GUIDELINES FOR THE RMA BANKING CHALLENGE

MENTOR – TEAM INTERACTION PROTOCOL

This document lays out the role of the mentors as well as expectations for teams seeking assistance from the mentors. Meetings with the mentor should include all team members as schedules allow. Those discussion times may be in person (recommended) or via conference call. Additionally, questions may be asked of the mentor via email as long as all team members are copied.

Team Members – Your mentor is a resource to introduce you to the work of commercial banking and loan analysis. They are not to prepare your case for you or to indicate a specific path for you to follow. Rather, they are available to you to discuss overall issues for consideration. Be cognizant that your mentor is volunteering their time to help you succeed. However, they are a busy professional with work and family commitments and cannot be available to you at all times. Be judicious in what you ask for so as not to monopolize their time.

OVERALL, THE COMPETITION COMMITTEE WILL NOT PROVIDE A SPECIFIC SOLUTION TO THE CASE. IT IS THE DESIRE OF THE COMPETITION COMMITTEE THAT TEAM MEMBERS DISCOVER THE BEST WAY TO SOLVE THE CREDIT ISSUES IN THE CASE ON THEIR OWN THROUGH DISCUSSIONS WITH INDUSTRY PROFESSIONALS, THEIR PROFESSORS, RESOURCES AVAILABLE VIA RMA UNIVERSITY, AND THROUGH THEIR OWN RESEARCH.

Mentors are to be a resource for the teams during their project. Mentors will educate their teams based on their experience in banking and indicate areas for the teams to consider during the evaluation of the case material.

Initial meeting (by August/September) – This meeting should include all team members and the mentor and should be face-to-face. This meeting may be conducted on a team-by-team basis, or with all teams at the same time.

The mentor should share his/her experience in the banking industry, and the team members may ask some basic questions of the mentor. It is expected that all team members have read the case and related documents before the meeting. The team should review the case materials with the mentor to ensure they understand each piece. Some initial dialogue regarding the basics of the case should occur. At this time, the team members (by team) will develop a plan for breaking up the analysis assignment amongst each other.

It's suggested that the mentors provide descriptions and examples that do not necessarily apply to the case at hand. Instead, general concepts about each one of the items below can be shared.

1) **Cash Flow** – Forecast of future cash flows to illustrate loan repayment sources.

2) **Income Statement** – Forecast of future GAAP income statement and analysis of financial ratios.

3) **Balance Sheet** – Analysis of financial ratios

4) **Loan Structure –** how should the loan(s) be set up with respect to maturity, terms, rates, amortization, repayment, etc.? This will be the most important area for the team members, as they will have little experience in this area. The mentors should be willing to provide comments about how certain types of loans are structured and why.

5) **Collateral –** Some basic concepts regarding advance rates and net realizable values when collateral is liquidated should be shared.

6) **Purpose of loan –** Mentors will help team members to understand the importance of being specific with respect to the purpose of the loan.

7) **Repayment sources –** Mentors will discuss how repayment sources should be detailed, and what usually serves as primary repayment versus secondary repayment.

    a. **Financial Summary –** Help the members to understand some of the basic cash flow markers, and financial ratios and trends, necessary to come to some conclusions about financial strength of the case customer and its capacity to repay.

    b. **Financial/Monitoring Conditions and Covenants –** Mentors will share some basic conditions which may typically be considered for managing a credit relationship such as the one in this case study, including some potential financial covenants to ensure that the company has the continued capacity to thrive and repay its debts.