



**CREDIT RISK  
MANAGEMENT, L.L.C.**

# ***Construction and Development Risk Analysis***

***The construction process involves specialized risk analysis and underwriting skills whether the job involves constructing a commercial building or developing land for further construction. The completion of this process determines the viability of both primary and secondary repayment sources. Management of loan disbursements on construction and development loans is the bank's only tool to address completion risk. Furthermore, the bank must now demonstrate its ability to manage specific projects and its entire portfolio of real estate loans to examiners.***

Specifically, understanding the construction/development process, as well as the bank's role in that process, allows banks to identify and resolve risks that arise. Common issues that arise during construction include:

- The construction budget was wrong and costs have risen. Identifying and resolving this issue before a crisis arises will materially improve the chances of finishing the project on time.
- Borrower equity injections have been tougher to require and tracking those injections, if they are not funded up front, can make or break the budget and the loan funding.
- The borrower and the builder disagree with the project's progress. Understanding the construction contract, the loan agreement, and the bank's role will be important to addressing the risk and completing the project.

**When:** Class begins on Thursday, September 18, 2008 at 9:00 a.m. and ends at 4:30 p.m.

**Where:** At our computer training facility in Raleigh, North Carolina. Credit Risk Management, L.L.C. is located at GlenLake One, 4140 Parklake Avenue, Suite 510, Raleigh, NC, 27612, just off of the I-440 Beltline, behind the Crabtree Valley Mall.

**Who Should Attend:** Any lender, underwriter, manager, credit officer or executive who wants to sharpen specific Commercial Real Estate underwriting abilities or expand their general knowledge of current Commercial Real Estate market risks and opportunities. All attendees should have a sound understanding of real estate lending and repayment analysis.

## **Course Outline:**

- Understanding the roles of the bank, the borrower and the builder.
- Identifying the construction contract types and the role of the loan agreement
- Understanding the cost budget and designing the draw process to work with it.
- Tracking draws, performing inspections, and dealing with changes in the process.
- Understanding risk enhancements such as bonding, third party plan and spec reviews and independent draw management programs.

**Course Content:**

- General risks and mitigation techniques for Commercial Construction Lending
  - Construction contract types
  - Cost/Budget analysis
  - Inspections/disbursements
  - Funding and project completion tracking

**Dress:** Business casual.

**Cost:**

1 person \$325/day	\$325 per person
2 – 4 people attending this workshop or CRM Credit Manual Client \$275/day	\$275 per person

**\*Other Credit Risk Management Training this year: (mark your calendars)**

- **Consumer Lending – August 27-28, 2008**
- **Credit Underwriting with CRM Toolbar – September 9-11, 2008**
- **Understanding Real Estate Appraisals – September 23-24, 2008**
- **Compliance Topics – October 1, 2008**
- **Loan Documentation – October 2, 2008**
- **Commercial & Industrial Lending – October 21-23, 2008**
- **Consumer Lending – November 4-5, 2008**
- **Credit Underwriting with CRM Toolbar – December 9-11, 2008**

**Registration:** To enroll, register on-line at <http://www.creditriskmgt.com/go.php>. We will invoice you once we have received your registration form. A packet will be sent to each participant that includes directions as well as hotel and restaurant information. Please contact us with any questions.

- Email: [CRMTrainingMailbox@creditriskmgt.com](mailto:CRMTrainingMailbox@creditriskmgt.com)
- Fax: 919-846-5760
- Phone: 919-846-1601
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