

# Lenders Online Training Manager and Team Leader Guide

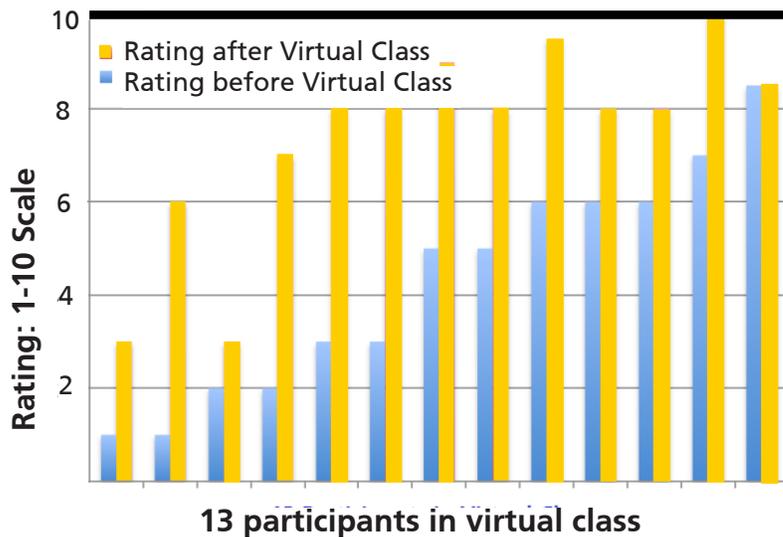


## Would you like results like these?

**Managers** and **Team Leaders** can make a dramatic difference in the impact of this online training. Your involvement will help your employee or team member improve competence and confidence in global tax return analysis.

## Average Percentage Increase

# 31%



### Participant rating:

The graph displays the self-rating of a virtual class of 13 participants on their competence and confidence in tax return analysis. The average improvement was 31%.

### Participant feedback:

- The pace is good.
- It forms a good basis for analysis.
- I have a much better understanding.
- I find myself spotting red flags and asking important questions.
- Interactive modules, quizzes and case studies helped me gain in depth knowledge.
- You opened my eyes to additional cashflow.
- Training in small chunks doesn't get boring.

## HOW LENDERS ONLINE TRAINING WORKS

Lenders Online Training brings to the virtual platform the same content Linda Keith CPA has delivered effectively to in-person audiences for over 25 years. To have the desired impact, online learning must be **interactive, practical** and **relevant**.

Lending professionals vary dramatically in prior experience and training before they attend our virtual class. The online format allows them to **vary their pace** on each individual module and get personal assistance from our team as needed. They learn the **guidelines questions** to ask their mentor lenders to customize their learning.

At Lenders Online Training, the participant controls when and where they take modules. **Accountability is built in** as they must pass a quiz at 80% to earn certificates on the required modules.

The modules are firmly based on **adult online learning principles**. They were designed in collaboration with an Instructional Designer who holds the CPLP (Certified Professional in Learning and Performance) designation from the Association of Talent Development (formerly the American Society of Training and Development).

**Access to the instructor** is crucial. We conduct **live weekly webinars**. For internal training, these are jointly facilitated with your subject matter experts. Adding accountability, each class participant must receive a passing grade on the **case studies**, individually reviewed by our team, with **detailed feedback provided**. Participants in the virtual class actually get more personal feedback than if they attended an in-person training.

These programs are designed with one goal in mind - **increase the volume of performing loans**. Numbers are important, and understanding of the numbers is even more so. Lending professionals make better decisions and create stronger relationships, leading to more good loans.

# Tax Return Analysis

ONLINE  
LEARNING  
20-24  
HOURS



## WHAT PARTICIPANTS WILL LEARN

Upon completion loan officers, underwriters and analysts will be able to:

- Improve competence and confidence in analyzing tax returns and/or financial statements.
- Get the real story behind the numbers and have more meaningful conversations with borrowers and prospects.
- Regardless of your competence, fill in gaps and plug the holes in your understanding.
- Write more clear documentation so people understand your thought-process, recommendations and decisions.
- Make up for a missed step in formal training or augment on-the-job training.

## HOW MANAGERS IMPACT RESULTS

How much or how little you get involved in this training depends, among other things, on the experience level of the learner. We know that time is limited, so pick from the following ideas:

- Meet with your employee prior to the training to discuss the reason for the training, what you hope and expect they will accomplish and how it fits in with their overall development plan.
- If your participant is in our full tax return analysis virtual class (Basics and Advanced Courses combined), they may need 4-6 hours per week for four weeks. Discuss how they will carve out time for the training. Will they benefit by moving to a conference room or putting up a 'Training in Progress' sign on their workspace when they need to focus? Can they identify a half-day a week to focus solely on the training, just like if they were off at an in-person training? What will work best for work-flow and learning?
- Consider scheduling a weekly, short meeting to discuss the prior week's activities. Use the **Module Discussion Points** (on pages 3&4) to cover important issues such as your company guidelines, how often you see this type of issue or item, and how various items or adjustments are handled in your worksheets or software. The modules are used by business, farm, consumer and mortgage lenders so the weekly discussion is your opportunity to customize the training to your needs.
- Have your learner 'present' case studies after they have been reviewed and returned by our team. Answer any questions and help them respond to questions or comments we have posed.

## HOW TEAMS AND TEAM LEADERS IMPACT RESULTS

When there are three or more learners in the training at one time, we can use a team approach to move everyone forward. And if there are six or more, we can split them into two teams for a little friendly competition!

With a team approach, one person may be the manager of all participants, in which case perhaps that person should take on the team leader role. In some cases, the participants have different managers. In that case, consider selecting one as team leader and involving the other managers based on my suggestions above.

One of the challenges of any virtual training is to be sure everyone stays engaged and no one falls through the cracks. If managers are not working closely with the participants, the team leader has a natural reason to check in with each person on the team each week.

Here are some great check-in questions:

- How are the online modules going?
- Are you current?
- What did you learn this week?
- Do you need clarification on anything?

Another important reason for teams is to facilitate customization of this information for your team. Some clients hold a quick meeting in the conference room after each weekly webinar. This is the time and place to:

- Answer questions about guidelines.
- Pass out the solution to that week's exercises using your worksheets or software.
- Discuss how likely you are to run into some of the specifics covered that week like capital gains or lending to farmers.

This adds incentive for a participant to be up-to-date with the modules, both because others will know if they are not and because they need to have completed the modules to gain the benefit of the weekly meeting.

A final important reason for teams, when there are six or more enrolled, is that people often work harder when there is a team in play for points. Each week your team will be gaining points based on what the individuals in the teams accomplish and some team-wide goals. I do averages, so a team with three members can compete with the team with five.

This note is just for the team leaders. I do not tell everyone in the class this, but it is human nature when your team is counting on you to put in that extra effort to stay on top of the modules. It is actually called 'gamification' in the training world and is a proven technique for maximum involvement.

## TEAM LEADER CHECKLIST

Implement some or all of the following steps to get the most value for your team members.

- During the first week, work with your team to come up with a team icon/logo and a team name. Have some fun with this. You can even have team colors. You will send me your team name and logo/icon and I'll use it in the weekly webinars.
- Follow through with the team to be sure they each have introduced themselves in the first lesson of Credit Analysis Basics.
- Decide on a weekly meeting -- preferably in person but if you are geographically separated, by teleconference -- where you will cover your financial institution's guidelines for what has been covered that week, check on progress and answer questions.
- In the first meeting, let the team know your expectations and your involvement.
  - Will you be checking on their progress?
  - Will you be reviewing their case study submissions?
  - When should they ask you for help?
  - How can they reprioritize their work schedule to accommodate the hours each week this training requires?
- Cheer your team to victory by encouraging them to accomplish the required steps of the week.
- After reviewing our feedback on each team members case study, schedule a team meeting to review the case study with the team. (When you let them know you will be doing this, it adds an additional incentive for them to be attentive when taking the modules and put their best effort into doing well on the case studies.)
- After the course when they have received their Course Certificate, discuss with the team what they learned and what their next step is.

# Tax Return Analysis

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Use these ideas to have a discussion at the end of each week. The breadth and depth of the discussion can vary depending on the experience of the class participant.

## MODULE DESCRIPTIONS

## DISCUSSION POINTS

### Credit Analysis Basics

#### 1 TYPES OF ENTITIES

- Advantages and disadvantages
  - Risk exposure
  - How owners get paid
  - Forms filed
- What types of entities do you see most often?
  - Are there any types of entities that you prefer with regard to risk mitigation, for example?
  - What is your policy on personal guarantees when lending to a business entity?

#### 2 CASH VS ACCRUAL BASIS

- What is the difference?
  - How it impacts your impression
  - Which is best for the business
  - Which is best for the lender
- Which do you see most often?
  - Ask them to explain why cash basis tax returns might give a different impression than accrual basis financial statements.

#### 3 DEPRECIATION

- Definitions and methods
  - Financial Statements vs Tax Returns
  - Impact on Gain/Loss on Disposal of Assets
  - Why we add it back for cash flow
- Do you always add back depreciation?
  - How do you handle Section 179?
  - Do you typically make an adjustment for depreciation included in car and truck expenses?

#### 4 DEBT, DEBT RATIOS, SHORTCUTS

- Where to get debt information
  - How to calculate ratios
  - Which ratios to use
  - Shortcuts: how and when to use them
- Which debt ratios do you use? (Debt coverage, Debt-to-Income, something else?)
  - Ask them to define the one(s) you use.

### Tax Returns: 1040 and Business Basics

#### 5 GREEN LEGOS, SIX Ns AND A MAP

- How to approach any tax return
  - Where to find what you need
  - What are the relevant forms
  - Keep track as you go
- This is a general overview. Just ask them what they thought of it.

**6** 1040 INTRO AND METHOD

- Adjust Page One 1040 items to cash flow
- Understand the AGI, SAM and hybrid methods

- Which of the three methods are most like what you use, AGI Method, Schedule Analysis Method, or Hybrid.

**7** SCHEDULE B INTEREST/DIVIDENDS

- Three types of interest
- Notes and contracts receivable
- K-1 pass-through interest

- How often do you see notes/contracts receivable?
- Do you use interest only or full note payments?
- Do you require a copy of the note?
- How do you treat k-1 pass-thru interest?

**8** SCHEDULE C BUSINESS BASICS

- Which entities file this form
- Choose between quick and thorough review
- Why type of lending makes a difference
- Snapshot of the business

- What do you usually use from Schedule C?
- Any tricks to where to put it on your software/worksheets?

**9** SCHEDULE C DETAILED REVIEW

- Determine recurring cash flow
- Spot and resolve red flags
- Ask good questions and dig deeper if needed
- Look for opportunities

- What are red flags you look for when reviewing a Schedule C (or any business tax return)?
- What loan opportunities do you look for?
- Under what circumstances would you add back a nonrecurring expense?

**10** SCHEDULE D/4797 CAPITAL GAINS

- What is cash flow and what is not
- When and how can you count it
- Additional required documentation
- Why it matters even if not recurring

- How often do you rely on capital gains?
- If rarely, what are the circumstances when you would?
- What documentation would you require?
- Do you ever count the potential income from capital gains even if they are not currently selling off?

**11** SCHEDULE E RENTALS

- Calculate actual and projected cash flow
- Use formula method when needed
- How to handle payments

- Do you see this often?
- Are you more likely to use a formula than actual cashflow?
- How do you treat CRE rental cash flow?

**12** SCHEDULE F FARMING

- Farm types of income
- Like a Schedule C, but different
- Terminology specific to AgLending
- Special IRS rules that can throw you off

- If not an AgLender, how often do you see this?
- If an AgLender, run through how/where to make entries in your cash flow worksheet for critical items like depreciation or interest.

## Tax Analysis: Advanced Business Returns

**13** CORPORATION 1120: BASICS

- Legal definition and which corporations file
- Quick review or deep dive
- Snapshot of the business

- How often do you see C Corporations compared to S Corporations and LLCs?
- Share *your* quick review to get a feel for a business.

## 14 1120: COMPANY CASH FLOW

- Which schedule to use and which to (safely) ignore
- What to add and what to subtract
- How to decide what is material to your analysis
- Find and resolve red flags

- What are your routine adjustments for 1120 returns?
- How much do you pay attention to the balance sheet or other items on the return?

## 15 1120: OWNER AND GLOBAL

- What the company can afford to pay the owners
- How much the owner needs
- Why the company may look weak when it is not

- When you are focused on the owner/guarantor for a personal loan, do you use what s/he was paid, what the company can afford, or do you use judgement?
- When focused on the business borrower, when do you require a guarantee? Is it all of the owners or some?

## 16 S CORPORATION 1120S: BASICS

- Difference between C-Corp and S-Corp
- Choose between quick and thorough review
- Snapshot of the business

- How often do you see C Corporations compared to S Corporations and LLCs?
- What is your quick review to get a feel for the business?

## 17 1120S: COMPANY CASH FLOW

- Determine recurring cash flow to pay debt
- Spot and resolve red flags
- Ask good questions, and dig deep when needed
- Uncover more loan opportunities

- What are your routine adjustments for 1120S returns?
- How much do you pay attention to the balance sheet or other items on the return?
- Do you treat depreciation differently because part is pass-through and part is not?

## 18 1120S: K-1/OWNER

- Why the 1040 number is NOT cash flow
- How much can the company afford to pay owners
- What did the owner get paid
- Which number to use for personal loans

- Do you use distributions instead of share of cashflow available when considering owner/guarantor analysis?
- Do you ever use k-1 Line 16 E (Repayment of loan from shareholders?)

## 19 Partnership/LLC 1065: BASICS

- What entities file a 1065
- Is the liability limited or unlimited
- Snapshot of the business

- How often do you see general partnerships? If often, discuss the risk factors.
- How do you use a tax return to get a quick feel for the business?

## 20 1065: COMPANY CASH FLOW

- Determine recurring cash flow to pay debt
- Spot and resolve red flags
- Ask good questions and dig deep when needed
- Uncover more loan opportunities

- What are your routine adjustments for 1065?
- Do you look at the balance sheet? Always or sometimes? If so, what do you look for?
- How do you use a business return to uncover more loan opportunities?

## 21 1065: K-1/OWNER

- Why 'guaranteed' payments are not guaranteed
- When to count capital contributions
- Where the K-1 entry hits the 1040
- Which number to use for personal loans

- Ask your participant why guaranteed payments are not guaranteed.
- Discuss when/whether/why you would count capital contributions against owner cashflow.

## CASE STUDIES

The case studies are part of the virtual class and are required for the certificate. Each case study is individually reviewed by our team and returned with comments and questions.

Worksheets are provided for general lending and aglending.

Participants must achieve 80% or better to gain credit. If their first submission does not achieve the 80% mark, they use the feedback received to resubmit.

We encourage managers and/or team leaders to review with the learner, or the full team, the case study we return with our comments and questions.

### Tax Returns: 1040 and Business Basics

#### 1 1040 ANALYSIS

- Includes business, rentals, and capital gains
- Choose AGI, SAM or AgLending worksheet

### Tax Analysis: Advanced Business Returns

#### 2 PASS-THROUGH ENTITIES

- Includes 1040, 1065, 1120S
- General or AgLending worksheets

## WEBINARS

Live weekly webinars include topics that span across forms and schedules and provide a deeper understanding of how analysis fits into the loan decision. Here is what we cover. To earn the course certificate, the learner must attend three or four webinars, depending on the course. Managers or team leaders may choose which ones or require more than what we require. Teams can meet together to watch the webinar and then have the weekly meeting right afterwards.

#### 1 SIX Cs OF CREDIT

- What lender questions do they answer?
- Clues in tax returns and financial statements
- How can they help make a good loan decision

#### 2 BALANCE SHEET CLUES TO RED FLAGS

- Borrowing long-term to solve short-term problems
- Working capital accounts getting out of whack?
- How are the owners paying themselves?

#### 3 CPA-PREPARED STATEMENTS

- Prepared, compiled, reviewed and audited
- Which provide assurance, and how much
- Cost and time-frame impact what you request

#### 4 HOW TO GET ANSWERS FAST

- Six ways to get answers to tax return or financial statement questions
- Which are safer than others

#### 5 TAX RETURN INCOME STATEMENTS

- Basic adjustments to get to cash flow
- Red flags and how to resolve them
- Indications the business owner is mitigating risk

#### 6 GUIDELINES AND WORKSHEETS

- How best to learn your company guidelines
- Common variations between business, mortgage and aglending
- How to discover and document your guidelines

#### 7 TAX RETURN JEOPARDY GAME

- Review of 1040, 1065, 1120 and 1120S topics
- A fun way to check your knowledge
- We never stop learning