

Mountain Biking and Loan Portfolio Management

This September will be the 37th running of the Chequamegon Fat Tire 40, an annual mountain bike race between Hayward and Cable, WI. Entrants consist of both the competitive set and avid riders who consider this sort of thing fun.

I began mountain biking in college when mountain biking was considered a fringe sport. The sport includes the challenge of technical trails and time riding in the woods, which I have continued to enjoy. I have had my share of bumps and bruises (to both my pride and my body) over the years resulting from this sport.

I have participated in the Fat Tire 40 on three occasions with the most recent approximately five years ago. The ride created many fond memories. It is both the most fun I have had in an organized event yet the most challenging, both mentally and physically.

I have some neighborhood friends who also like to mountain bike. We get out on occasion to hit the local trails and enjoy this sport with all its inherent risks, especially for us old guys. I was able to convince these buddies to enter this race with me for the fall of 2019. They are a little freaked out at the thought of this ride. An event like this will require a commitment to deliberate planning and execution. The execution of this plan will build mental and physical endurance, an opportunity to achieve a successful outcome and have some fun along the way.

The event will also include many risks to the riders. There is a risk of serious injury, a risk of mechanical failure, a risk of physical and mental limitations, to name just a few. A prepared rider can mitigate these risks. Equipment such as a helmet and other protective gear may minimize the risk of serious injury. A small tool kit, spare tube and CO₂ cartridge may assist with any bike issues. Nutrition and hydration along the ride will ensure enough calories and fluid to allow the body to perform.

A study of the course map will also be critical in executing the event. The Seeley Fire Hill at mile 28 creates many walkers amongst the riders. Knowing and anticipating sections of the course will help us prepare mentally to know the tougher spots of the ride.

Similarly, planning and execution of loan portfolio management is critical to the success of a financial institution. Loan portfolio management includes the steps taken to identify and control risk throughout the credit process. Portfolio management does not include an end-point like the finish line in the Chequamegon. Portfolio management can include methods to measure performance and the success of a loan portfolio management plan. Management can also incorporate tools to look ahead to anticipate bumps in the road.

Many risks are assumed in the lending process, much like mountain biking. A sound loan portfolio management policy will identify the riskier areas of the loan portfolio and incorporate appropriate monitoring techniques. Riding further on a trail will identify additional risks to the biker much like further analysis of the loan portfolio can identify current or changing risks. A map of the trail can also help anticipate potential risks ahead. A loan portfolio management plan can serve as the map to consider both internal and external factors that can impact the portfolio today and in the near

future.

Financial institutions of all sizes should have a plan and a process for loan portfolio management. These plans may vary based on the size of the institution, the complexity of the portfolio and the types of credit risks assumed. Potential and known risks can be identified in advance in both mountain biking and portfolio management. These items can be addressed early in the process to maintain appropriate tolerance levels within a rider's or institution's policy and minimize the bumps and bruises.

Kevin Graff is the President of Integrity Loan Review. He has significant experience with loan review and credit administration. He enjoys discussing how covenant monitoring can become an effective process for your institution. Kevin can be reached at 920-857-6225 or kevin@integrityloanreview.com

