

# The Decision Strategy

## Opportunity Assessment

### Prospecting

Does the prospect match the lending institution's profiles?  
If the prospect is a current customer, can the relationship be expanded?

### Identify opportunities

Review the prospect's strategic objectives and financial structure.  
What immediate and long-term needs exist for credit or noncredit services?

## Preliminary Analysis

### Preliminary assessment

What is the specific opportunity? Is the opportunity legal and within your institution's policy?  
Are the terms logically related? Do the risks appear to be acceptable?

### Identify borrowing cause

What caused the need to borrow? How long will the borrowed funds be needed?

## Repayment Source Analysis

### Industry and business risk analysis

What trends and risks affect all companies in the borrower's industry?  
What risks must the borrower manage successfully in order to repay the loan?

### Financial statement analysis

What are the financial implications of any accounting risks present in the financial statements?  
What do the financial statements show about the borrower's management of the business?  
What trends will influence the ability to repay?

### Cash flow analysis and projections

Will the business have sufficient cash to repay the loan in the proposed manner?  
Which risks will have the greatest impact on its ability to repay?

## Loan Packaging

### Summary and recommendation

What are the major strengths and weaknesses of the loan situation?  
Should a loan be granted?

### Loan structuring and negotiation

What are the appropriate facility, pricing, disbursement method, documentation and covenants?

## Loan Management

### Loan monitoring

Is the borrower performing as expected? What caused variations?  
What are the risks to repayment? How can you protect the institution's position?