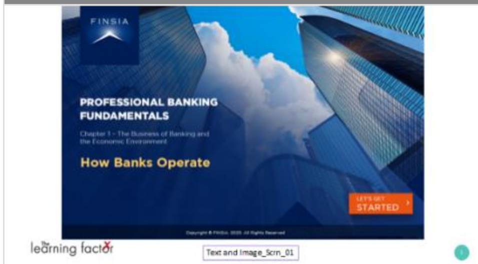
Page Title	Unit Launch	Type	Text and Image Scrn 01	Number	1

Screen Layout



Royalty-free stock photo ID: 47228833

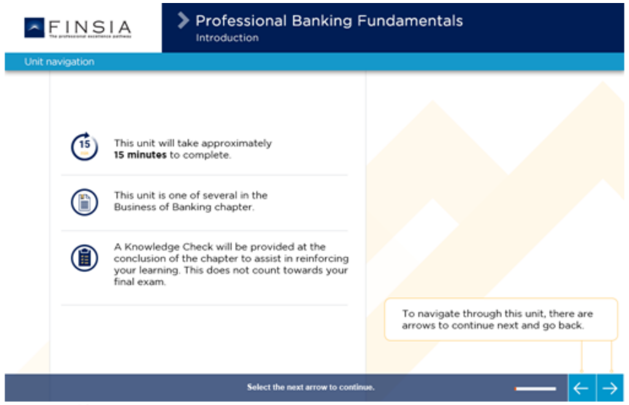
Close-up of glass globe on credit cards

Another possible graphic from shutter stock.
Royalty-free stock photo ID: 51939731

Event	Audio	On-Screen Text (OST)	Internal Development Notes	Screen/Media Treatment
1.		Professional Banking Fundamentals Chapter 6 – Credit and Consumer Lending Principles of Lending – Part 2 Let's Get Started	Use images guidelines as per FINSIA branding. Opening image for this page to be consistent for all Units throughout the chapter. Image has been requested to be sourced by TLF as per supply of Unit 1. Have added a couple of image ideas from shutter stock	Please refer to layout for suggested treatment of headings. "Let's get Started" button should be clickable. FINISA logo to be included

Page Title	Overview	Type	Text and Icons Scrn 01	Number	2

Screen Layout



The learning factor

Text and Icons_Scrn_01

Event	Audio	On-Screen Text (OST)	Internal Development Notes	Screen/Media Treatment
2.		This unit will take approximately 20 minutes to complete. To navigate through this unit, there are arrows to continue next and go back. This unit is one of several in the Credit and Consumer Lending chapter. A Knowledge Check will be provided at the conclusion of the chapter to assist in reinforcing your learning. This does not count towards your final exam.	We need to give the learners a brief intro into the navigation of the unit (i.e. length of unit, content, and knowledge checks) .	All buttons clickable and states to change when button hovered over (for accessibility purposes – i.e. when learner using keyboard to navigate) • Next • Back • Exit • Home • Resources

Page Title	Learning Introduction and Objectives	Type	Text and Icons Scrn 04		

Event	Video/Audio	On-Screen Text (OST)		
		Welcome to the Principles of Lending – Part 2 unit. In the previous unit (Principles of Lending – Part 1), we looked at how banks evaluate the person who is applying for the loan. In this unit we will examine how banks: • determine the loan purpose, amount and term. • evaluate the ability of a borrower to service the loan. By the end of this unit you will be able to explain how these key principles of lending can be used to make professional and ethical lending decisions. Click next to begin the course.		

Page Title	Loan purpose, amount and term	Type	Text and Image Scrn 04		

Event	Audio	On-Screen Text (OST)		
4				

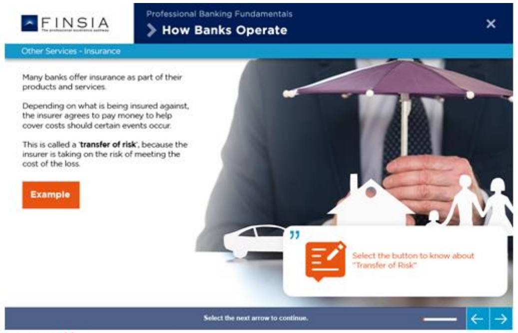
		In this section, we are looking to establish how much the customer would like to borrow, and for what purpose. Accurately determining the required amount ensures the customer is able to meet their needs, and also has the capacity to meet the proposed repayments.		

Page Title	Loan purpose	Type	Text and Icons Scrn 05	Number	5

Screen Layout

Event	Audio	On-Screen Text (OST)		
5	None	Customers seek loans for a number of different purposes. Consider whether each of the following is an acceptable or unacceptable purpose for a consumer loan. Construction of a new home **Acceptable** Undertake unlawful activities **Not Acceptable** Refinance or consolidate an existing loan or loans **Acceptable** Purchase of Crown land (other than Australian Capital Territory) **Not Acceptable** Purchase of time-share properties **Not Acceptable** Renovation or construction (new home, investment property) **Acceptable** Purchase of large rural properties (generally greater than 40 hectares) **Not acceptable**		

Page Title	Loan amount	Type	Tab Click and Learn Scrn 03	Number	6

Screen Layout				
 Tab Click and Learn_Scrn_03				
Event	**Audio**	**On-Screen Text (OST)**		
6		The specific steps that you take to ensure the customer is seeking the correct loan amount will vary with each lending proposal. There are advantages for both you and the customer in taking this approach: • You will be able to quickly confirm the customer is looking for the right amount. • By requesting your customer obtains more than one quote, you are able to make a comparison. For example, if a personal customer wants to take out a loan to help pay for home improvements, you would ask to see quotes for the proposed work.		

Page Title	Loan to value ratio	Type	Tab Click and Learn Scrn 03	

Event	Audio	On-Screen Text (OST)		
7		Another aspect to consider with the loan amount is loan to value ratio (LVR). The loan to value ratio reflects the size of the amount borrowed compared to the value of the asset being purchased. The LVR is calculated by the following formula: LVR = Loan amount (L)/Asset value x 100 Select the button for an example of an LVR calculation. A customer is looking for a loan of $600,000 to purchase a property valued .at $750,000. We calculate the LVR as: LVR = 600,000/750,000 x 100 = 80x100 = 80% The LVR is 80%		

Page Title	Loan to value ratio	Type	Text and Icons Scrn 05	

Event	Audio	On-Screen Text (OST)		

7		The LVR is one of the primary measures of risk for a lender. Indicate whether each of the following statements is true or false: When calculating the LVR, the figure used for the asset should be the higher of the cost or the bank valuation of the asset. **False** Loans with a higher LVR are typically viewed as having a higher risk **True** Loans with a higher LVR may be charged a higher rate of interest **True** A borrower may be requested to provide more capital to reduce an LVR. **True** Lower LVR loans may require mortgage insurance. **False**		

Page Title	Loan term	Type	Icons Click and Learn Scrn 02	

Event	Audio	On-Screen Text (OST)		
8		When looking at the amount and purpose of the loan, you should also consider the term of the borrowing as this can affect the repayment amount. Generally, the longer the period of the loan, the lower the monthly principal repayments will be. Determining a suitable term is a key part of the loan assessment process. Credit can be arranged over a variety of terms. • Short term (up to 12 months) • Medium term (up to 5 years) • Long term (up to 30 years) Did you know? As a general guide, the loan term is decided by taking into account the borrower's age, capacity to repay, and purpose of the loan, plus the total amount of interest to be paid over the life of the loan. Generally, the longer the term of the borrowing, the higher the total interest the customer will pay.		

Page Title	Loan repayments	Type	Image Click and Learn Scrn 01	

Event	Audio	On-Screen Text (OST)		
9		Lenders typically offer loans on either a Principal and Interest (P&I) or Interest Only (IO) basis, however lending policy for interest only loans have tightened recently. There are variations such as payments split across fixed and variable rate portions (split repayment terms), IO in advance or deferred interest payments Typically, residential loans are taken over a maximum 30-year period. Interest only loans are generally offered for a maximum of 5 years only before needing to be renegotiated or converted to P&I.		

Page Title	Repayment ability	Type	Text and Image Scrn 04	

Event	Audio	On-Screen Text (OST)		

10		There are many who feel the ability to repay a loan is the most important aspect of a loan assessment and there is no point in lending money to a customer if you are not going to get it back. At times, you may come across a customer who feels that, provided there is enough security in place, repayment is guaranteed, so there is no need to be concerned with repayment. However, we should base our assessment decision on all aspects of the application not just the quality of the security.		

Page Title	Repayment ability	Type	Image Click and Learn Scrn 03	

Event	Audio	On-Screen Text (OST)		
11	None	**Establishing repayment terms** The repayment terms of the loan relating to principal repayment and interest instalments need to be clearly established prior to signing the loan agreement. These terms will vary, depending on the nature of the loan. For example, bridging loans are typically for large amounts that are repaid very quickly. **Customer agreement** It is important that the customer agrees they can meet the proposed repayment schedule. It is often necessary to emphasise to the customer the commitment they are undertaking. When a customer approaches a lender, their focus of attention is usually on whether or not you are going to lend them the money. It is not until they have the loan and are faced with meeting the repayment schedule that their minds turn to this in a more realistic way. **Flexibility of repayments** This is important for many customers, such as business customers and those who are self-employed, due to the		

		seasonal or variable nature of their income.		

Page Title	Income and expenditure	Type	Image Click and Learn Scrn 02

Event	Audio	On-Screen Text (OST)
12		As lenders we look to future income or earnings to provide the source of repayment, not the forced sale of security. Therefore, we need to review a customer's income and expenditure to decide whether they will be able to meet the proposed loan repayments. (Select each icon to learn more.) **Income** Generally, banks and lenders will have policies and procedures on how to validate income. The information recorded for income is normally straightforward, with the following acceptable income types: • Salary and wages (including assessment of overtime, shift allowances and bonuses) • Dividend/interest income • Employment allowances • Rental income from residential or commercial property holdings • Supplementary employment income (e.g. from a second job) • Family Tax benefit (Part A and/or Part B) or other government payments **Expenditure** It is important to identify regular monthly financial outgoings, such as: • Mortgage payments or rent

		• Council Rates and Water • Child Care • General and/or Personal Insurance • Telephone/mobile phone/internet • Electricity/gas • Holidays • Personal loan/credit card/store card repayments • Motor vehicle running costs • Food and clothing • Hobbies/interests/entertainment • Investment loan repayments • Monthly subscriptions.

Page Title	Verifying income	Type	Text and Image Scrn 04		

Event	Audio	On-Screen Text (OST)		
13		If you are dealing with an existing customer, you will be able to verify much of this information by looking at their account history. To obtain a clear picture of the customer's salary, it is usual practice to ask for pay slips for the past 4-8 weeks (depending upon pay frequency) and PAYG tax statements. The advantage to be gained from looking at these documents is that not only will you be able to verify the salary information is correct, but you will also see what the breakdown of their salary. For example, how much of their salary consists of bonus or overtime payments? This will also allow you to check whether the customer has a regular level of income, or whether there are fluctuations in their income levels. If the person does not have an account with you, it is still possible to verify the applicant's wage/salary by reviewing pay slips or bank statements (typically, six months of account history) or past PAYG tax statements they align with the employment history detailed in the loan application.		

Page Title	Verifying expenditure	Type	Text and Icons Scrn 06		

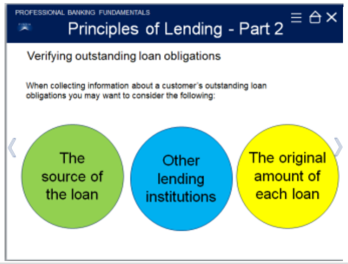
Event	Audio	On-Screen Text (OST)		
14		Similar to verifying income if the loan applicant is an existing customer, you may be able to verify much of the information supplied by looking at their bank statements and/or account history.		

15		Be Assured You want to be assured that you are making an assessment based on accurate numbers. Other Borrowings Look at the other outstanding borrowings the customer has, either with your organisation or with others, to ensure they won't become financially overcommitted and confirm they have a sound repayment history Validate Information The information you gather should be cross-referenced to the information that you already hold regarding the customer's expenditure. For example, you should check that the monthly loan/credit card repayments detailed under monthly expenditure relate to the loans and credit cards that are listed as liabilities. Ask Questions. Remember - this information helps you to identify the financial needs that the customer is likely to have. It is only by talking to the customer and asking a range of questions that you will be able to determine if your assumptions are correct. Select the highlighted button to reveal a key learning.		

		It is important that you verify the income and expenditure amounts provided by the customer – if a figure seems unusual, you should ask the customer about this. This verification is vital when looking at the customer's ability to repay the borrowing.		

Page Title	Verifying outstanding loans	Type	Image Click and Learn_Scrn_06	Number	15

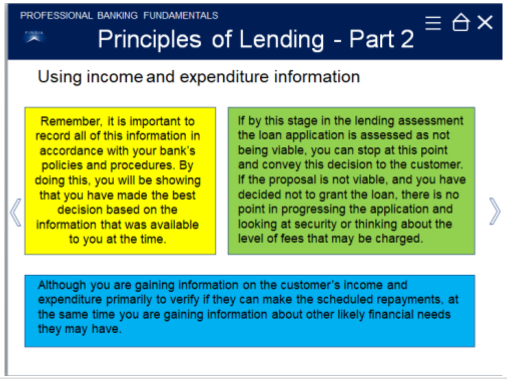
Screen Layout



Event	Audio	On-Screen Text (OST)		
15		When collecting information about a customer's outstanding loan obligations you may want to consider the following. **The source of the loan** Is the customer borrowing from another organisation, a finance company, a credit union, or using credit cards and store cards? **Other lending institutions** The customer may have already approached another lender and their application may have been rejected. In this situation you would want to know the reason(s) behind this. **The original amount of each loan** How much is currently outstanding, the monthly repayment for each loan and when each loan will be repaid.		

Page Title	Making an informed decision	Type	Tab Click and Learn_Scrn_02-pop-up1	Number	16

Screen Layout



Event	Audio	On-Screen Text (OST)	Internal Development Notes	Screen/Media Treatment
16		Having identified and interpreted all of the information in the repayment category, you will now be in a position to make an informed decision about whether or not the customer can afford the loan they are requesting. 1. Remember that it is important to record all of this information in accordance with your bank's policies and procedures. By doing this, you will be showing that you have made the best decision based on the information that was available to you at the time.		

		2. If, by this stage in the assessment of the loan application, you determine it is not viable, you can stop at this point and convey this decision to the customer. If the proposal is not viable, and you have decided not to grant the loan, there is no point in progressing the application and looking at security or thinking about the level of fees that may be charged. 3. Although you are gaining information on the customer's income and expenditure primarily to verify if they can make the scheduled repayments, at the same time you are gaining information about other financial needs they may have. **[Insert icon linked to the example]** Example. If a current loan for a previous motor vehicle purchase is about to expire, the customer may be thinking about changing their car at the end of the loan. In which case your organisation could help them finance this purchase, as well as provide other ancillary products such as motor vehicle insurance. This helps to ensure your customers financial needs are fully met.		

Page Title	Completion and Next Steps	Type	Icons Click and Learn Scrn 01		

Event	Audio	On-Screen Text (OST)		
3.		Well done. You have now completed the Principles of Lending – Part 2 unit. What would you like to do now? Click here to see next unit. Click here to review this unit.		