



NATIONAL OPEN UNIVERSITY OF NIGERIA
UNIVERSITY VILLAGE, JABI-ABUJA
FACULTY OF MANAGEMENT SCIENCES
DEPARTMENT OF FINANCIAL STUDIES
2020_1 EXAMINATION

COURSE CODE: BFN405

CREDIT UNIT: 2

COURSE TITLE: BANK LENDING AND LOAN ADMINISTRATION

TIME ALLOWED: 2 HOURS

- Instructions:**
- 1. Attempt question number One (1) and any other Two (2) questions.**
 - 2. Question number 1 carries 30 marks, while the other questions carry 20 marks each.**
 - 3. Present your work in coherent and orderly manner.**
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QUESTION 1 (COMPULSORY)

As a newly deployed credit/loan officer of a bank, a loan request was received from a customer by your bank. A memo you got from your superior presented the following action points to you:

- A review of the Loan Request from the Customer
- An Interaction with the applicant
- A Site Visit to the applicant
- Evaluation of Loan Request
- Preparing A Loan Agreement

You are required to answer the following questions:

- What are the five (5) issues you will consider upon receipt of the request?
- What will be the focus of your interaction with the applicant?
- As you get to the applicant's site, what five (5) things will you give attention to?
- As you finally evaluate the request with the aim of deciding on a Yes or No, what will be your definite considerations?
- Having decided to grant the credit, what six(6) principal things will you capture in the loan agreement?
(6 Marks each x 5 = **30 Marks**)

QUESTION TWO

The Present Administration in Nigeria is largely focused on diversification of the Economy and has been emphasizing on Agriculture and Food Sufficiency. An agriculturist desirous of expansion walked into your office on a good Monday Morning requesting for credit to expand his Agricultural Realms.

- Explain two(2) forms of credit that are available to this applicant **(5 Marks)**
- Explain five (5) risk factors in lending to this applicant. **(7.5 Marks)**

- (c) Explain five (5) factors whether based on the qualities of the applicant or those of his enterprise that will be considered in deciding whether or not to extend credit to him.

(7.5 Marks)

QUESTION THREE

- (a) Highlight six (6) key factors that influence credit administration. **6 Marks**
(b) Write out and explain each letter in the acronym "CAMPARI" in credit analyses.

14 Marks

QUESTION FOUR

Write Short Notes on

- (a) Mortgage Loan
(b) Real Estate Loans
(c) Working Capital Loans
(d) Installment Loans

(5 Marks each = **20 marks**)

QUESTION FIVE

- (a) Explain the term Collateral Security in Bank Lending **(5 Marks)**
(b) State two (2) property that can be used as collateral **(6 Marks)**
(c) Present three valuables that can be used as collateral **(9 Marks)**