

University of Notre Dame
Mendoza College of Business
Department of Finance

FIN 70330 – Commercial Banking
Module 3, Spring, 2008

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Office hours: I'm in my office most of the week, so stop by or call and set up a time to see me.

COURSE OBJECTIVES

This course is designed to give you an overview of commercial banking, particularly from the perspective of the commercial banker. After an overview of where commercial banks fit into the financial services industry and how they are regulated, we'll then take a look at their typical structures and gain some insight into understanding their financial statements and evaluating their performance. You'll also learn about how banks fund themselves, including regulatory issues regarding their capital. We'll then spend significant time on a bank's lending function, looking at various types of borrowers; loan structures; collateral arrangements; the lending decision process and documentation; and how a bank monitors its loan portfolio.

We'll look at large, multinational banks, as well as regional and local banks. We'll also have several bankers as guest speakers to cover certain topics from their day-to-day perspective. By the end of the module, you should have gained an insight into commercial banking and the integral role banks play in the financial functioning of our economy and with their individual customers.

Although not covered as a separate topic, we'll also look at the ethical issues that arise in commercial banking, including the regulatory environment at the state, local and national levels; appropriate lending practices to both corporations and consumers; usury laws; consumer credit disclosure; and business practices related to customer relationships.

RESOURCE MATERIALS

There is no text for this course. There is a course packet of supporting materials that we will be using throughout the course which is available for purchase in the Bookstore. In addition, there are some texts on reserve in the BIC which you are welcome to use as background reading for any of the topics we will be covering:

- Fraser, Gup and Kolari, "Commercial Banking: The Management of Risk"
- Hempel and Simonson, "Bank Management: Text and Cases"
- Koch and MacDonald, "Bank Management"
- Mehta and Fung, "International Bank Management"
- Rose, "Commercial Bank Management"
- Rose and Hudgins, "Bank Management and Financial Services"
- Sinkey, "Commercial Bank Financial Management"

FINANCIAL CALCULATOR

A calculator is required, to help with basic class, case and exam calculations.

CLASS PARTICIPATION

Class participation counts for 7.5% of your grade and points will be awarded in this area based on the quality of your participation in class and your level of participation as a team member.

CASES

We will be discussing 2 corporate lending cases during the semester, which are included in the course packet. These cases will be written up and handed in by teams of 4-5 students each and will represent 30% of your final grade. There are no “right” answers for each case. Rather, I’ll be assessing your thought process in reaching the decision you recommend to your bank and how you support your conclusion. Professionalism and consistency of thought will be key guides in how I grade your writeups. (**Note** – the Academic Code of Honor is assumed to cover all work in this course. This means that all teams are expected to work on cases separate from other teams and you should not use material from previous classes.)

EXAMS

One mid-term quiz and a final exam will be given and will cover all assigned material, as well as anything presented in class. The exams will consist of multiple choice, true-false and short problems/essay questions. You should bring your calculator to the exam and you may bring an 8-1/2”x11” “cheat sheet” to each exam. Cram anything onto both sides of this sheet you think might be helpful to you.

GRADES

	<u>Points</u>
Exams – 62.5%	
- mid-term quiz	50
- final exam	75
Case write-ups – 30%	
(2 at 30 points each)	60
Class participation – 7.5%	<u>15</u>
Total Possible	<u>200</u>

The following conversion from numerical to letter grades will be used, based on total points earned during the semester:

<u>Percentage</u>	<u>Points</u>	<u>Letter Grade</u>
93 – 100	186 – 200	A
90 - 92	180 – 185	A-
87 – 89	174 – 179	B+
83 – 86	166 – 173	B
80 – 82	160 – 165	B-
77 – 79	154 – 159	C+
73 – 76	146 – 153	C
70 – 72	140 – 145	C-
67 – 69	134 – 139	D+
63 – 66	126 – 133	D
60 – 62	120 – 125	D-
0 – 59	0 – 119	F

Order of topics to be covered:

I. The Banking Industry

- A. Intro/Overview Gov't. Policy and Regulation
- B. Organization and Structure
- C. Bank Financial Statements
- D. Bank Funding Sources
- E. Bank Capital

II. Bank Lending

- A. The lending function
- B. Corporate Statement Analysis
- C. Corporate Loans
- D. Real Estate Loans
- E. Loan Documentation/Monitoring

III. International Banking

IV. **If we have time (materials will be handed out in class):**

- Consumer loans
- Marketing Bank Products and Services
- Overview of Cash Management
- Relationship Management