STEP BY STEP WITH MONEY

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Banks play a major role in our lives. A person who affects our lives greatly is the Bank Manager. This week (13) I will share views and experiences on '**What Does a Bank Manager Do?**' In tough times, your Bank Manager may be the only person representing you with the bank's Credit Department when your creditworthiness is being considered. **Please note, I am not endorsing Bank Managers, I am sharing what may assist you to be better prepared in tough times.**

When you walk into a branch (or telephone a bank) to seek a loan, you will be greeted by a Bank Manager's Assistant and be directed to an office to meet another Assistant. Have you ever wondered what the Bank Manager is doing?

The Bank Manager is doing their favorite job, *making an asset of your liability*. Your Bank Manager's key performance indicators (KPI) depends on how well he does this part of his job. When a bank lends you money it is creating an *asset* and when it accepts your deposits it creates a liability on its books.

Like you, the Bank Manager is pushed for time. He/She wants to make the most loans within the shortest amount of time, and therefore reach KPI. The Bank Manager screens loan applications and discards those that will not be approved. For example, a bank may be exposed to mortgages in a geographical area with one or two major employers. The bank now wants to reduce its risk and your application is not approved. This has nothing to do with your creditworthiness. Another screening process used by banks is putting your loan application through a computer system. You may get a favorable or unfavorable response. This may not be the final decision.

Since the Global Financial Crisis, Bank Managers have to pass loan/credit card applications through a Credit Department. Credit Departments often ignore the Bank Manager's assessment and apply mathematical models to approve or decline loan applications. The Bank Manger will discuss an application with the Credit Department. Here are two competing views of a loan application. The Bank Manager wants the loan approved so his KPIs look good, given that he/she has invested time on the application. However, the Credit Department wants to be sure that the loan will be repaid within their statistical analysis, this forms part of their KPIs.

This briefly explains part of what a Bank Manager does. Knowing the following, may assist you in difficult times.

Banks require enough customers to pay back what they have borrowed. The Bank Manager may start their day by reviewing accounts that have gone into unauthorised credit. They may stop these cheques or direct debits. The Bank Manager may start to lose confidence if you have not given him/her advice about the unauthorised credit. With notice the Bank Manger may have been able to provide a temporary credit line. The Bank Manager may be annoyed as time is being wasted, especially if it is a small amount. This may also reflect in the Bank Manager's performance.

To resolve a default, the Bank Manager discusses the matter with the Credit Department. It is important to advise the Bank Manager of the circumstances of the default and how and when it will be rectified. If not rectified as agreed, the Bank Manager's judgement may be called into question and he/she will be less likely to provide temporary credit next time. I trust this broadens your understanding and remember to contact your Bank Manager before you are in trouble. You may be pleasantly surprised that due to your good record, your Bank Manager will be more than happy to help. This is an extremely brief commentary.

Next weeks' topic will be considered over a couple of weeks. This way we can go into more detail. If you would like to read about a particular topic, please respond to this article.