to poor lending decisions
- C. Correct because this demonstrates the importance of ensuring that the recommendation aligns with an accurate assessment of the borrower's creditworthiness.

***Level 3 evaluation***

The primary sources for conducting this level of evaluation include:

- a. Observing samples of CAMs: by reviewing samples of credit assessment memos completed by trained analysts we will be able to assess the extent to which they demonstrate completeness and coherence.
- b. Getting feedback from Department Heads: their feedback provides insights into whether they observe improved performance and a more coherent approach to filling out credit assessment memos after training. This feedback is invaluable in assessing the real-world application of training outcomes.

## References

- Bai, C., Shi, B., Liu, F., & Sarkis, J. (2019). Banking credit worthiness: Evaluating the complex relationships. *Omega*, 83, 26–38. doi.org/10.1016/j.omega.2018.02.001
- Bouteille, S., & Coogan-Pushner, D. (2022). *The Handbook of Credit Risk Management: Originating, Assessing, and Managing Credit Exposures* (Second, Ser. Wiley finance series). John Wiley & Sons.
- Grimste, C. (2022, Aug.16). Credit Analyst Role. *Wall Street Oasis*.  
[www.wallstreetoasis.com/resources/skills/credit/credit-analyst-role](http://www.wallstreetoasis.com/resources/skills/credit/credit-analyst-role)
- “How to Evaluate the Creditworthiness of a Company”. *Allianz Trade Blog*. [www.allianz-trade.com/en\\_US/insights/determining-customer-creditworthiness.html](http://www.allianz-trade.com/en_US/insights/determining-customer-creditworthiness.html)
- Moody’s Analytics. (2016). *Writing Effective Credit Memos and Loan Narratives Webinar*. Retrieved from [www.moodyanalytics.com/webinars-on-demand/2016/writing-effective-credit-memos-and-loan-narratives](http://www.moodyanalytics.com/webinars-on-demand/2016/writing-effective-credit-memos-and-loan-narratives)
- Onyiriuba, L. (2016). Chapter 27 - Credit Analysis Memorandum Fitted for Banks in Emerging Markets., *Emerging Market Bank Lending and Credit Risk Control* (pp. 471-499). Academic Press. doi.org/10.1016/B978-0-12-803438-5.00027-1
- Roeder, J., Palmer, M., & Muntermann, J. (2022). Data-driven decision-making in credit risk management: the information value of analyst reports. *Decision Support Systems*, 158. doi.org/10.1016/j.dss.2022.113770
- Saliya, C. A. (2019). Dynamics of credit decision-making: a taxonomy and a typological matrix. *Review of Behavioral Finance*, 12(4), 357–374. [doi.org/10.1108/RBF-07-2019-0092](https://doi.org/10.1108/RBF-07-2019-0092)