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**PRESCRIPTION: 675 LENDING AND SECURITIES**

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This prescription replaces *275 Lending and Securities*.

**ELECTIVE PRESCRIPTION**

<b>LEVEL</b>	6
<b>CREDIT</b>	20
<b>VERSION</b>	1
<b>INTRODUCED</b>	2008
<b>AIM</b>	Students will apply the principles of good lending and loan management to personal and business customers.
<b>PREREQUISITES</b>	Recommended 400 <i>Accounting Principles</i> and 570 <i>Introduction to Banking and Financial Services</i> , or equivalent knowledge and skills.

**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 apply the principles of lending to assess loan applications for personal customers and make, and justify, lending decisions supported by correct documentation and appropriate security.	20
5. Students will apply the principles of lending to assess loan applications for business customers and make, and justify, lending decisions supported by correct documentation and appropriate security.	40
6. Students will explain the conventions 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 NOTES**

1. Assessment materials should reflect relevant and current legislation, standards, regulations and acknowledged good industry/business practices.
2. Learner evidence should be consistent with current legislation, industry codes of practice and conventions for the granting and management of loans.
3. For learning outcome two, there should be a range in the complexity of the lending products and given purposes. At least two of the business lending products should be specific products tailored to business situations and not overdrafts, term loans or credit cards.
4. Assessment for learning outcomes four and five may be either 'real world' or simulated (i.e. by case study).
5. Students are expected to communicate in a manner that is consistent with industry expectations (particularly in relation to learning outcomes 4 and 5).

## **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 elements*

- a) At least three personal lending products.
- b) At least three business lending products.

## **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 apply the principles of lending to assess loan applications for personal customers and make, and justify, lending decisions supported by appropriate security and correct legal documentation.

### *Key elements*

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

## **LEARNING OUTCOME FIVE**

Students will apply the principles of lending to assess loan applications for business customers and make, and justify, lending decisions supported by correct documentation and appropriate security.

### *Key elements*

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

## **LEARNING OUTCOME SIX**

Students will explain the conventions 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.