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 and by Appointment

FINANCE 347 -201 FINANCIAL INSTITUTIONS
SPRING SEMESTER 2014, TUE & THUR: 1:00 TO 2:15 PM
MAGUIRE HALL Room 260

Catalog Description

Prerequisites: Junior standing; Minimum grade of "C-" in FINC 332

The course is a study of the crucial role played by financial institutions. The course will be a blend of theory and analysis of the present financial institutional structure.

Course Perspective

The course provides an overview of the financial institutions that provide credit in a world of imperfect information and risk. The industry has been experiencing major changes, both innovative and regulatory, in recent decades. The course analyzes these important changes and also discusses the recent financial crisis. The perspective is that of risk management.

Course Objectives and Learning Outcome

Upon completion of this course, students should understand the following:
 The important role played by financial intermediaries in a world of imperfect information;
 The dramatic changes occurring throughout the financial sector;
 The major regulatory issues confronting financial institutions;
 and the financial management techniques employed to manage the many different risks faced by financial institutions.

Required Materials

Required textbook: Saunders & Cornett (McGraw-Hill/ Irwin): Financial Institutions Management: A Risk Management Approach, 7th edition, ISBN: 978-0-07-353075-8.
 Other readings may also be distributed in class.
 Power Point Slides, Homework Problems and Equations are posted on Blackboard

Course Requirements and Grading Criteria

Midterm Examination 1	= 30 % of course grade
Midterm Examination 2	= 30 %
Final Examination	= 40 %

Normally, the grade point average for a class ranges from 2.8 to 3.1. The course grade will be determined **entirely** by examinations and written assignments. **There are no assignments for extra credit.**

The examinations will consist of short essays, problems and multiple choice questions. 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 midterm exams.

Quinlan School of Business Policies:

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.

Examination attendance is mandatory.

Make-Up Examinations

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, whether earlier or 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). A make-up final examination may be scheduled only with the permission of the appropriate Quinlan Assistant or Associate Dean. **Make-up Examinations are more challenging than the original Exams.**

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.

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” 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>

SPRING 2014 Class by Class/Week by Week/ Course Outline

Week of:	Topic	Chapters and Homework Assignments
1) 1/14	Introduction, Financial Crisis	1, 1A
2) 1/21	Interest Rates, Banking	8 (pp.204-207), 2
3) 1/28	Thrifts, Credit Unions, & Finance Companies,	2, 6, 3
4) 2/4	Insurance, Securities Firms, & Investment Banks.	4, 5
5) 2/11	Mutual Funds & Hedge Funds	5
6) 2/18	MID-TERM EXAM 1: 30 % OF GRADE	30 % OF GRADE
7) 2/26	Managing Interest Rate Risk & Duration Analysis	9 H-1
	SPRING BREAK	
8) 3/11	Managing Credit (Loan) Risk: Individual	11 H-2
9) 3/18	Managing Credit Risk: Portfolio	12 H-2
10) 3/25	Hedging Risk with Derivatives: Futures, Options; Swaps	22 (skip pp. 713-719), 23 (skip pp. 753 and 757-765) 24 (skip pp. 784-786)
11) 4/1	MID-TERM EXAM 2	30 OF GRADE
12) 4/8	Loan Sales & Securitization	26 (skip pp.830 -841 and skip 850-853)
13 4/15	FDIC & Capital Requirements	19, 20 (skip pp.631-635) H-3
14 4/22	Product & Geographic Diversification	21 H-4
16) 5/4	<u>FINAL EXAM FRIDAY; MAY 2, 1-3PM</u>	40 % OF GRADE

HOMEWORK PROBLEMS & SOLUTIONS (H): (available on Blackboard)

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

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Please note: This class may occasionally deviate from the course outline above
I reserve the right to make changes to the course syllabus that I deem necessary.