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**Prescription: 675 LENDING AND SECURITIES**


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**Elective prescription**

<b>Level</b>	6
<b>Credit</b>	20
<b>Version</b>	2
<b>Aim</b>	Students will apply the principles and practices of good lending and loan management to personal and business customers.
<b>Prerequisites</b>	nil
<b>Recommended Prior Knowledge</b>	500 Accounting Principles

**Assessment weightings**

Learning outcomes	Assessment weighting %
1. Students will explain the importance and impact of internal and external influences on a financial institution's lending policy.	5
2. Students will evaluate the suitability of lending products for given purposes.	10
3. Students will evaluate a range of securities and apply the appropriate form of security to the asset it secures.	15
4. Students will assess loan applications for personal customers and make lending decisions supported by appropriate security and correct legal documentation, with justification.	20
5. Students will assess loan applications for business customers and make lending decisions supported by appropriate security and correct legal documentation.	40
6. Students will explain the conventions and current practices of loan management and discuss the factors that can affect a lender's ability to recover a defaulted loan.	10
<b>Total</b>	<b>100</b>

All learning outcomes must be evidenced; a 10% aggregate variance is allowed.

**Assessment note**

Assessment materials should reflect relevant and current legislation, standards, regulations and acknowledged good industry/business practices.

**Learning outcome one**

Students will explain the importance and impact of internal and external influences on a financial institution's lending policy.

Key elements:

- a) Internal influences.
- b) External influences.

**Learning outcome two**

Students will evaluate the suitability of lending products for given purposes.

Key element:

- a) At least six different lending products:
  - three tailored to personal customers
  - three tailored to business customers.

**Learning outcome three**

Students will evaluate a range of securities and apply the appropriate form of security to the asset it secures.

Key elements:

- a) Assets:
  - land and buildings (including domestic and commercial premises)
  - personal property.
- b) Types of security:
  - valuation
  - registration
  - protection.

**Learning outcome four**

Students will assess loan applications for personal customers and make lending decisions supported by appropriate security and correct legal documentation, with justification.

Key elements:

- a) Principles and practices of lending.
- b) Secured versus unsecured lending:
  - appropriate form of security.
- c) Legal documentation:
  - loan documentation
  - security documentation.

**Learning outcome five**

Students will assess loan applications for business customers and make lending decisions supported by appropriate security and correct legal documentation, with justification.

Key elements:

- a) Principles and practices of lending.
- b) Financial statement analysis:
  - balance sheet
  - income statement
  - budget and cash flow forecast
  - ratios.
- c) Legislative provisions relating to different business entities, may include but not limited to:
  - companies
  - partnerships
  - trusts
  - not for profit organisations.
- d) Legal documentation
  - loan documentation
  - security documentation.

**Learning outcome six**

Students will explain the conventions and current practices of loan management and discuss the factors that can affect a lender's ability to recover a defaulted loan.

Key elements:

- a) Monitoring techniques and methods.
- b) Debt collection and recovery:
  - legal process.
- c) Factors affecting lender's ability to recover a defaulted loan, including but not limited to:
  - common causes of business failure and warning signs
  - legal factors that may impact on the lender's ability to realise security.

**Status information and last date for assessment for superseded versions**

Process	Version	Date	Last Date for Assessment
Introduced	1	2006	31 December 2015
Review	2	2013	31 December 2020