



**NATIONAL OPEN UNIVERSITY OF NIGERIA  
FACULTY OF MANAGEMENT SCIENCES  
DEPARTMENT OF FINANCIAL STUDIES  
2022\_1 EXAMINATION**

**COURSE CODE: BFN 405, 2CU**

**COURSE TITLE: BANK LENDING AND LOAN ADMINISTRATION**

**THEORY**

**TIME: 2HRS 30 MINS**

**INSTRUCTION:** Question ONE 30marks is compulsory and answer any other TWO questions 20marks

Question ONE

- a. Financial institutions such as commercial banks operate with the aim of maximizing shareholders' wealth through financial activities such as lending, as such they are required to operate within prescribed lending policies.  
Discuss the basic principles that commercial banks consider when establishing these lending policies. (20marks)
- b. The operational direction of banks is considered sound when its policies are geared towards the desired goals; Mention the banks' operational areas where these policies are being formulated. (10marks)

Question TWO

- a. A loan facility is usually granted by the bank to its customer either on the request of the customer or the banks' approach to the customer based on certain considerations. Enumerate further. (14marks)
- b. An important pre-requisite to granting a loan facility by the bank is interview with the applicant by the loan officers. What does the interview set to assess? (6marks)

Question THREE

- a. Discuss some of the benefits of site visitation to the business premises of a customer seeking loan facility by the bank officials. (12 marks)
- b. Evaluation of loan application is a critical procedure to lending the facility by the banks; Explain the necessary considerations for this evaluation. . (8 marks)

Question FOUR

- a. The decision to proceed with preparing the loan agreement is reached after successful evaluation of the loan request by bank officials; State and explain the requirements of a loan agreement. (10 marks)
- b. The provision of loan facility is among the key activities of commercial banks in their role as financial intermediaries. State the reasons why it became necessary for the banks to install effective management system on the lending and credit administration. (10 marks)