INSTRUCTOR: Garrett Ray
OFFICE: Room 2127 in ASM
OFFICE HOURS: by Appointment
PHONE/VOICE MAIL: (505) 277-2998
EMAIL: gray16@unm.edu
CLASSROOM: GSM 128
CLASS HOURS: Thursday: 4-6:30pm

“Opportunity favors the prepared.” --- In memory of ~ hjhjr

Course Prerequisite:
MGT 326 – Principals of Financial Management

Course Description:
The MGT 473 Commercial Banking I finance course is structured in the context of the credit crisis of 2007-2009, concerning the various types of regulated and unregulated financial institutions involved. You will examine “how” commercial banks generate earnings and the risks they incur in operations, relative to the shadow banking industry. Focus will be on the past decade starting with the dotcom boom and bust, the creation of the 2007 Credit Crisis, and the following regulations and reform. Other major topics include bank capital, sub-prime mortgages, Fannie/Freddie (GSEs), FDIC, OCC, the Federal Reserve Bank & Treasury policies, commercial and consumer credit and the current global banking outlook.

In regards to the credit crisis of 2007-2009, we will examine the underlying factors that built a massive mortgage and structured product credit bubble and the subsequent actions that lead to the downfall of our financial system. Further, through the legislation overhaul of the Dodd-Frank Act of 2010 (as well as Basel III), we will discuss the transitional on-going movement and direction the financial system has taken in the wake of the second largest U.S. recession since the Great Depression. As we will see, “When multiple bank systems operate in silos, their ability to survive is at risk. To survive it is necessary to implement a robust banking platform to prevent another U.S. taxpayer bailout of our current ‘financial system’.” --hjhjr

Financial Literacy is important for your professional and personal development. The ability to comprehend and properly communicate financial topics and situations, both written and verbally, are critical to your ongoing financial endeavors. The more you can familiarize yourself with Financial Literacy, the better you will be able to concentrate on the important information in order to make informed decisions in our rapid and ever-changing financial industry. Throughout the entire course, you will be exposed to Financial Literacy using verbal lecturing, in-class readings & articles, assignments, text, and videos. We will make use of various Internet sites to discover and analyze current and relevant banking & financial information. Websites to be used include some of the following: ffiec.gov; fdic.gov; federalreserve.gov; ustreas.gov; newyorkfed.org; occ.treas.gov; financialservices.house.gov; feic.gov; ecb.int; imf.org; bis.gov; & cbo.gov.

Course Objectives:
My teaching objective for the Commercial Banking I course is to provide you with a conceptual and practical “hands-on” framework on current bank issues confronting directors, officers, managers and employees at
commercial banks. As well, I want you to leave this class with a heightened comfort level of understanding Financial Literacy in its written and communicated form.

Course topics do NOT dwell on financial theories. It is assumed that finance, accounting, and economics are comprehended. In addition, classes are conducted with the EXPECTATION that all text and outside readings have been completed PRIOR to class. The MGT 473 structure includes lecture(s), class discussions, guest presentations, videos, case studies, understanding a banks’ UBPR, and two examinations. The guest presentations will feature prominent business professionals from organizations such as the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Chicago Board of Trade (now the CME Group), as well as different bankers from various depository institutions, depending on their respective availability.

My Goal for this course is to provide you with the understanding of past and current economic and operational conditions in the commercial banking industry. In addition, the field of Accounting is not only fun when used in practice, it is the language of finance and therefore will be used throughout the course. The corollary effect of this course is to help you attain a position as a Credit Analyst, which leads to a Commercial Lender.

Financial Regulatory Reform

In response to the collapse of the housing and exotic instrument boom ending in 2007, the House and Senate have passed a Financial Services Regulatory Reform Bill (Dodd-Frank Act of 2010) aiming to bring accountability to Wall Street and provide more protection for consumers (ie, CFPB). As well, with the inclusion of new global banking regulations set by the Basel Accord (III), banks have to cope with additional cost burdens associated with compliance and lost business segments which directly impacts their bottom line. The current financial regulatory reform is the new banking law, which will shape how the financial services industry conducts future core operations as well as operations/policies in certain business units. Upon completion of this course, by using analytical reasoning, you will constructively dissect the main components of the two bills to gain an understanding of the positive/negative implications each law has on commercial banks and for the economy in general.

Required Text:

Bank Management --- Tim W. Koch @ USC & Scott Mac Donald @ SMU --- 7th Edition

Course Grading and Student Evaluation:

Grading is not personal; it is a mirror reflection of the merit of your submitted work. Grades are a result of your attendance & participation, assignments, cases, UBPR CAMELS Analysis & exams.

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attendance &amp; Class Participation</td>
<td>5%</td>
</tr>
<tr>
<td>Finance Minute</td>
<td>2%</td>
</tr>
<tr>
<td>Credit Case</td>
<td>3%</td>
</tr>
<tr>
<td>UBPR CAMELS Analysis – 11/26/14 - WEDNESDAY</td>
<td>20%</td>
</tr>
<tr>
<td>Mid-Term - 10/2/14</td>
<td>20%</td>
</tr>
<tr>
<td>Assignments</td>
<td>25%</td>
</tr>
<tr>
<td>Final – 12/11/14</td>
<td>25%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>
Letter Grades are based on the following grading scale:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Percentage Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>A+</td>
<td>100% - 98%</td>
</tr>
<tr>
<td>A</td>
<td>97% - 93%</td>
</tr>
<tr>
<td>A-</td>
<td>92% - 90%</td>
</tr>
<tr>
<td>B+</td>
<td>89% - 87%</td>
</tr>
<tr>
<td>B</td>
<td>86% - 83%</td>
</tr>
<tr>
<td>B-</td>
<td>82% - 80%</td>
</tr>
<tr>
<td>C+</td>
<td>79% - 77%</td>
</tr>
<tr>
<td>C</td>
<td>76% - 73%</td>
</tr>
<tr>
<td>C-</td>
<td>72% - 70%</td>
</tr>
</tbody>
</table>

Extra credit (up to 2% of total grade) may be earned by writing a White Paper. **You must receive approval in advance for the White Paper.** The length of the White Paper will be 20-pages (email & hard copy). White papers must be turned in by 11/20/14. The UBPR CAMELS Analysis will be due on 11/26/14. Group UBPR Presentation will be on 12/4/14. Final Exam will be held in GSM room 128 on Thursday 12/11/14 from 5:30-7:30pm.

**Examinations:**

There will be a midterm exam and a final. The midterm and final exam will consist of multiple choice, true/false, and essay questions. The material will reflect the textbook reading, in-class videos, handouts, guest speakers, and class discussion. The essay portion will consist of the reading, comprehension, and analysis of a case study. Ample preparation will be given ahead of time for the case study.

**Financial Calculators:**

A financial calculator is **imperative** to get through the course, as you will use it in all of your future financial endeavors. Many of the problem sets covered in the semester involve complex arithmetic and financial calculations i.e. TVM, and a financial calculator is essential to solve them.

The ASM Finance department requires acquiring the Texas Instruments BAII-Plus Professional, which will provide the essential functions needed in class. I will personally use the BAII-Plus Professional to help demonstrate the arithmetic problems in class, so you can follow the session more easily if you use that calculator. As I will provide some guidance on the BAII-Plus Professional, **you are fully responsible for learning how to use your calculator.**

**YOU MAY NOT** under any circumstances share calculators on exams. Please be sure to check your batteries before exams. **You are fully responsible for the proper functioning of your calculator during exams.**

**The Uniform Bank Performance Report CAMELS Analysis:**

The Uniform Bank Performance Report (UBPR) is an analytical tool created for bank supervisory, examination, and management purposes. It shows the results of managements’ decisions over previous economic time periods to the most current quarter. The performance and composition data contained in the report can be used as an aid in evaluating the adequacy of earnings, liquidity, asset and liability management, growth management, and most of all, capital. Bankers and examiners alike can use this report to further their understanding of a bank's financial condition. – FFIEC.GOV

The UBPR CAMELS Analysis will be a group project that is a culmination of milestones throughout the semester. Your group will be assigned a depository institution and you will gradually build an overall CAMELS analysis using the plethora of bank financial statements in the UBPR. There will be extensive coverage and examples (in class) of competitor bank holding companies that will help prepare you for each milestone. The UBPR CAMELS Analysis is intended to be a “transitional” document that will help you get your foot in the door at a depository institution.
Milestones for UBPR CAMELS Analysis

The following sections of the UBPR CAMELS Analysis must be completed and turned in by the dates listed below. Your group will need to bring a Hard Copy of each milestone to class on the date it is due. The section does NOT need to be the finalized version BUT it must be substantial enough that the section is nearing completion. You will receive a grade for the milestones but the grade will either be for full credit or no credit. No exceptions. Remember that the sections listed below are only the minimum sections required. The minimum will not give your team the grade it desires.

Milestone #1 – 9/4/2014 – History of bank (2 pages max) and Executive Management (2 pages max)

Milestone #2 – 10/2/2014 – Balance Sheet and Income Statement (4 pages max)

Milestone #3 – 10/23/2014 – ROE, ROA, Net Interest Margin, and Efficiency Ratio (3 pages max)

Milestone #4 – 11/13/2014 – CAMELS & Off Balance Sheet (10 pgs max), Abstract (1 pg), & Works Cited (1 pg)

FINAL UBPR CAMELS Analysis Due – 11/26 (WEDNESDAY) /2014 – Hard copy and electronic format

UBPR CAMELS Presentation – 12/4/2014

Course Policies:

***MAKEUP EXAMS NEED TO BE DISCUSSED IN ADVANCE UNLESS YOU HAVE A MEDICAL EMERGENCY.***

Class Participation

The key advantage of class participation is that it forces you to be well prepared and thus become an active, rather than passive, learner. Participation also provides you with the opportunity to gain from the experiences and talents of everyone in the class. Utilizing proper organizational behavior skills you should feel free to ask questions, provide supportive comments, or challenge constructively what has been said.

Homework

Homework will consist of reading all assigned textbook chapters, as well as handouts and multimedia. Assignments will consist of analytical calculations and proper analysis, problems at the end of chapters, current economic news events, and case studies. These assignments are to be completed prior to coming to class providing a hard copy AND an electronic submission to the Lecturer. You may be randomly selected each class period to answer questions about that day’s assignment.

Written Assignments

All written assignments are to be typed using a word processor. NO HAND WRITTEN ASSIGNMENTS WILL BE ACCEPTED. All written assignments are to be double-spaced using Times New Roman 12-point font with a 1-inch margin for all borders. No late assignments will be accepted. It is expected that all written assignments will be free of errors (this includes typos and spelling or grammatical errors). Handwritten corrections are not acceptable. Some of your assignments might be in groups, therefore, every member should
review/edit for errors. There will be a discussion of the assignment on the date it is due. Please utilize my office hours if you have any questions, comments, or concerns.

**Case Studies**

We will be using case studies throughout the semester to allow for a more in depth learning experience. The cases will be from Harvard, Darden, and Wharton. The cases cost about $6.50 on average per student. It is expected that there will be one case study used for an assignment and one used for the midterm for a total of two case studies. You will be expected to download the case study when assigned throughout the semester.

The case studies assigned can be obtained from the following websites:

*Harvard Cases*

[http://hbr.org/search/case%2520studies/4294935845/](http://hbr.org/search/case%2520studies/4294935845/)

*Darden Cases*

[https://store.darden.virginia.edu/topic/finance-business-case-studies](https://store.darden.virginia.edu/topic/finance-business-case-studies)

*Wharton Cases*

[http://knowledge.wharton.upenn.edu/category.cfm?cid=1](http://knowledge.wharton.upenn.edu/category.cfm?cid=1)

**Class Attendance**

The UNM expectation is that you will attend all classes throughout the semester. If you are unable to attend class you will be responsible for obtaining class assignments & notify me by email in advance. Contact the UNM hotline @ 277-7669 to see if classes are cancelled. If classes are cancelled, exams will be rescheduled for the next class. **Three** missed classes without proper documentation will result in a withdrawal.

**Withdrawals**

You may withdraw from MGT 473. Reasonable conditions are required. A grade of “WP” is subject to my approval. You are advised to keep all graded assignments & exam sheets returned to you until the MGT 573 grade has been finalized.

**Attendance/Promptness**

It is expected that you will attend every class and that you will arrive on time. Recurring lateness or repeated absences will be considered grounds for removal from the course. If a guest speaker is scheduled for class, it is imperative that you arrive promptly.

**University Policies:**

**Academic Dishonesty**

See the UNM Policy on Academic Dishonesty in the UNM Student Handbook. [http://www.unm.edu/~brpm/r48.htm](http://www.unm.edu/~brpm/r48.htm)
**Qualified Students**

If you are a qualified person with disabilities and need appropriate academic adjustments, please communicate with me as soon as possible. We can make appropriate arrangements to meet your needs in a timely manner. Frequently, we need to coordinate activities with other offices on campus. Course materials will be available through UNM Learn.

This class will make extensive use of UNM Learn. You should check UNM Learn frequently as you will find class announcements, assignments, weekly schedule, database of study material, and news web links. If you are having problems with UNM Learn, you can visit [http://online.unm.edu/help/learn/students](http://online.unm.edu/help/learn/students) or contact free technical support via telephone (505-277-0857) or email (learn@unm.edu). It is your responsibility to learn and effectively use UNM Learn.

***Any component of syllabus is subject to change at the discretion of the Lecturer. Changes will be announced timely before any change takes effect. Check UNM Learn often to see the schedule.***

**Course Topical Outline:**

(A) Banking ---- Financial Services Industry  
2007 Credit Crisis, Securitization, Originate-to-Distribute, Transactional vs. Non-Transactional banking

(B) Government Policies & Regulation  

(C) Bank Performance  
Bank Financial Statements and the ROE/ROA Model  
Income Statement, Balance Sheet, CAMELS Ratings, performance metrics  
Int Inc - Int Exp = NetII (NIM) + (NonII - NonIE) - Provision for Loan Loss +/- gains/losses - Taxes = Net Inc

(D) Models of Performance  
Interest Rate Risk, Risk & Derivatives, Funding a Bank, Sources of Capital and Why Capital is Oxygen to a Bank (Depositors & Shareholders), Liquidity, TARP & US Taxpayer

(E) Banks make $$$ by Lending $$$  
Overview of Credit Policy, Credit Process and Credit Culture, Commercial Lending & Loan Characteristics, Consumer Lending, Consumer Regulations & Credit Scores, Pricing & Profitability of Financial Services, Bank Examiners & Credit Risk, and most importantly Cash Flow ---NET INCOME DOES NOT repay loans

(F) Technology and Cybersecurity  
Virtual Currencies, mobile banking, the future of banking

(G) Potpourri  
473 Honors named in class on 12/4/2014  
Class presentations will be on 12/4/2014  
**Final EXAM 12/11/2014**