**Finance interview questions for business analyst**

**Finance business analyst Q & A**

**How much is the domain experience important for a business analyst in the finance industry?**

As a business analyst lays the foundation of the system with the requirement gathering and analysis, its vital that he has the respective background in the finance industry in order to relate to the functional terms which will be used by the end users during the requirements process. As there are several areas such as wealth management, investment banking, retail banking, treasury management and all with their separate process flow, its essential for the business analyst to have practical experience in the particular area so as to give positive and relevant inputs to the requirement gathering and analysis phase. If the business analyst has worked in the finance department of any organization and is aware of the the accounting standards or is from and accounting background then its even more beneficial.

**Enumerate the basic technical skills expected from the finance business analyst!**

         Software methodologies such as RUP(Rational Unified process), Waterfall, Agile etc

         UML (Unified Modeling Language) tools such as Enterprise Architect, Rational Rose, MS Visio

         MS office tools preferably the latest version

         Database management – ORACLE, SQL Server

         ERP/CRM experience

**What are the main tasks of a finance business analyst?**

         Providing business solutions to the functional and non functional business requirements

         Analyze opportunities to gather resources and develop supporting business cases

         Assist in the implementation of financial and operations projects

         Developing strong interpersonal relationships with key stakeholders.

**Imp finance interview questions for business analyst**

**How does the line of credit calculated?**

It is calculated according to the formula: {loan \* x%(interest)}/12. So, it is your interest only payment for the loan amount for a line of credit. But for a fixed rate loan, it is calculated as the ratio of the amount of loan to the period of loan in terms of months. You also have a benefit while using line of credit is that for the drawing of money you have 120 months and you can pay it back with further liberty of using your fund.

**What is an underwriting?**

It is the assessment of your worthiness for the loan and is assessed by the lender itself.

**What is a second mortgage?**

It is the mortgage on a home taken after a first mortgage has already been taken on this home. All of the conditions of a second mortgage automatically become the subordinate of the first one.

**What is equity?**

It is the difference of the market value of the home from the total debt balance on the home including mortgages.

**When a home is said to have some equity?**

Sometimes it happens that the debt in terms of mortgage on a home becomes less than the market value of the home due to increases in the market value and then the difference in the market value and the debt is termed as the equity for that home.

**Why should one opt for a home equity?**

It is because you can save on your taxes, while using your home equity. Besides, it is a widely known phenomenon that a home equity loan attracts lower rate of interest.

**What is annual percentage rate?**

It is represented as a single percentage number and is the charge for borrowing. It represents the true cost of fund for the complete term of loan.

**What is appraisal?**

It is also known as appraised value and is nothing but the proper determination of the market value of the home by concerned professionals, at which a mortgage loan has been applied for. The property (in this case home), which is being used as a mortgage for the loan, is termed as collateral and the estimation charge for the determination of the market value of the home is called as appraisal fee.

**What is appreciation?**

It is the increase in the value of the home being used as collateral. This appreciation could be result of a single facto or a combination of factors like, elevation in the market value, a high appraisal or some kind of income.

**What is buy down?**

It is a payment in cash by any of the party to provide a reduction in the monthly payment of the loan from the borrower’s side

**What is closing?**

It is the event marking the completion of all kinds of procedures involved in lending the loan to a borrower. But, when it is about the home equity loan, there comes a new term called right of rescission, which is a 3 day period during which the borrower can choose not to accept the loan.  So, the actual closing for a home equity loan comes after the so-called closing date.

**Who is a co-signer?**

This is a person that assures the lender that if the borrower fails to repay the loan, it will be his/her responsibility to repay the loan, though the co-signer is not the beneficiary of the loan.

**Who is a creditor?**

The lender itself is the creditor.

**What is debt consolidation?**

It is the process of repaying several other debts from the funds of a particular loan. It is a common practice to repay other debts by the use of home equity loan.

**What is default and who is a defaulter?**

The inability of a borrower to repay the loan amount within stipulated time frame and this can result into the possession of the mortgage property of the borrower by the lender. In this case the borrower is called a defaulter.

**What is delinquency?**

It is the failure on part of the borrower to follow any of the conditions of the loan.

**What is disclosure?**

It is the submission of complete information of the terms of credit to the Federal or state laws who in turn will provide that information to concerned consumers.

**What is depreciation?**

It is the opposite of appreciation, i.e., the reduction in the market value of the property.

**What is fair market value?**

The price at which both of the party, buyer & seller, are agreed to transact without any dispute is called a fair market value.

**What is finance charge?**

It is the sum of all kinds of charges and expenses the borrower has to bear to get his loan financed and it includes commitment fees, loan interest & prepaid interest.

**What is a first mortgage?**

The mortgage on a property that has no prior debt of any kind on it is called the first mortgage also known as the primary lien.

**What is inflation rate?**

It is the percent increase in the prices of commodities calculated for a given period of time.

**What is initial draw amount?**

It is the initially withdrawn money from a line of credit at the time of closing.

**What does it mean by liquidating?**

It is the process of converting any movable or immovable property into cash.

**What does it mean by lock-in?**

The period of holding the mortgage rate and the points (to be paid by the borrower at the same rate agreed at the time of receiving the application by the lender) by the lender with its consent is called lock-in period, which normally span up to 30 to 60 days.

**What is margin?**

It is the points in percentage or a definite number that is added to the rate of index by the lender and it is used to find out the annual percentage rate.

**What does it mean by minimum payment?**

The minimum amount is nothing but the monthly payment or the installments against a loan. In some cases it only contains the interest of the loan and in others it contains the interest as well as the principal amount in part.

**What is this term, mortgage insurance denote to?**

It is the insurance plan (private or federal) over a loan, provided to the borrower as a security measure, in case the borrower will not be able to repay the loan.

**Who are mortgagee and mortgagor?**

Mortgagee is the lender who provides the loan and the borrower is the mortgagor who receives the loan.

**What is origination date?**

It is the date of closing of the loan.

**What is outstanding balance?**

It is the balance yet to be repaid against a debt or loan.

**What are points?**

It is the amount in percent of the total amount of credit line and a single point represent one percent. Borrowers are bound to pay these points at closing itself that is paid separately from the monthly interest.

**What is pre payment?**

It is the fee paid by the borrower in case he/she decides to repay the loan completely before its maturity.

**What is prime rate?**

It is the value through which it can be determined that how much the repayment of loan would cost to the borrower.

**What is the principal amount?**

The total amount of money lender has agree to lend to the borrower is know as principal and is also called face value of the loan.

**What is the right of rescission?**

The period after the closing date of the loan during which a borrower can decide not to accept the loan and the duration normally extends up to three days. The borrower has the right under the federal laws to deny the acceptance of loan without paying any penalty. A home equity loan or a line of credit is released after the right of rescission period gets over.

**What is a revolving line of credit?**

The home equity line of credit is a kind of the revolving line of credit. It is the credit that provides the facility to a borrower to reuse the same amount of money once it is paid back and this credit remains working for a stipulated time period. The amount of money to be repaid varies according to the outstanding balance.

**What is a secured loan?**

It is a loan that has been financed by taking a property mortgage, in such a way that the lender gets the right of the property and also gets the security interest.

**What does it mean by the single-family residence (SFR)?**

It is a house the has all of its walls, roof, grounds or any other part of it completely separated from any other house or building nearby.