Curtis Fowers

VBA Final Project

MBA 614

Gove Allen

Executive Summary

The purpose of this project in VBA is to facilitate the use and uniformity of an impairment analysis of bank assets. In accordance with Financial Accounting Standards (FAS) 114 and FAS 5, every loan held by First Utah Bank must be analyzed for impairment. In layman's terms, this means each loan must be analyzed to make sure that the bank will get back all of the principal and interest owed. This is a very strict rule enforced by the Federal Reserve, which audits the bank's loan portfolio semiannually.

In the past, the documentation for this process was fragmented and unfamiliar to those loan officers who were required to fill out these forms. There were many questions as to what needed to be included in an impairment analysis. For each loan officer, you would find a different approach to justifying why or why not a loan may be considered impaired or not. In addition to incorrect approaches taken, other problems with the process existed, mainly, human errors when inputting information into the document, and failure to update and print out all the new documents semiannually per each audit from the Fed.

When auditors from the Federal Reserve would see multiple approaches to doing an impairment analysis (many of them very incorrect) or errors in an impairment analysis, it reflected very poorly on the bank's management and resulted in tighter controls and regulations, which, from the bank's perspective, is universally deplored.

In order to facilitate the uniformity of the impairment analysis document, this VBA project includes a much more friendly form to use, with only minimal inputs required by the user of the form. Any time that information required on the form can be obtained from the bank's customer database, that information is pulled automatically from the database rather than having the potential for human error introduced into the system.

Finally, when the user is done completing the form, there is a button that the user can press which will print all the forms created. This is a massive time saver for the user, who in the past would have to go in and individually print out dozens, if not hundreds of documents.

Below you will find a complete walkthrough of the form, including how it is to be used and what is needed to complete the form. There are five sections to the form, with each section being detailed below.

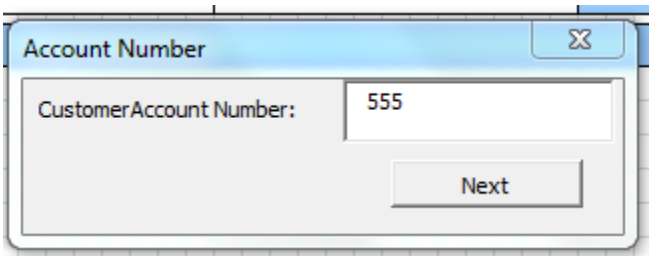
Implementation Documentation

How to Begin

To begin filling out the form, you simply hit the "Start!" button on the side of the form. This begins the process of running the macros which will bring up the user forms needed to fill out the form.

Section 1: Customer Information

Once you've hit the "Start!" button, a user form which looks like this will appear. Enter in the customer's account number and click "Next."



By clicking next, this will fill in the entire first section of the document, which will then look like this:

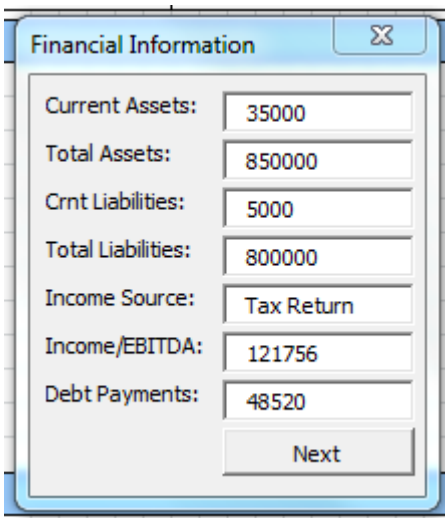
Impairment Analysis						
Customer Name:	Curtis McGoyvin		Account #:	444	Impairment Amount:	
Analysis Date:	4/9/2012	Date Downgraded:	15/11/11			
Risk Grade:	500	Payment Status:	Current		Principal Balance:	$749,661
Accrual Status:	On Accrual	Sold %:	0%		Less Prior Write Offs:	$0
SBA Guarantee %:	0%				Net Principal Balance:	$749,661

After you have clicked the "Next" button, the following user form for section two will appear.

Section 2: Financial Information

The second user form will now appear, which is shown to the right. What to enter into each field of the form is explained as follows:

- Current Assets: Enter in all of the customer's cash, cash equivalents, or securities which are tradable on the market.
- Total Assets: Enter the customer's total assets.



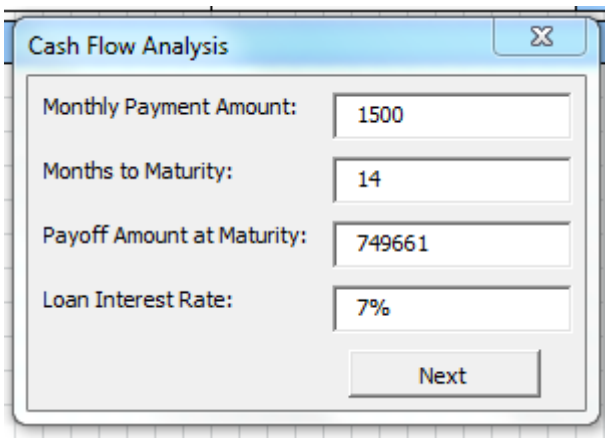
- Current Liabilities: Enter the customer's liabilities which are due within 12 months.
- Total liabilities: Enter the customer's total liabilities outstanding.
- Income Source: Enter in the source documentation for where the financial data obtained came from. This should preferably be a tax return, though other acceptable forms of documentation are audited financial statements or reviewed financial statements.
- Income/EBITDA: Enter in either the customer's income (if an individual) or EBITDA (if a business).
- Debt Payments: This field will include all debt payments the customer is responsible for in the next 12 months. This field will also in include lease payments.

When you have filled in all the fields, hit the "Next" button. This will fill in section two with the financial information that you've entered, as well as bring up the next user form for section three. The completed section two will look as follows when complete:

Financial Information			
Balance Sheet	Year 1	**Debt Service Coverage Ratio:**	2.51
Current Assets:	$35,000	**Debt to Income Ratio:**	0.40
Total Assets:	$850,000	**Current Ratio:**	7.00
Current Liabilities:	$5,000		
Total Liabilities:	$800,000		
Net Worth:	$50,000		
Tax Return/Income Statement	Year 1		
Income Verification Source:	Tax Return		
Annual Income/EBITDA:	$121,756		
Annual Debt Payments:	$48,520		

Section 3: Present Value of Cash Flow Analysis

The third user form will now be appear, which is shown to the right. What to enter into each field of the form is explained as follows:



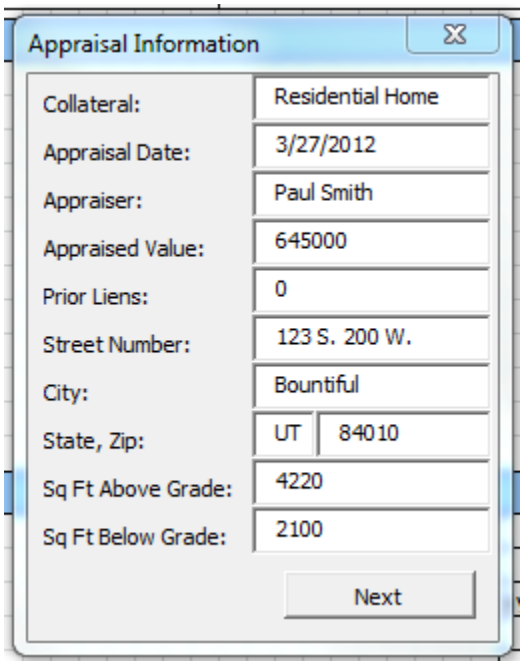
- Monthly Payment Amount: Enter in the customer's monthly loan payment.
- Months to Maturity: Enter in the number of months until the loan matures.
- Payoff Amount at Maturity: Enter in the loan payoff amount at maturity. If the loan is scheduled to amortized completely, enter a "0" in this field.
- Loan Interest Rate: Enter in the loan interest rate for the customer.

When you have filled in all the fields, hit the “Next” button. This will fill in section three with the cash flow information that you’ve entered, as well as bring up the next user form for section four. The completed section three will look as follows when complete:

Present Value of Cash Flow Analysis	
Amount of Monthly Payments:	$1,500.00
Length of Note to Maturity (months):	14
ayoff / Refinance Amount at Maturity:	$749,661.00
Interest Rate (Discount Rate):	7.00%
Present Value:	$711,144.99
Less Net Active Principal Balance:	$749,661.00
Equity or (Impairment):	**($38,516.01)**

Section 4: Fair Market Value Analysis

The fourth user form will now be appear, which is shown to the right. What to enter into each field of the form is explained as follows:



- Collateral: Enter in the type of collateral held. The description only needs to be very basic, e.g. “Residential Home” or “Automobile.”
- Appraisal Date: Enter in the date of the latest appraisal.
- Appraiser: Enter in the name of the appraiser.
- Appraised Value: Enter in the value given in the latest appraisal.
- Prior Liens: Enter in any prior liens held against the collateral. This would include any outstanding tax liens on the collateral.
- Street Number: Enter in the street number of the collateral. If the collateral is real estate, enter in the address of the property. If the collateral is not real estate, enter in the address where the collateral is held.
- City: Enter in the city of the address:
- State, Zip: Enter in the state and zip code of the collateral.
- Sq Ft Above Grade: Enter in the total above grade (everything but the basement) square footage of the collateral, provided that it is real estate. If the collateral is not real estate, leave this field blank.
- Sq Ft Below Grade: Enter in the total below grade (basement) square footage. Again, if the collateral is not real estate, leave this field blank.

When you have filled in all the fields, hit the “Next” button. This will fill in section four with the collateral information that you’ve entered, finishing the form filling process. The completed section four will look as follows when complete:

Fair Market Value Analysis				
Collateral:	Residential Home		Appraised Value:	645,000.00
Valuation Date:	3/27/2012		Less Commissions & Closing Costs:	(51,600.00)
Appraiser / Reviewer:	Paul Smith		Less Prior Liens:	0.00
Value:	$645,000		Gross Liquidation Proceeds:	593,400.00
Street Number:	123 S. 200 W.		Less Net Active Principal Balance:	749,661.00
City:	Bountiful		**Equity or (Impairment):**	**($156,261.00)**
State, Zip:	UT	84010		
Sq Ft (up / down):	4,220	2,100		
Sq Ft (total):		6,320		
$ / Sq Ft:	$102			

The entire form should now be complete. The correct impairment amount, if any, will be listed in the upper right hand corner of the form. Once you have completed the last user form and hit the “Next” button, a new sheet will be created and added the front of the workbook which you can then use to fill in for your next customer.

When you have completed all of your customer’s impairment analysis forms and are ready to print them all off and sign them, simply hit the “Print All Worksheets!” button and all the worksheets will print.

Learning From The Project

The main takeaway that I’ve had from this project is that VBA is still as hard as I originally thought and requires *way* more time than I anticipated to complete the project.

Outside Assistance

While I didn’t have any outside assistance for this project, I probably should have.