

## FBP Module 6: Collateral Analysis

### Prelude:

In this module you will build a collateral analysis of the loans you input in Module 3. The purpose of building the collateral analysis is to associate the loans with the assets (collateral) that secure them. This determines just how well secured those loans really are in the event that you would have to liquidate the collateral to repay the loans.

Collateral analysis is designed to show the lender how well loans are secured at a given point in time. One could analyze collateral position as of any point in time, however, the most common method is to look at it one of two ways:

1. To analyze collateral position as of the date of the most recent balance sheet.
2. To analyze collateral position as of some point in the future, i.e., at whatever point in the projection that the operating loan hits its peak balance.

Web Equity Manager® will accommodate either approach, however, for the purpose of this training module, we will analyze the collateral position as of the date of the most recent balance sheet.

**NOTE:** Achieving accurate results here will require that you properly indicated which items were FSA collateral on the balance sheet input exercise in Module 2.

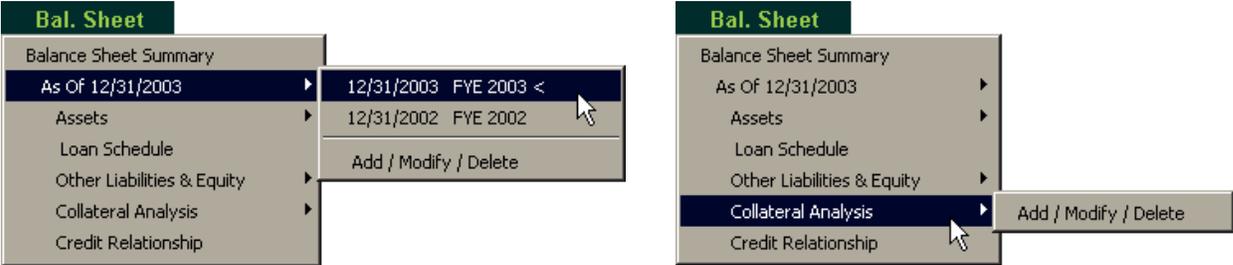
### Assumptions:

Refer to the screen capture below. This is the loan schedule you created in Module 3. We see the borrower has two operating loans; one intermediate equipment loan and one real estate loan with FSA. There is also a loan with John Deere, which will be considered a prior lien for this example. The rest of the borrower's loans will not need to be considered for this collateral analysis. We will assume that the two operating loans and the intermediate equipment loan with FSA are all three secured by a blanket security agreement, so these three loans, in reality, share the same collateral. We will assume that the real estate loan is secured by a first mortgage on the North Farm (which appears on the balance sheet real estate schedule).

Dana B. Doe 12/31/2003 FYE 2003		Loan Schedule - Existing Loans										Edit Mode	
<a href="#">Creditor</a>	Loan Type	Prin. Bal	Int. %	Accr. Int.	Pmt. Method	Pmt Amt P & I	Pmts /Yr	Int. Pmt./Yr.	Prin. Pmt./Yr.	To ME ?	Loan #	<a href="#">Add New</a>	
<input type="checkbox"/> FSA	Cur.	15000	9	396	Non Rev	16746	1	1746	15000	X	1111	<a href="#">Detail</a>	Ag.
<input type="checkbox"/> FSA	Cur.	30000	9	1102	Non Rev	33802	1	3802	30000	X	2222	<a href="#">Detail</a>	Ag.
<input type="checkbox"/> FSA	Int.	150000	10	1000	Equal	30800	1	15000	15800	X	3333	<a href="#">Detail</a>	Ag.
<input type="checkbox"/> GMAC	Int.	12000	11	0	Equal	625	12	999	6501	X		<a href="#">Detail</a>	Ag.
<input type="checkbox"/> John Deere Credit	Int.	30000	8.75	0	Equal	8775	1	2625	6150	X		<a href="#">Detail</a>	Ag.
<input type="checkbox"/> FSA	L.T.	145000	8	8120	Equal	23600	1	11600	12000	X	4444	<a href="#">Detail</a>	Ag.
<input type="checkbox"/> Helms-Land Contra	L.T.	85000	9	6520	Fix Prin.	22650	1	7650	15000	X		<a href="#">Detail</a>	Ag.
<b>Totals:</b>		<b>467000</b>		<b>17138</b>		<b>143873</b>		<b>43422</b>	<b>100451</b>				

**Getting Started:**

1. Log into the Web Equity Manager®.
2. Access your customer record.
3. Click the “Balance Sheet” menu and choose 12/31/03 as the current balance sheet date.
4. Click on the balance sheet menu again and click on “Collateral Analysis – Add/Modify/Delete.”



The collateral analysis add/modify/delete screen is where you will begin to define “loan groups” to which you will later assign collateral. **NOTE:** A loan group may contain a single loan or multiple loans.

Collateral Analysis								
Loan(s) Description	Lien?	Scoring & Rating	\$ Amt to Use	# Of Loans	Amt	Collateral Value	Margin Coll/Ln	% Loan to Coll.
<input type="text"/>	Select	<input type="checkbox"/>	Select					
<b>Total Scoring &amp; Rating</b>				<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0%</b>
<b>Total</b>				<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0%</b>

The first step here is to address any prior liens that may exist. For this example we will assume that the 30,000 John Deere loan from the loan schedule is a prior lien on the \$50,000 tractor from the balance sheet. Therefore, the first loan group we will define is the John Deere prior lien.

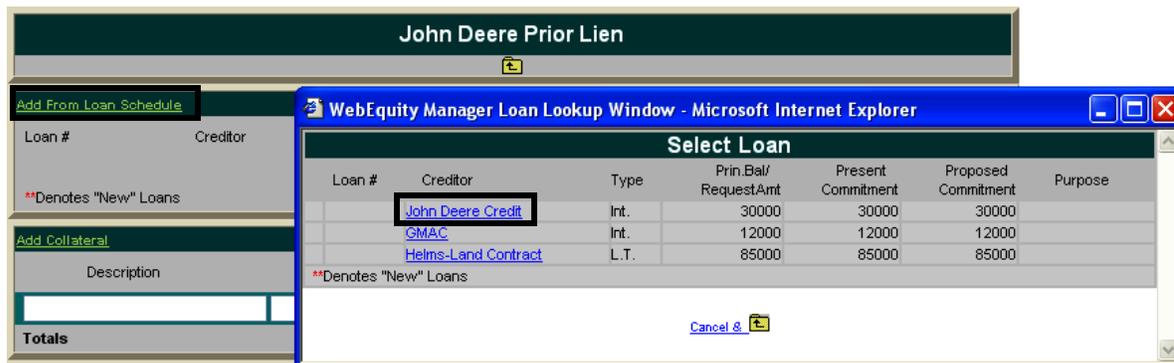
**NOTE:** Prior liens must be entered first for collateral analysis to be correct.

Complete the data entry exercise shown below and click the “Add” link on the right side of the screen.

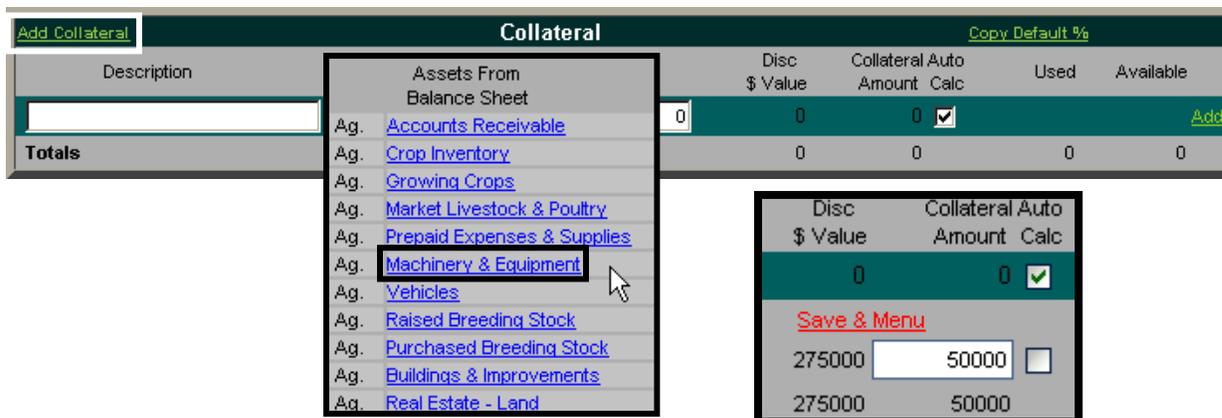
Collateral Analysis								
Loan(s) Description	Lien?	Scoring & Rating	\$ Amt to Use	# Of Loans	Amt	Collateral Value	Margin Coll/Ln	% Loan to Coll.
John Deere Prior Lien	Prior	<input type="checkbox"/>	As Marked On Schedule					

You have now created your first loan group. The program now displays that loan group (shown on the next page) where we will now associate the loan with the collateral that secures it.

- o Click the “Add From Loan Schedule” link in the top-left corner. On the window that pops up, select the John Deere Credit loan.



You have now associated the John Deere loan from the Loan Schedule with the John Deere Credit loan group in collateral. Next, we need to indicate the collateral that secures the prior lien. Do so by clicking on the “Add Collateral” link on the middle-left of the screen. This will display another popup window containing all assets from the balance sheet that can be selected as collateral. The John Deere tractor is part of the machinery/equipment on the balance sheet, so you will click the “Machinery & Equipment” link.



The system pulls all machinery/equipment into the loan group by default, so you must now unmark the “Auto Calc” check box and enter the value of the John Deere tractor “\$50,000” into the “Collateral Amount” field. By doing so you are indicating that John Deere only has a prior lien on the \$50,000 tractor and not on the entire equipment list. Click the “Save & ↵” link to return to the main collateral analysis screen.

Now that you have addressed the prior lien, you are ready to analyze collateral on the FSA loans. We do this by defining a loan group for FSA loans. To do so, enter the information below.



**NOTE:** The “Scoring & Rating” check box will automatically be activated. Do not change the status of the check box. For the “\$ Amount to Use” select “As Marked On Schedule.” Click the “Add” link on the right side of the screen.

**ALSO NOTE:** The “\$ Amount to Use” setting determines what dollar amount on these loans from the loan detail screen will be used in the collateral analysis. “As Marked on Schedule” will read the dollar amount that is indicated by the “To Collateral Analysis” radio button on the “Loan Detail” screen. The other settings in the “\$ Amount to Use” drop list will always read the indicated dollar amount from the loan detail screen (shown right).

Principal Balance	<input type="text" value="150000"/>	<input checked="" type="radio"/> To Collateral Analysis
Present Commitment	150000	<input type="radio"/> Calculated <input type="text" value=""/>
Increase - Decrease	<input type="text" value="0"/>	
Proposed Commitment	150000	<input type="radio"/>

You have now created the loan group for FSA loans. Next, we must associate loans and collateral with this loan group.

Click the “Add From Loan Schedule” link and select the two operating loans for \$15,000 and \$30,000, the intermediate loan for \$150,000 and the long term note for \$145,000.

You have now associated four loans with this group. Next, we must associate the collateral with these loans. Click the “Add Collateral” link on the left side of the screen. For this loan group select “Crop Inventory, Market Livestock & Poultry, Machinery & Equipment, Raised Breeding Stock, Purchased Breeding Stock and Real Estate-Land.” **NOTE:** On the “Select Collateral” popup window the “Available” amount for machinery/equipment is only \$245,000. This is the balance sheet value of machinery/equipment of \$275,000 less the \$30,000 John Deere Prior Lien.

Doe , Dana B. 12/31/2003 FYE 2003		FSA Loans						
<a href="#">Add From Loan Schedule</a>								
Loans								
Loan #	Creditor	Type	Prin. Bal / Request Amt.	Present Commit.	Proposed Commit.	Purpose		
<input checked="" type="checkbox"/> 1111	FSA	Cur.	15000*	75000	0	General Operating Expense		
<input checked="" type="checkbox"/> 2222	FSA	Cur.	30000*	30000	0	Purchase Feeder Livestock		
<input checked="" type="checkbox"/> 3333	FSA	Int.	150000*	150000	150000	Equipment		
<input checked="" type="checkbox"/> 4444	FSA	L.T.	145000*	145000	145000	Purchase 200 Acres		
			Totals	340000	400000	295000		
			<b>*Total Of Loans For Collateral Analysis:</b>			340000		
<a href="#">Add Collateral</a>								
Collateral								
Description	Type	\$ Value	%	Disc \$ Value	Collateral Auto Amount	Calc	Used Available	
<input type="text"/>		0	0	0	0	<input checked="" type="checkbox"/>	<input type="text"/> <a href="#">Add</a>	
		<a href="#">Save &amp; Stay</a>	<a href="#">Save &amp; </a>	<a href="#">Save &amp; Menu</a>				
<input checked="" type="checkbox"/> Crop Inventory	<input type="text"/>	153500	100	153500	153500	<input checked="" type="checkbox"/>	68565 84935	
<input checked="" type="checkbox"/> Market Livestock & Poultry	<input type="text"/>	60120	100	60120	60120	<input checked="" type="checkbox"/>	26854 33266	
<input checked="" type="checkbox"/> Machinery & Equipment	<input type="text"/>	275000	100	275000	245000	<input checked="" type="checkbox"/>	139437 135563	
<input checked="" type="checkbox"/> Raised Breeding Stock	<input type="text"/>	54000	100	54000	54000	<input checked="" type="checkbox"/>	24121 29879	
<input checked="" type="checkbox"/> Purchased Breeding Stock	<input type="text"/>	68550	100	68550	68550	<input checked="" type="checkbox"/>	30620 37930	
<input checked="" type="checkbox"/> Real Estate - Land	<input type="text"/>	180000	100	180000	180000	<input checked="" type="checkbox"/>	80403 99597	
<b>Totals</b>		791170		791170	761170		370000 421170	
Analysis								
<b>Total Loan Amount \$</b>		340000		<b>Margin of Collateral to Loan</b>		2.24		
<b>Total Collateral Amount \$</b>		761170		<b>% Loan to Collateral</b>		44.67%		

You have now completed the “FSA Loans” loan group.

**NOTE:** The value of real estate shown above is \$180,000, which is the value of the North Farm only from the balance sheet. We indicated this as collateral when we input the balance sheet in Module 2.

**NOTE:** At the bottom of the screen you have \$340,000 in loans secured by \$761,170 in collateral for a Margin of Collateral to Loan of 2.24. Click the “Save & ↵” link to return to the main collateral analysis screen.

Doe, Dana B. 12/31/2003 FYE 2003									
Collateral Analysis									
Loan(s) Description	Lien?	Scoring & Rating	\$ Amt to Use	# Of Loans	Amt	Collateral Value	Margin Coll/Ln	% Loan to Coll.	
<input type="text"/>	Select	<input type="checkbox"/>	Select						<a href="#">Add</a>
<span>✖</span> <a href="#">Save &amp; Stay</a>   <a href="#">Save &amp; ↵</a>   <a href="#">Save &amp; Menu</a>									
<input type="checkbox"/> FSA Loans	<a href="#">Detail</a>	Ours <input checked="" type="checkbox"/>	As Marked On Schedule	4	340000	761170	2.24	44.67%	
<b>Total Scoring &amp; Rating</b>				<b>4</b>	<b>340000</b>	<b>761170</b>	<b>2.24</b>	<b>44.67%</b>	
<b>Total</b>				<b>4</b>	<b>340000</b>	<b>761170</b>	<b>2.24</b>	<b>44.67%</b>	
<input type="checkbox"/> John Deere Prior Lien	<a href="#">Detail</a>	Prior	As Marked On Schedule	1	30000	50000	1.67	60%	

You are now finished with this data entry exercise.

**NOTE:** The customer record you were just working in will be used throughout the training modules. The data input you do in one module is built upon in each subsequent module. Therefore, it is critical that you make no changes to this record outside of what you are instructed to do in the data input exercises.

Your next step will be to go to the eLearning Center to take the test for this module. While taking the test it may be necessary to refer back to your Web Equity Manager® input. It is recommended that you leave the browser window open where you were just working in Web Equity Manager® and open a second browser window now for the eLearning Center to facilitate easy switching between the two applications.

- In the new browser window you just opened, proceed to the ECI eLearning Center at <http://elearning.onlineequity.com>. **NOTE:** This resource has also been added to your “Favorites” list.
- eLearning instructions:
  - Log into the eLearning Center using the same User ID/Password you used to access Web Equity Manager®.
  - Click on the “My Classes” link.
  - Below the module you just completed click on the “Test Now” link.
  - Answer each question. When you have answered all of the questions click “Grade Now.”
  - After reviewing the test, click “↵” in the top right corner of the screen to return to the “My Classes” screen where you may retest if desired.
  - On the right side of the screen, under the “Rate Class” column, click the link for the module you just completed. Complete the feedback form. When finished, click the “Save & ↵” link.
  - Log out of the eLearning Center and out of Web Equity Manager when finished.

You are now ready to attend the next module.