COVER SHEET FOR HOME STUDY PROBLEM
SOUTH CAROLINA BANKERS SCHOOL

SECONDYEARCLASS--2026 SchoolSession

HOMESTUDYPROBLEM II

Based on Lectures in PRINCIPLES OF LENDING FOR NON-LENDERS

Instructor Mrs. Mary Jo Rogers

Submitted by: Name ____

Bank ____

Bank's Mailing Address ____

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ZIP CODE

List the other members of your class with whom you worked in preparing this solution:

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I certify that this home study problem is my original work and that all writings by any other person, business, or organization, including my own bank, have been carefully documented. I have not shared my completed work with any other SCBS student nor have I read the completed work of any other students.

Signature: ____

Due Date November 4, 2026

Date Submitted ______________________________

Date SCBS Received ______________________________

Date Returned to Student ______________________________

ATTENTION STUDENT: EMAIL TO homestudy@scbankers.org OR MAIL HOME STUDY PROBLEM TO:

South Carolina Bankers School
Post Office Box 1483
Columbia, S.C. 29202

OR EXPRESS/REGISTERED MAIL TO: 2009 Park Street, Columbia, SC 29201

Home Study

Principles of Lending for Non-Lenders

Scenario

You work for a community bank and have been asked to assist the lending department with gathering information on a prospective commercial borrower.

The borrower is a local sitework contractor called We Be Diggin, LLC. The company has operated for 8 years and is requesting a $350,000 term loan to purchase additional equipment to support growth contracts recently awarded by two local municipalities.

Borrower Information

- Business has shown steady growth over the last 3 years
- Owner credit score is 715
- Existing business debt payments total $7,500 per month
- Estimated monthly cash flow available for debt service is $12,500
- Requested loan payment would be approximately $4,200 per month
- Collateral offered: New equipment being purchased, existing trucks, and owner's secondary parcel of land
- The company maintains operating accounts at another bank
- Financial statements were provided but accounts receivable have increased significantly over the last 12 months
- The owner has asked for a quick approval because equipment pricing may increase next month

Questions (answers should be in a narrative format)

1. What is the primary repayment source for this loan?

2. Which type of loan is being requested and does the request match the loan type?

3. Which of the following are part of the 5 C's of Credit and how does this borrower satisfy or not satisfy the requirements needed to approve the loan? **(don't give me one-word answers – explain why you are making the choices you do)**

- Character
- Capacity
- Compliance
- Capital
- Collateral
- Conditions

4. What concerns might a lender have regarding the borrower’s accounts receivable growth?

5. Based on the information provided, identify two strengths of this credit request.

6. Identify two potential risks associated with this request.

7. Why is collateral important in commercial lending?

8. What additional information should the bank request before making a final credit decision?

9. True or False: A commitment letter legally binds the bank if issued.

10. What actions should occur after the loan closes as part of portfolio management