

Commercial Loan Officer Job Interview Questions And Answers



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Commercial Loan Officer Interview Questions And Answers Guide.

Question - 1:

Explain me what is 'Availability Float'?

Ans:

Availability Float is a time difference between deposits made, and the funds are actually available in the account. It is time to process a physical cheque into your account.

For example, you have \$20,000 already in your account and a cheque of another \$10,000 dollar is deposited in your account but your account will show balance of \$20,000 instead of \$30,000 till your \$10,000 dollar cheque is cleared this processing time is known as availability float.

[View All Answers](#)

Question - 2:

Explain what is 'Bill Discount'?

Ans:

'Bill Discount' is a settlement of the bill, where your electricity bill or gas bill is sold to a bank for early payment at less than the face value and the bank will recover the full amount of the bill from you before bill due date. For example, electricity bill for XYZ is \$1000; the electricity bill company will sell the bill to the bank for 10% to 20% discount to the face value. Here, the bank will buy the electricity bill for \$900 whose face value is \$1000, now the bank will recover, full amount of bill from the customer i.e \$1000. If the customer fails to pay the bill, the bank will put interest on the outstanding bill and ask the customer for the payment.

[View All Answers](#)

Question - 3:

Explain what is adjustment credit?

Ans:

Adjustment credit is a short-term loan made by the Federal Reserve Bank (U.S) to the commercial bank to maintain reserve requirements and support short term lending, when they are short of cash.

[View All Answers](#)

Question - 4:

Explain me what is 'Cheque Discount'?

Ans:

Cheque discounting service is offered only by few banks. For instance, if you have a cheque of \$3000 outstation and the cheque will take 7 seven days for clearance, then bank will offer you a service for early payment. The bank can make an early payment, but they will pay only for certain percentage of the actual amount, here they will pay you \$2000 but they will charge interest on it and the remaining \$1000 will be paid, once the outstation cheques get clear.

[View All Answers](#)

Question - 5:

Explain me what do you mean by 'foreign draft'?

Ans:

Foreign draft is an alternative to foreign currency; it is generally used to send money to a foreign country. It can be purchased from the commercial banks, and they will charge according to their banks rules and norms. People opt for 'foreign draft' for sending money as this method of sending money is cheaper and safer. It also enables receiver to access the funds quicker than a cheque or cash transfer.

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Question - 6:

Explain me what are payroll cards?

Ans:



Payroll cards are types of smart cards issued by banks to facilitate salary payments between employer and employees. Through payroll card, employer can load salary payments onto an employee's smart card, and employee can withdraw the salary even though he/she doesn't have an account in the bank.

[View All Answers](#)

Question - 7:

Tell me are you efficient and organized with paperwork?

Ans:

I am very efficient and organized with paperwork. I like to keep papers and paperwork together through files and folders and which helps me insure that I maintain attention to detail without getting documents misplaced.

[View All Answers](#)

Question - 8:

Explain me how Would You Handle an Irate Customer?

Ans:

During your time as a loan officer, there will be customers who become very upset with your decisions. For instance, if a gentleman is unable to get financing for a new home for his family, he may become irate; it will be your responsibility to take ownership of the situation. "In the event that I am dealing with an irate customer, I will take the time to listen to the complaint very carefully and provide empathetic statements. If I cannot provide the exact resolution the customer wants, I will offer other products and services as well as financial advice that may help to calm the situation" is along the lines of what your potential employer wants to hear.

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Question - 9:

Explain what 'LIBOR' stands for?

Ans:

'LIBOR' stands for London Inter-Bank Offered Rate. As the name suggest, it is an average interest rate offered for U.S dollar or Euro dollar deposited between groups of London banks. It is an international interest rate that follows world economic condition and used as a base rate by banks to set interest rate. LIBOR comes in 8 maturities from overnight to 12 months and in 5 different currencies. Once in a day LIBOR announces its interest rate.

[View All Answers](#)

Question - 10:

Explain me what is 'prime rate'?

Ans:

Basically, 'prime rate' is the rate of interest that is decided by nations (U.S.A) largest banks for their preferred customers, having a good credit score. Much 'variable' interest depends on the 'prime rates'. For example, the 'APR' (Annual Percentage Rate) on a credit card is 10% plus prime rate, and if the prime rate is 3%, the current 'APR' on that credit card would be 13%.

[View All Answers](#)

Question - 11:

Explain me what is 'Loan grading'?

Ans:

The classification of loan based on various risks and parameters like repayment risk, borrower's credit history etc. is known as 'loan grading'. This system places loan on one to six categories, based on the stability and risk associated with the loan.

[View All Answers](#)

Question - 12:

Explain me what's your ideal company?

Ans:

A company that has clear communication from person to person, department to department from upper management all the way to the bottom line workers.

[View All Answers](#)

Question - 13:

Please explain what do you mean by term 'Loan Maturity' and 'Yield'?

Ans:

The date on which the principal amount of a loan becomes due and payable is known as 'Loan Maturity'. Yield is commonly referred as the dividend, interest or return the investor receives from a security like stock or bond, interest on fix deposit etc. For example, any investment for \$10,000 at interest rate of 4.25%, will give you a yield of \$425.

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Question - 14:

Do you know what is 'balloon payment'?

Ans:

The 'balloon payment' is the final lump sum payment that is due. When the entire loan payment is not amortized over the life of the loan, the remaining balance is due as the final repayment to the lender. Balloon payment can occur within an adjustable rate or fixed rate mortgage.

[View All Answers](#)

**Question - 15:**

Explain me what do you mean by 'cheque endorsing'?

Ans:

'Endorsing cheque' ensures that the cheque get deposited into your account only. It minimizes the risk of theft. Normally, in endorsing cheque, the cashier will ask you to sign at the back of the cheque. The signature should match the payee.

[View All Answers](#)

Question - 16:

Please explain are you willing to work overtime, nights, weekends?

Ans:

Yes. This is my starting stage of my life and I can do all thing which would help the company towards growth. And weekends and all I may not like it if it regularly phenomenons because everybody wants to take a rest to recollect the energy to work further whether it is a machine or human.

[View All Answers](#)

Question - 17:

Tell us what are the different types of Loans offered by Commercial Banks?

Ans:

Start-Up Loans:

This type of Loan is offered to borrower to start their business and can be used to build a storefront, to acquire inventory or pay franchise fees to get a business rolling.

Line of Credit:

Lines of credit are another type of business loan provided by commercial banks. It is more like a security for your business; the bank allows the customer to withdraw the amount from readily available funds in an adverse time. Customer or Company can pay back over time and withdraw money again without going into the loan process.

Small Business Administration Loans:

It is a Federal Agency (U.S) that gives funding to small businesses and entrepreneurs. SBA (Small Business Administration) loans are made through banks, credit unions and other lenders who partners with SBA.

[View All Answers](#)

Question - 18:

Tell us what is the difference between bank guarantee and letter of credit?

Ans:

There is not much difference between bank guarantee and letter of credit as they both take the liability of payment. A bank guarantee contains more risk for a bank than a letter of credit as it is protecting both parties the purchaser and seller.

[View All Answers](#)

Question - 19:

Tell us what is commercial bank?

Ans:

Commercial bank is owned by the group of individuals or by a member of Federal Reserve System. The commercial bank offer services to individuals, they are primarily concerned with receiving deposits and lending to business. Such bank earns money by imposing interest on the loan borrowed by the borrower. The money that is deposited by the customer will be used by the bank to give business loan, auto loan, mortgages and home repair loans.

[View All Answers](#)

Question - 20:

Tell me your Methods for Meeting Goals?

Ans:

Loan officers are often held to strict goals in regard to the number of loans they close per month. Your potential employer will want you to provide some information about the way is in which you intend to meet these goals. For instance, you may be told that you will need to close 20 loans per month. "I work very hard to meet goals and I have developed several methods for doing so. I pre-screen applicants to determine whether or not they have the credit necessary for a loan. This allows me to focus my attention on only those clients who may ultimately be approved" is a great way to start an answer, but you should elaborate further on additional methods.

[View All Answers](#)

Question - 21:

Please explain why is it important to work with the best realtors?

Ans:

They will be selling properties if times slow down and generating more opportunities if a slack time occurs. Also, quality of leads could be better as well.

[View All Answers](#)

Question - 22:

Explain what are the different ways you can operate your accounts?

Ans:

You can operate your bank accounts in different ways like

- a) Internet banking
- b) Telephone or Mobile banking



- c) Branch or Over the counter service
- d) ATM (Automated Teller Machine)

[View All Answers](#)

Question - 23:

Please explain what is cashier's cheque?

Ans:

A cashier cheque issued by the bank on behalf of the customer and takes the guarantee for the payment. The payment is done from the bank's own funds and signed by the cashier. The cashier cheque is issued when rapid settlement is necessary.

[View All Answers](#)

Question - 24:

Explain are you applying for other jobs?

Ans:

Since I have no other ongoing commitments as of current I still have pen doors for opportunities arising my way.

[View All Answers](#)

Question - 25:

Tell me what opportunities does a financial downturn present to financiers?

Ans:

In a market where the value of assets is falling, known as a bear market, traders might consider taking short positions, that is, borrowing assets they don't own, selling them, and buying them back to return them at a later date when their price has fallen.

Meanwhile, those working in asset management or M&A might consider, or advise clients to consider, snapping up undervalued assets.

[View All Answers](#)

Question - 26:

Tell us what is debt-to-Income ratio?

Ans:

The debt-to-income ratio is calculated by dividing a loan applicant's total debt payment by his gross income.

[View All Answers](#)

Question - 27:

Please explain what do you mean by co-maker?

Ans:

A person who signs a note to guarantee the payment of the loan on behalf of the main loan applicant's is known as co-maker or co-signer.

[View All Answers](#)

Question - 28:

Please explain what is Convertibility Clause?

Ans:

For certain loan, there is a provision for the borrower to change the interest rate from fixed to variable and vice versa is referred as Convertibility Clause.

[View All Answers](#)

Question - 29:

Tell me what attracted you to this company?

Ans:

I'm attracted to this company because it has a good reputation and is well put together.

[View All Answers](#)

Question - 30:

Do you know what is 'Amortization'?

Ans:

The repayment of the loan by instalment to cover principal amount with interest is known as 'Amortization'.

[View All Answers](#)

Question - 31:

Explain do bank charge for 'overdraft protection' service?

Ans:

Yes, bank will charge on 'overdraft protection' services but the charges will be applicable only when you start using the service.

[View All Answers](#)

**Question - 32:**

Ask me if you have any questions for us?

Ans:

What is the Pay Structure, Marketing Support, Benefits, Turn times, How leads are generated.

[View All Answers](#)

Question - 33:

Please explain what do you mean by term 'Usury'?

Ans:

When a loan is charged with high interest rate illegally then it is referred as 'Usury'. Usury rates are generally set by State Law.

[View All Answers](#)

Question - 34:

Do you know what is the card based payments?

Ans:

There are two types of card payments

- a) Credit Card
- b) Debit Card

[View All Answers](#)

Question - 35:

Explain me what is 'Credit Check'?

Ans:

A credit check or a credit report is done by the bank on a basis of an individual's financial credit. It is done in order to make sure that an individual is capable enough of meeting the financial obligation for its business or any other monetary transaction. The credit check is done keeping few aspects in concern like your liabilities, assets, income etc.

[View All Answers](#)

Question - 36:

Explain what are the types of Commercial Banks?

Ans:

- a) Retail or consumer banking

It is a small to mid-sized branch that directly deals with consumer's transaction rather than corporate or other banks

- b) Corporate or business banking

Corporate banking deals with cash management, underwriting, financing and issuing of stocks and bonds

- c) Securities and Investment banking

Investment banking manages portfolios of financial assets, commodity and currency, fixed income, corporate finance, corporate advisory services for mergers and acquisitions, debt and equity writing etc.

- d) Non-traditional options

There are many non-bank entities that offer financial services like that of the bank. The entities include credit card companies, credit card report agencies and credit card issuers

[View All Answers](#)

Question - 37:

Explain me what Qualities Do You Possess that Will Help You Be Successful?

Ans:

As a loan officer, there are many qualities that you will need to possess in order to enjoy any level of success. You will need to be able to pay attention to detail, multitask and communicate effectively. To that end, an answer like "I am detail-oriented, and this is important to my success because it helps to ensure that I will not make mistakes. Similarly, I am comfortable with a large workload and I can take on many clients at once. My ability to communicate effectively will help to ensure that clients understand the terms of loan agreements or the reasons why their loans were denied.

[View All Answers](#)

Question - 38:

Tell me how do you power through and remain focused while finishing paperwork? How important is it to properly complete all paperwork?

Ans:

Completing paperwork is extremely important. In this line of the mtg industry, an incomplete document can lead to mishaps for company and customer. Completing paper work insures errors are avoided at time of closing.

[View All Answers](#)

Question - 39:

Explain me about your marketing skills, and where in the past you have demonstrated these abilities?

Ans:

I have done business to business marketing in my business territory. I talk with the managers of business and offered them a deal. Example would be If 3 of your employees decide to do business with us we will offer you a managers special at no cost you for our service.



[View All Answers](#)

Question - 40:

Tell us what are the different types of banking software applications are available in the Industry?

Ans:

There are many types of banking software applications and few are listed below

- Internet banking system: Internet banking allows the customers and financial institution to conduct final transaction using banks or financial institute website.
- ATM banking (Automated Teller Machine): It is an electronic banking outlet, which allows customers to complete basic transaction.
- Core banking system: Core banking is a service provided by a networked bank branches. With this, customer can withdraw money from any branch.
- Loan management system: The database collects all the information and keeps the track about the customers who borrows the money.
- Credit management system: Credit management system is a system for handling credit accounts, assessing risks and determining how much credit to offer to the customer.
- Investment management system: It is a process of managing money, including investments, banking, budgeting and taxes.
- Stock market management system: The stock market management is a system that manages financial portfolio like securities and bonds.
- Financial management system: Financial management system is used to govern and keep a record of its income, expense and assets and to keep the accountability of its profit.

[View All Answers](#)

Question - 41:

Tell me what are the things that you have to keep in concern before opening the bank accounts?

Ans:

Before opening a bank account, if it is a saving account, you have to check the interest rate on the deposit and whether the interest rate remains consistent for the period. If you have the checking account, then look for how many cheques are free to use. Some banks may charge you for using paper cheques or ordering new cheque books. Also, check for different debit card option that is provided on opening an account and online banking features.

[View All Answers](#)

Question - 42:

Explain me why do you think you're suited to a career in investment banking?

Ans:

As you're interested in a career in banking, plenty of reasons should spring to mind, and if they don't you should consider choosing another path! Often students are attracted to the intellectual challenges and high-profile nature of the dealings of the finance world, the fast pace of the work here, and the rewards on offer, all of which are very valid reasons for applying to a bank. But they're also valid reasons for applying for jobs in other parts of the finance world, so make sure you explain why you want a job at a bank, and in your chosen area in particular. Perhaps you're keen for the broad and deep financial training and prestigious experience that only a leading bank can offer? Your interviewers may also ask if anything puts you off banking. If you have any real doubts, an interview is not the place to air them, but it's a great idea to show that you've considered the difficulties the industry is currently going through before choosing to make an application.

[View All Answers](#)

Question - 43:

Operational and Situational Commercial Loan Officer Job Interview Questions:

Ans:

- * How do you get new business at your current/previous workplace?
- * How would you describe your selling style?
- * What interests you about the mortgage business?
- * How would you learn about our sales culture during your first week on the job?
- * How many clients do you have in your portfolio? How many of those did you bring in?
- * How would you walk a client through the loan process?
- * Describe your experience with brokered loans.
- * What do you do when you don't have new prospect appointments scheduled for the day?
- * How many prospect appointments did you schedule for this week?
- * How would you handle being transferred to the same team as a difficult coworker?
- * Recall the most difficult sale you've ever closed.
- * Recall a time you had to resolve a problem with an angry client.
- * How do you ensure excellent customer service for your clients?
- * Recall a time you turned a negative situation with a client into a positive one.

[View All Answers](#)

Question - 44:

Please explain what is Payday loan?

Ans:

A pay-day loan is generally, a small amount and a short-term loan available at high interest rate. A borrower normally writes post-dated cheques to the lender in respect to the amount they wish to borrow.

[View All Answers](#)

Question - 45:

Explain how bank earns profit?

Ans:

The bank earns profit in various ways

- Banking value chain



- b) Accepting deposit
- c) Providing funds to borrowers on interest
- d) Interest spread
- e) Additional charges on services like checking account maintenance, online bill payment, ATM transaction

[View All Answers](#)

Question - 46:

Tell us what is ILOC (Irrevocable Letter Of Credit)?

Ans:

It is a letter of credit or a contractual agreement between financial institute (Bank) and the party to which the letter is handed. The ILOC letter cannot be cancelled under any circumstance and, guarantees the payment to the party. It requires the bank to pay against the drafts meeting all the terms of ILOC. It is valid upto the stated period of time. For example, if a small business wanted to contract with an overseas supplier for a specified item they would come to an agreement on the terms of the sale like quality standards and pricing, and ask their respective banks to open a letter of credit for the transaction. The buyer's bank would forward the letter of credit to the seller's bank, where the payment terms would be finalized and the shipment would be made.

[View All Answers](#)

Question - 47:

Explain what is the 'cost of debt'?

Ans:

When any company borrows funds, from a financial institution (bank) or other resources the interest paid on that amount is known as 'cost of debt'.

[View All Answers](#)

Question - 48:

Explain me what is overdraft protection?

Ans:

Overdraft protection is a service that is provided by a bank to their customer. For instance, if you are holding two accounts, saving and credit account, in the same bank. Now if one of your accounts does not have enough cash to process the cheques, or to cover the purchases. The bank will transfer money from one account to another account, which does not have cash so to prevent check return or to clear your shopping or electricity bills.

[View All Answers](#)

Question - 49:

Please explain what is investment banking?

Ans:

Investment banking manages portfolios of financial assets, commodity and currency, fixed income, corporate finance, corporate advisory services for mergers and acquisitions, debt and equity writing etc.

[View All Answers](#)

Question - 50:

Tell me do you know our business model?

Ans:

Banks provide their clients with advice, assistance in arranging financing, and other services, such as access to trading on the markets, investment management, and risk reduction. Their main source of revenue is the fees they charge their clients for these services.

Some banks have departments which invest or trade the bank's own money to generate returns, though the extent to which they can do so has become more limited in recent years.

[View All Answers](#)

Question - 51:

Tell me what have you learned from your studies that can be applied to a career in investment banking?

Ans:

You might initially think that if you haven't done a degree in finance or economics you haven't got very much to offer an investment bank, but you'd be wrong. Any numerate discipline will have given you a mathematical toolkit that will come in useful in technical banking work, and any good degree proves that you're intelligent, hardworking, and effective under pressure.

Extra-curricular activities may have given you a wealth of other skills that are valuable at an investment bank, such as being able to juggle a number of commitments and work with others.

[View All Answers](#)

Question - 52:

Please explain what sales experience do you have?

Ans:

I have both formal and non formal experience .I have been running a horticultural business and must of the selling of the products and soliciting the customers to buy the products. Formally as a student I have worked for an poultry production company and I would engage directly with the customers through the cash office and liaise with them on purchasing and settling off their dues.

[View All Answers](#)

Question - 53:



Tell me do you use social networks to generate leads? Do you feel comfortable with this tactic?

Ans:

I am very active on linked and facebook. I use these to network with other professional people to share ideas and also seek counselling on professional matters that have to do with my work and career. I consider these platforms helpful and I am comfortable with them.

[View All Answers](#)

Question - 54:

Please explain what are the different types of 'Fixed Deposits'?

Ans:

There are two different types of 'Fixed Deposits'

Special Term Deposits: In this type of 'Fixed Deposits', the earned interest on the deposit is added to the principal amount and compounded quarterly. This amount is accumulated and repaid with the principal amount on maturity of the deposit.

Ordinary Term Deposits: In this type of 'Fixed Deposits', the earned credit is credited to the investor's account, once in a quarter. In some cases, interest may be credited on a monthly basis.

The earned interest on fixed deposits is non-taxable. You can also take a loan against your fixed deposit.

[View All Answers](#)

Question - 55:

Tell us what is Cost Of Funds Index (COFI)?

Ans:

COFI is an index that is used to determine interest rates or changes in the interest rates for certain types of Loans.

[View All Answers](#)

Question - 56:

Tell us what is Line of credit?

Ans:

Line of credit is an agreement or arrangement between the bank and a borrower, to provide a certain amount of loans on borrower's demand. The borrower can withdraw the amount at any moment of time and pay the interest only on the amount withdrawn. For example, if you have \$5000 line of credit, you can withdraw the full amount or any amount less than \$5000 (say \$2000) and only pay the interest for the amount withdrawn (in this case \$2000).

[View All Answers](#)

Question - 57:

Explain what is inter-bank deposit?

Ans:

Any deposit that is held by one bank for another bank is known as inter-bank deposit. The bank for which the deposit is being held is referred as the correspondent bank.

[View All Answers](#)

Question - 58:

Please explain what is the difference between 'Cheque' and 'Demand draft'?

Ans:

Both are used for the transfer of the amount between two accounts of same banks or different bank. 'Cheque' is issued by an individual who holds the account in a bank, while 'Demand draft' is issued by the bank on request, and will charge you for the service. Also, demand draft cannot be cancelled, while cheques can be cancelled once issued.

[View All Answers](#)

Question - 59:

Explain me what is (APR) Annual Percentage Rate?

Ans:

APR stands for Annual Percentage Rate, and it is a charge or interest that the bank imposes on their customers for using their services like loans, credit cards, mortgage loan etc. The interest rate or fees imposed is calculated annually.

[View All Answers](#)

Question - 60:

Explain what are the types of accounts in banks?

Ans:

a) Checking Account: You can access the account as the saving account but, unlike saving account, you cannot earn interest on this account. The benefit of this account is that there is no limit for withdrawal.

b) Saving Account: You can save your money in such account and also earn interest on it. The number of withdrawal is limited and need to maintain the minimum amount of balance in the account to remain active.

c) Money Market Account: This account gives benefits of both saving and checking accounts. You can withdraw the amount and yet you can earn higher interest on it. This account can be opened with a minimum balance.

d) CD (Certificate of Deposits) Account: In such account you have to deposit your money for the fixed period of time (5-7 years), and you will earn the interest on it. The rate of interest is decided by the bank, and you cannot withdraw the funds until the fixed period expires.

[View All Answers](#)

**Question - 61:**

Do you know what is bank? What are the types of banks?

Ans:

A bank is a financial institution licensed as a receiver of cash deposits. There are two types of banks, commercial banks and investment banks. In most of the countries, banks are regulated by the national government or central bank.

[View All Answers](#)

Question - 62:

Explain me what are the advantages and the disadvantages of equity finance and debt finance to a company raising finance and investors?

Ans:

The advantage of equity finance for a company - raising money by selling shares - is that this money does not have to be repaid. However, new shareholders usually get to have a say in how the company is run.

Despite these rights, equity is often seen as a risky choice for investors as they will lose all their money if the company doesn't prosper. If it does well, on the other hand, they may see their stake multiply in value many times over.

Debt finance - money raised through loans - must be repaid eventually by a company, usually with interest, but lenders won't be able to exert as much influence as shareholders over how the company does business.

The debt of a reliable company is usually seen as a safe investment, but fixed repayment schedules means that there are few opportunities for large returns.

[View All Answers](#)

Question - 63:

Tell me what do you think you will be doing during your first year in investment banking?

Ans:

Much of your answer to this question will depend on your role - so do some careful research into your chosen department.

In M&A, you might spend much of your time on financial models related to the deals you're working on, while in a trading role you might start out by assisting more senior members of the team before being given the chance to manage a trading book yourself.

Beyond that, it's important to show that you'll be keen to take on responsibilities, but that you also recognise that your first year is about learning the ropes, which usually means include following instructions from others and completing some mundane tasks.

[View All Answers](#)

Question - 64:

Tell me can You Process Requests Objectively?

Ans:

During your career as a loan officer, you will undoubtedly come across patrons who have heartbreaking stories behind their loan requests. Perhaps they are interested in adopting a child; maybe they need the money to keep their home. Whatever the reason, everyone will be subjected to the same credit requirements, and you will not be able to provide a loan to everyone who has a story. You should provide an empathetic yet truthful response to this question. "I understand that I must remain objective when processing loan requests. Although I can empathize with patrons who are experiencing financial hardships, I understand that I will need to keep the company's best interests in mind."

[View All Answers](#)

Question - 65:

Tell me what experience do you have in this field?

Ans:

While I was back in my country I had worked as a Relationship manger in a commercial banks with responsibility to handle the complete banking service to the various types of client starting from their lean requirement and withdraw of the fund.

[View All Answers](#)

Question - 66:

Explain me do you feel it is better to work with 5 great realtors, or spread yourself over 20 mediocre realtors?

Ans:

Its about work. I am okay to have both situations because, 5 wont great ones wont have every bit of a problem, though complex but kept out a limit of 5, whereas in 20 mediocre we expect 20 varieties. Learning and knowledge diversifies. And practicing improves our efficiency.

[View All Answers](#)

Question - 67:

Explain me what is 'Bill Purchase'?

Ans:

In 'Bill Purchase' the loan will be created for the full value of the draft and the interest will be recovered when the actual payment comes. For example, a 'Sight draft' is presented for which the loan is created for 100% of the draft value. The money is received after 7 days, and then the interest will be recovered for 7 days along with the principal amount.

[View All Answers](#)

Question - 68:

Please explain what are the different types of Loans offered by banks?

Ans:

The different types of loans offered by banks are:



- a) Unsecured Personal Loan
- b) Secured Personal Loan
- c) Auto Loans
- d) Mortgage Loans
- e) Small business Loans

[View All Answers](#)

Question - 69:

Please explain what is Charge-off?

Ans:

Charge off is a declaration by a lender to a borrower for non-payment of the remaining amount, when borrower badly falls into debt. The unpaid amount is settled as a bad debt.

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Question - 70:

Tell us what ACH stands for?

Ans:

ACH stands for Automated Clearing House, which is an electronic transfer of funds between banks or financial institutions.

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Question - 71:

Tell us what is home equity loan?

Ans:

Home equity loan, also known as the second mortgage, enables you to borrow money against the value of equity in your home. For example, if the value of the home is \$1, 50,000 and you have paid \$50,000. The balance owed on your mortgage is \$1, 00,000. The amount \$50,000 is an equity, which is the difference of the actual value of the home and what you owe to the bank. Based on equity the lender will give you a loan. Usually, the applicant will get 85% of the loan on its equity, considering your income and credit score. In this case, you will get 85% of \$50,000, which is \$42,500.

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Question - 72:

Please explain what is 'Credit-Netting'?

Ans:

A system to reduce the number of credit checks on financial transaction is known as credit-netting. Such agreement occurs normally between large banks and other financial institutions. It places all the future and current transaction into one agreement, removing the need for credit cheques on each transaction.

[View All Answers](#)

Question - 73:

Explain me what is negative Amortization?

Ans:

When repayment of the loan is less than the loans accumulated interest, then negative Amortization occurs. It will increase the loan amount instead of decreasing it. It is also known as 'deferred interest'.

[View All Answers](#)

Question - 74:

Explain what is 'Fixed' APR and 'Variable' APR?

Ans:

'APR' (Annual Percentage Rate) can be 'Fixed' or 'Variable' type. In 'Fixed APR', the interest rate remains same throughout the term of the loan or mortgage, while in 'Variable APR' the interest rate will change without notice, based on the other factors like 'prime rate'.

[View All Answers](#)

Question - 75:

Tell us what is 'Crossed Cheque'?

Ans:

A crossed cheque indicates the amount should be deposited into the payees account and cannot be cashed by the bank over the counter. Here in the image, number#2, you can see two cross-lines on the left side corner of the cheque that indicates crossed cheque.

[View All Answers](#)

Question - 76:

Explain what is consumer bank?

Ans:

Consumer bank is a new addition in the banking sector, such bank exist only in countries like U.S.A and Germany. This bank provides loans to their customer to buy T.V, Car, furniture etc. and give the option of easy payment through instalment.

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