



QUINLAN
SCHOOL of BUSINESS

Schreiber Center • 16 E. Pearson St.
Water Tower Campus • Chicago, IL 60611
LUC.edu/Quinlan

**FINANCE 456 SECTION 001
MANAGEMENT OF FINANCIAL INSTITUTIONS
FALL QUARTER 2018: TUESDAY EVENINGS: 6 TO 9 PM
SC 405**

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Office Hours: Tuesday: 4 to 6 PM, Thursday: 4 to 5 PM, and by Appointment

Course Description:

Prerequisites: Finance 450

This survey course analyzes the important roles played by financial institutions. It analyzes the present financial institutional structure with a special focus on managing risk.

Course Overview:

The course provides an overview of the financial institutions that provide financial services in a world of imperfect information and risk. In recent decades, the industry has been experiencing major changes both innovative and regulatory some which are related to the 2007-08 financial crisis. The perspective is that of risk management.

Course Objectives and Learning Outcomes:

Upon completion of this course, students should gain an understanding of the following:

The very important role played by financial institutions in a world of imperfect information;

The roles that the different financial institutions play in the financial market place

The dramatic changes occurring throughout the financial sector;

The major regulatory issues confronting financial institutions;

The financial management techniques employed to manage the many different risks faced by financial institutions such as interest rate and credit risk.

Required Materials

Required textbook: Anthony Saunders & Marcia Millon Cornett (McGraw-Hill/ Irwin): Financial Institutions Management: A Risk Management Approach, 8th edition, ISBN: 978-0-07-803480-0. Because the course surveys a large number of topics, portions of some chapters are omitted. The purpose of such streamlining is to assist students to focus on the most relevant pages.

Power Point Slides, Homework Problems and Equations are posted on Sakai

Course Requirements and Grading Criteria

Midterm Examination - 1	= 40% percent of course grade (80 points)	September 25
Final Examination	= 45% of course grade (90 points)	November 6
Term Paper	= 15% of course grade (30 points)	<u>DUE OCTOBER 16</u>

Normally, the grade point average for a class ranges from 3.0 to 3.25. The course grade will be determined **entirely** by the two examinations and the term paper. **There are no assignments for extra credit.**

The midterm and final exams will consist of short essays, multiple choice, and problems. When necessary, exam results deemed may be curved to raise the class's GPA. Plus and minus grades are given for the final grades but not for the midterms.

Term Paper

The term paper, not including title page, should be between 6 to 8 pages. It should be on a topic related to the financial management of financial institutions that interests you. Although a wide number of topics will be acceptable for these papers, before starting students still should first check with me, by email, to get my ok. I will provide more information in class. Also, the papers should be sent to me by **email no later than October 16th. For every day the paper is late, you will lose 3 points from the 30 possible total points.** **Hint:** before you know it, it will already be October 16th, so start ASAP. I will provide you with guidelines.

Attendance

Class attendance and participation are fundamental components of learning, so punctual attendance at all classes, for the full class meeting period, is expected of Quinlan students. Faculty may set participation policies unique to their courses and use class participation as a component of the final grade. The student is responsible for any assignments or requirements missed during an absence.

The power point slides are intended to provide students with an outline of the course material covered in class. It's recommended that students bring the slides to class to assist in note-taking. Students are held responsible for all material covered in class regardless of whether it is covered in the power points. While helpful, they are a poor substitute for attendance.

It should also be noted that slides sometimes pose questions, e.g., "what would happen to home prices if interest rates were to fall?" but do not include the answer. The purpose is to encourage students to think and analyze rather than simply memorize the answer. The answer to such questions on the slides are covered in class discussions.

The use of laptop computers in the classroom are to be used strictly for the course. Students found using laptop computers for other purposes will no longer be able to bring them to class.

Laptop Computers and Cell phones are not allowed in class.

Whereas class attendance is voluntary, **examination attendance is mandatory.**

Academic Integrity

All members of the Quinlan School shall refrain from academic dishonesty and misconduct in all forms, including plagiarism, cheating, misrepresentation, fabrication, and falsehood plagiarism or cheating on the part of the student in individual or group academic work or in examination behavior will result minimally in the instructor assigning the grade of "F" (a zero) for the assignment or examination. In addition, all instances of academic dishonesty must be reported to the chairperson of the department involved.

For further information about expectations for academic integrity and sanctions for violations, consult the complete Quinlan School of Business Honor Code and Statement of Academic Integrity on the Quinlan website: <http://www.luc.edu/media/lucedu/quinlanschoolofbusiness/pdfs/Honor-Code-Quinlan-July2012.pdf>

Make-Up Examinations/Assignments

Loyola University academic policy provides that tests or examinations may be given during the semester or summer sessions as often as deemed advisable by the instructor. Because Quinlan faculty believe examinations represent a critical component of student learning, required examinations should be taken during the regularly scheduled class period. **Make-up examinations, which includes exams both taken earlier and later than the scheduled date, are discouraged.** Exceptions may be granted only by the faculty member or department chair, and **only for unavoidable circumstances** (illness verified by a signed physician's note, participation in intercollegiate athletic events, subpoenas, jury duty, military service, bereavement, or religious observance).

In the absence of legitimate documentation, the professor retains the option of giving a make-up examination but then deducting the numerical equivalent of two grades from the examination score.

Make-up Examinations are more challenging than the original Exams. Make-up final examinations may be scheduled only with the permission of the appropriate Quinlan Assistant or Associate Dean.

If a make-up examination must be given, it is the responsibility of the faculty member to prepare, schedule, and proctor the exam. The only regular exception is for a student athlete, who may use the testing services of the Athletics Department to complete a make-up examination. For a student with a documented special testing need, please consult University policy concerning use of the testing center in Sullivan Center at Lake Shore Campus.

Week – by - Week Course Outline

<u>Class Number</u>	<u>Date</u>	<u>Topic & Assignment/Reading</u>	<u>Chapters</u>	<u>Homework Problems</u>
1	Sept 28	Introduction, Financial Crisis, Commercial Banks	1 2	
2	Sept 4	S&Ls, Credit Unions Finance Companies, Investment Banks Mutual & Hedge Funds	3, 4, 5	
3	Sept 11	Insurance Companies Financial Institution Risks	6, 7	
4	Sept 18	Interest Rate Risk & Duration Analysis,	9	H-1,
5	Sept 25	Midterm Examination 40 % of course grade		
6.	Oct 2	Individual Credit Risk Portfolio Credit Risk	11 12	H-2
7	Oct 9	Hedging Risk with Derivatives	22 23 24	skip pp. 708 – 714 skip 747-8; 750-8 skip 776-778
8	Oct 16	Term paper due. 15% of course grade Securitization, Deposit Insurance	25, 26	skip 824-837 ship 844-846
9.	Oct 23	Capital Requirements, Product & Geographic Expansion, Liquidity Risk Technological Risk	20, 21 12 17	H-3 H-4 only 515-521
10	Oct 30	FINAL EXAM: 45% OF COURSE GRADE		

HOMEWORK PROBLEMS (H): (Available on Sakai)

- H-1 Duration and Interest Rate Risk
- H-2 Loan (Credit) Risk
- H-3 Risk-Based Capital
- H-4 Herfindahl- Hirschman Index

Please Note: This class may occasionally deviate from the course outline above. I reserve the right to make changes including new material as needed to the course syllabus.