



Lending to Non-Profit and Religious Organizations

Defining and then resolving unique underwriting challenges associated with lending to Non-Profit Entities and more specifically, Religious Organizations

Tuesday, January 29, 2008

9:00 am – 4:30 pm

Credit Risk Management Office, Raleigh

By their very nature, non-profit organizations create underwriting challenges for cash flow based lenders. Having an active volunteer based Board of Directors can wreak havoc with any continuity of management analysis. The idea that the organization spends everything it brings in as revenues makes the traditional "Net Income plus Depreciation and Interest Expense" cash flow analysis difficult. When you add to this weak secondary repayment sources like specialized real estate and non-recourse terms, then repayment becomes difficult to support.

This class will present an underwriting framework and tools to enable you to underwrite non-profit entities using cash flow based and ratio analysis. Key concepts will include:

- Understanding the financial differences between non-profit and for-profit entities.
- Understanding the various entity types by looking at revenues; giving-based organizations versus program-based organizations.
- Adjusting the non-profit's cash flow statements to determine where debt repayment fits.
- Testing budgets and projections to determine if they are reasonable and determine how much repayment depends on them.
- Determining management's and member's ability to meet these projections and budgets.

The class will also discuss key non-financial underwriting issues, like:

- Identifying the entity's decision makers and ensuring that they support the loan.
- The importance of having the membership support the loan request and how to identify that support, or lack of it.
- When guarantees make sense and when they add risk.
- Whether the bank can and should liquidate its collateral for these loans.

A significant amount of the class involves lending to Religious Organizations. Many of the general topics are applicable to these groups. More specifically, the class will tailor these concepts for Religious Organizations by:

- Presenting a financial underwriting tool that allows the bank to underwrite historic cash flows, adjust those cash flows for discretionary spending and also test projections.
- Results will include traditional debt coverage ratios but also giving and debt service by Giving Unit and by Total Revenues.

Bonus - You will receive a CD with an outline of the underwriting concepts in a draft underwriting guideline discussion that can be added to the bank's lending manual, along with a copy of the Excel based underwriting tool.

Registration - The workshop fee is \$275/person for existing Credit Risk Management, LLC credit manual clients; \$325/person for non-Credit Risk Management, LLC credit manual client.

To enroll, register on-line at www.creditriskmgmt.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@creditriskmgmt.com
- Fax: 919-846-5760
- Phone: 919-846-1601
- Website: www.creditriskmgmt.com

Seats are still available, but overall space is limited. For information on course content and emphasis, contact Mark Harrison at (919) 573-0227. For additional information, please visit our website at www.creditriskmgmt.com/training.html

***Please check out our website for more future training workshops and seminars!**

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- **Residential Developers – February 14, 2008**
- **Compliance Topics – February 20, 2008**
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