Lesson 42 System Options

Prerequisite
None.

Introduction to all Options

From the Main Menu, select Administration, Current System Options

Demo Options Message
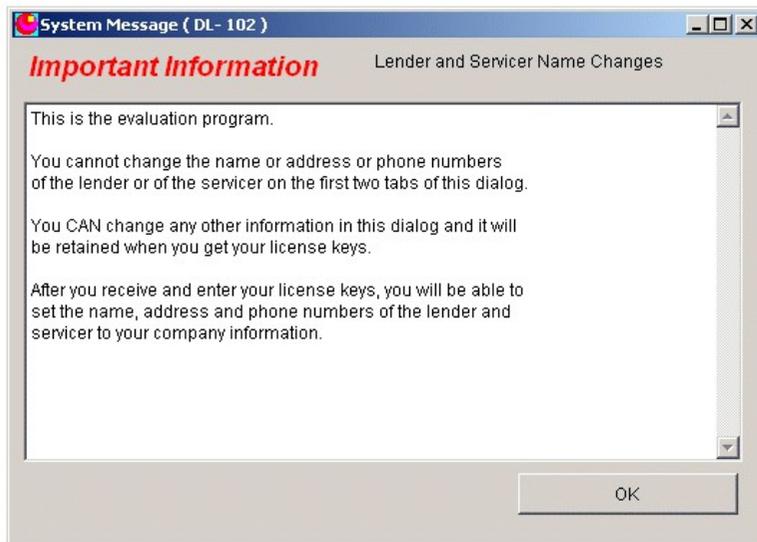
system_options_1.png

If you are still evaluating the DEMO, you will see this message before the actual system options dialog is displayed. This message simply informs you that until you purchase the system, you will not be able to change the return address information on the first two tabs of the System Options dialog.

Once the key codes are entered on the System Options Tab 2, this message will no longer be displayed and the changes you make on the first two tabs will be saved when you close the dialog. The key codes will be mailed, or emailed to you when your payment is received.

Lender Tab

system_options_2.png

The lender is the person or company that owns the loans. This information is used for reporting purposes if the lender name and address is needed. This is NOT the name and address that appears on statements or bills sent to the customer.

System ID
Lender Name
Address 1
Address 2
City
State
Zip (Postal) Code
Telephone
Fax
Taxpayer ID

Servicer Tab

system_options_3.png

The Servicer is the person or company that services the loans. The servicer is responsible for the accounting and the collection of the loans. This information is used for reporting purposes if the servicer name and address is needed.

This is the name and address that appears on statements or bills sent to the customer.

It is the servicer "service phone" number that appears on notices to the borrowers.

Servicer Name
Address 1
Address 2
City
State
Postal Code
Telephone
Service Phone (This number appears on notices.)
Fax

Loan Defaults Tab 1

system_options_4.png

Loan Type

Loan types are optional and user defined.

 State of Origin

State of origin is optional. Its intended use is for lenders who have offices in or make loans in more than one state to keep up with the state in which the loan was originated (and in which it is, or may be, regulated).

State Type

(See State of Origin)

These two fields are used together. If the loan is of a type regulated by the state in which it was originated, the lender may need to be able to report on these loans separately.

Payment Allocation Option

This option may be set for each individual loan. The setting in the parameter file will be used as a default when a new loan is created.

This option allows the user to specify how a normal payment is to be allocated to interest and principal.

LOANMASTER knows the normal payment amount. It assume the payment will be a normal payment and allocates that payment amount to interest, principal, and late charge according to your choice of several preset rules. If the loan has matured, it assumes the total amount due is received.

Payment allocation option definitions can be viewed on the screen by opening the pick list that contains the payment allocation code on any screen where it is visible. They can be viewed in more detail from the Utilities menu.

Code 0, "Late Charge, Int Accrued, Escrow, Principal ", means apply the amount received in this order, as far as it will go.

> Take late charge first (If any is due). If there is not enough payment, apply it all to late charge.

> Take Interest accrued next. If there is not enough payment, apply the remaining amount to interest.

> Take escrow payment next. If there is not enough payment, apply the remaining amount to escrow.

> If any amount is remaining, apply it to principal.

Code 2, "Interest through pmt due date, Escrow, Prin, (Ignore LC)" means apply the amount received in this order, as far as it will go.

> First take interest to the nearest payment date. (If the payment is three days early, compute interest to the payment date three days later. If the payment is n days late, take the interest as of the payment date n days ago, but never past the most recent payment date. If the payment is three months late, it will use the most recent due date.

> If there is not enough payment, apply the remaining amount to interest.

> Take escrow payment next. If there is not enough payment, apply the remaining amount to escrow.

> If any amount is remaining, apply it to principal.

Payment allocation codes apply the payment amount in the order the amounts are listed in the code description.

Note:

The payment allocation options are:

Option	Description:
0	Late Charge, Int Accrued, Escrow, Principal
1	Interest Accrued, Escrow, Principal, (Ignore LC)
2	Interest through pmt due date, Escrow, Prin, (Ignore LC)
3	Interest through pmt due date, Escrow, Prin.
8	Late Charge, Interest for one month (Period), Escrow, Prin
9	Interest for one month (Period), Escrow, Prin (Ignore LC)
12	Take escrow, then late charge, then interest accrued, then principal.
11	Chapter 11 loan. Allocate manually according to instructions from trustee.
13	Chapter 13 loan. Allocate manually according to instructions from trustee.
21	Calculate interest to nearest payment date. Take interest only.
22	Principal Only.
23	Interest only, interest accrued
31	This is a rental property. Apply the entire payment amount to the principal.
98	Allocate nothing. Wait for operator entry. Adjust principal as operator changes the other components
99	Allocate nothing. Wait for operator entry. Reject if not balanced.

Late Charge Options

LOANMASTER allows many options for calculating late charges. The default setup options are:

```
Charge Late Charge on Day  :     10.
Late Charge Rate $ or %     :      0.0500
Minimum Late Charge ($)     :      1.00
Maximum Late Charge ($)     :      5.00
Calculation Method                 :       0.0
```

Late Charge After Day

If a loan becomes this number of days past due, charge a late charge. The late charge amount is calculated according the settings of the other options listed immediately below.

Late Charge Rate

This option is used to calculate the amount of the late charge. It can mean two different things. If the number you enter in this option is 1.00 or more, it is interpreted as an absolute dollar amount. If it is 0.99 or less, it is interpreted as a decimal fraction which will be multiplied by the payment amount to calculate the late charge.

Examples:

Payment Amount	Late Charge Rate	Late Charge Amount
100	0.05	$5.00
100	1	$1.00
100	2.5	$2.50
100	0.01	$1.00
1000	1	$1.00
1000	0.025	$25.00

Late Charge Method

The only currently valid method is 0. (Zero)

The default calculation method is zero. This calculation is as follows:

If a late charge is due today...

Do this...

    If the calculation method is zero...

        If the late charge rate is greater than or equal to 1.00, the late charge is equal to the late charge rate.

        If the late charge rate is less than 1.00, the late charge amount is the late charge rate multiplied by the payment amount. The rate is interpreted as a decimal fraction.

        If the late charge amount is less than the minimum amount, change it to the minimum amount.

        If the late charge is greater than the maximum amount, change it to the maximum amount.

    If the calculation method is not zero...

        Do something else.

Late Charge Minimum Dollar Amount

Regardless of the amount calculated, do not charge a late charge of less than this dollar amount. If the calculated amount is less than this amount, charge this amount instead.

Late Charge Maximum Dollar Amount

Regardless of the amount calculated, do not charge a late charge of more than this dollar amount. If the calculated amount is more than this amount charge this amount instead.

Interest Calculation Basis

 This is the basis by which the interest is computed. The update always computes interest every calendar day during the life of the loan, one day at a time.

Each day the interest formula is computed for every loan. This is the formula:

$$\text{Daily accrual} = \frac{(\text{Current balance}) \ \text{x} \ (\text{rate, current})}{(\text{Basis})}$$

The basis can be either 360 or 365. Most banks use 360. This practice increases your interest income by 1.3889%.

Basis 12:

> For monthly amortizing loans. Interest on these loans is calculated as if every payment was made on time regardless of when the payments are actually made. Requires TRACKAM. When using basis 12, late payments will not increase the interest accrual and early payments will not reduce it. Loans that are prepaid enough to warrant credit for early payment must be manually adjusted.

WARNING:

If you do not know what you are doing, using the 360 day basis can cause you to run afoul of regulation Z and some state usury laws.

We recommend you always use the 365 day basis.

Payment Frequency

For loans with a structured repayment schedule, this is the number of payments per year.

NOTE:
Only commonly used schedules are supported. The data entry screen will display a pick list if an invalid number is entered.

Valid options are:

1, 2, 3, 4, 6, 12, 13 ,26, 52

Payment Type

How are payments applied to the loan.

The payment type is a numeric code that gives the program information about how the payment amount is processed. Valid payment codes are:

1	Normal amortization. take all interest first, apply remainder of payment amount to principle.
4	Interest Only. (Don't forget to set the proper payment allocation code.)

6   Credit card billing. Adjust the payment monthly to an amount equal to a
              percentage of the outstanding balance. (See - Minimum Payment Percent)

7   Credit card billing. Adjust the payment amount each month to the amount required
              to amortize the balance in a specified number of months. (See - Months to
              Amortize)

31   Rent. This is a rental property. Set the Payment Allocation Code to 31 also.

Credit Quality Grade

Credit ratings are optional and user defined. The following are predefined but may be changed. If
you plan to change them, do so before you start assigning them or you will have meaningless
results.

Predefined credit ratings:

A   No discernable risk
              You would expect to get paid even if the borrower filed chapter 11 and the US
              Government failed.

B   Less than average risk
              Something disastrous might cause this customer to default on a loan.

C   Average risk
              80% of your customers are (should be) in this class. You feel comfortable with
              them but normal daily occurrences will result in losses of three to five percent of
              these customer's loans.

D   More than average risk
              You are not really comfortable with this customer. There is a significant
              probability (Greater than 50/50) that you will have to foreclose and sell the
              collateral to resolve any loans extended to this customer.

E   High risk
              You are decidedly uncomfortable with this customer. You are almost certain his
              loans will be delinquent on most payments and you are sure you will have to work
              very hard to collect any amounts advanced. The likelihood is that you will have
              25% or greater losses on these customers.

F   Unacceptable risk
              User defined. Do not under any circumstances advance funds to customers with
              this rating.

User Defined Loan Status

The User Defined loan status is optional and user defined, There are no predefined status codes.

System Loan Status

This status code defines how the system treats loans. These status codes are predefined.

Status Code	Meaning
0	Incomplete setup
20	Funded and Accruing
40	Deferred indefinitely. Do not update
42	Bankruptcy Hold
80	Charged Off
90	Paid Off
97	Ready for Deletion
99	Delete Immediately

Mail Code

This code controls the mailing of notices and bills. See user options for more information.

Mail Code	Meaning
0	No restrictions. Print any notice that is due
1	Print will be due notices. Do not print Past due notices
2	Print past due notices. Do not print will be due notices.
3	Print no notices.

The mail code field is a four character field. It may contain any legal ASCII character codes. This

field is only partially defined by LOANMASTER.

Predefined Mail Codes:
- indicates a blank space.

----   No restrictions on mailing

P---   Mail past due notices only

W---   Mail billing (will be due) notices

N---   Mail no notices

If the mail code for a loan is set to P. When past due notices are printed, if it is past due, it will receive a notice. It will not receive a notice when billing notices are printed. The following table details the possibilities:

Mail Code	Print Bills	Print Past Due
---- (Blank)	Y	Y
P---	N	Y
W---	Y	N
N—	N	N

Officer

Officer codes identify the employee of the lender who is responsible for the day to day servicing of the loan and normal contacts with the customer. Officer codes are optional and user defined.

Loan Defaults Tab 2

system_options_5.png

Portfolio

The portfolio code you enter here will ab automatically assigned to each new loan when you create it. Before you same it, you will have an opportunity to change it. If most of your loans are created in a specific portfolio and only a few in other portfolios, set this default to your most common portfolio code. If your loans are evenly distributed among several portfolios, just leave it blank.

A portfolio is a group of loan that share one common, important, distinguishing characteristic.

They all belong to company "A"

They all belong to company "B"

They are all home equity lines

They are all in California

Example:

The Acme Company is a holding company. It owns the Acme Used Car Company, the Acme Home Improvement Company, and the Acme Lawn Sprinkler Company.

The Acme Used Car Company sells and finances only the very finest and most exclusive pre-owned automobiles. The Acme Lawn Sprinkler Company installs the very latest, state of the art sprinkler systems. These systems are very expensive because they sprinkle your lawn with only the purest mountain spring water. The Acme Home Improvement Company Beautifies the most elegant homes in the country. This is accomplished by encasing the home in the most amazing, brand new, state of the art, cutting edge, space age material. It is a metallic substance that is so advanced, we can't even disclose its name.

All the Acme Companies offer financing to their clients. The accounting for these finance plans is done by the holding company. The Acme LOANMASTER system uses the portfolio system to identify the owner of each contract. This is accomplished by assigning the following portfolio identifiers:

Portfolio ID	Owner of Contract
UCC	Acme Used Car Company, Inc
HIPC	Acme Home Improvement Company, Inc
LSC	Acme Lawn Sprinkler Company, Inc

The Accountant responsible for the maintenance of the loan portfolios has only one single system with one single database to manage. Through the use of the portfolio system, the accountant can produce accounting reports for any individual subsidiary company or aggregate reports for the holding company.

NOTE:

Several reports are available for a range of portfolios. These range selections will not be meaningful unless your portfolio codes are sequential.

User Status

This field is user defined. It is not used by the system.

Credit Card Minimum Payment

If the payment amount calculated for this billing cycle is less than the minimum payment, Charge

the minimum payment amount.

Credit Card Months to Payout

Calculate the payment amount necessary to amortize the current balance in this many months. Observes the minimum payment amount.

Credit Card Percent of Principal Balance

Calculate the payment amount by multiplying the current balance by this percentage. Observe the minimum payment amount.

Discount Amortization Method

The method used to amortize (accrue) purchase discount.

Currently only FASB91 is supported. Set value to 0. (Zero)

Collections Priority

Not currently used

Escrow Analysis Date

Not currently supported.

You can assign the date but the system does not yet perform the analysis.

Dealer ID

The dealer id of the dealer from which this loan was purchased. Dealer ID's are optional and user defined. If you want name address information for your dealers, set each dealer up as a customer then assign the dealer customer number as the dealer id.

Example:

Dealer	=	ABC Appliances, Inc
Dealer Customer No.	=	ABCI
Dealer Code	=	ABCI

System Options Tab 1

system_options_6.png

Date Format

Current Date Formats are:

MDY	MMDDYY	MMDDYYYY
DMY	DDMMYY	DDMMYYYY
YMD	YYMMDD	YYYYMMDD

SHORT   Windows defined short date format.

The number of digits in the year display is controlled by the four digit year option.

Four Digit Year

If this field is set to True, "T", all data entry fields requesting dates will require the entry of a four digit year. e.g.

06-15-2001

LOANMASTER now assumes that any two digit year less than 60 is in the next century. If you enter a two digit year of 12, e.g. 07-01-12, LOANMASTER assumes this is July first, 2012. If you want to be certain you can see all four digits by setting this option to "T".

Pre-Due Notice at Day

This field holds the number of days prior to the payment date at which the loan should receive a will be due notice.

If this field is set to 7, a loan with a payment due on the 20th, will receive a will be due notice on the 13th.

Do not set this limit very high. If a notice is received more than about 7 to 10 days early, it will be forgotten before the due date.

Past-Due Notice at Day

This is number of days past the due date that a loan will be marked to produce a past due notice. If this field is set to 10 (days), the loan will receive a past due notice when it becomes ten days past due.

Past Due Notice Frequency

Days. Send a new past due notice after this number of days.

Payment Fraction For Credit

Occasionally a borrower will pay the wrong amount. Perhaps the payment is late but the late charge is not included.

If the borrower pays 99% of the payment amount due, should the loan be considered past due or current?

This fraction tells the computer to credit the loan with a full payment if the payment amount posted is greater than or equal to this payment fraction. This does not mean to decrease the balance by more than was actually received. It does mean to consider the current monthly payment requirement to be met and to advance the calendar to show the next payment due next month.

If this fraction is set to 0.98, and the loan payment is $100.00, a payment of $98.00 will advance the maturity indicator to show the note to be paid current. A payment of $97.99 or less will leave

the loan status unpaid for this month.

Years History

Keep the year end history information for this number of years. Defaults to 99 years.

Rollover Year

If date years are entered as two digits. Assume numbers greater than this number refer to the twentieth century and numbers smaller than this number refer to the twenty first century.

The rollover year is set to 60. This is not optional.

Example:

Roll over year = 60

01/01/00	means	01/01/2000
01/01/01	means	01/01/2001
01/01/50	means	01/01/2050
01/01/59	means	01/01/2059
01/01/60	means	01/01/1960
01/01/99	means	01/01/1999

Coupons

The coupons option controls the creation of coupons. Creation of coupons does not mean printing of coupons. When a coupons is created, a record of the payment is added to a data file that records coupons. It is not printed until you request the system to print coupons.

Once printed, the coupon is retained in the coupons file until you purge the file. They can be reprinted an unlimited number of times until you purge them. Purging eliminates them forever. Purged coupons cannot be recovered. New coupons can be created for past payment dates.

Coupons Options

0	Never create coupons.
1	Create coupons for every new loan
2	Ask before creating coupons.

Visual Update

Many of the functions which read and update the files, have visual indicators which can be displayed on the screen. These indicators give the status of and track the progress of the update. These visual updates do slow the update process, and may be turned off.

Setting this flag to True, "T" means the visual screens will be displayed. If the flag is set to False, "F" they will not be displayed.

Date Last File Update

All loans in the system have been updated through this date.

If this is a past date, loans entered into the system after this date, which have note dates prior to this date, have not been updated at all.

Update in Process By

This field will contain a UserID. This user is currently updating the files and no one else can use them.
This applies only to the daily loan file update procedure. It is not affected by normal daily posting and maintenance. You should never see any data in this field because it is only populated during the update procedure and you cannot access this file during the update procedure.

If you find a UserID in this field, the most recent update crashed and did not finish.

Next Transaction Sequence

All transactions are assigned a serial (sequence) number. This is the number that will be assigned next. You can (but should not normally) change the number.

Portfolios

If portfolio identifiers are not used. Un-checking this option will remove the field from loan forms and simplify data entry.

Checked   Observe and require the use of the portfolio identifier in each loans.
Un-Checked   Ignore the portfolio ID

Visual Update

Print the updated amounts on the update screen during the daily update procedure. This function is interesting to new users but is rarely used by "experts".

System Options Tab 2

system_options_7.png

Live System

A live system is a system that contains information about real loans that the user is actually using. This is information that should be protected against loss. Declaring a system "Live" removes the

opportunity to do mass deletes and several other dangerous functions.

The opposite of a live system is a demo system which contains data that would cause no damage if it were lost.

Check Charge Penalty Amount

The dollar amount to be charged for returned check charges.

Days to Keep Data Edits
Automatically delete all records of data edits older than this number of days.

Days to Keep Coupons

Automatically delete all loan payment coupons older than this number of days. (Whether they have been printed or not.)

Check Charge Penalty
The dollar amount charged as a penalty for returned checks. This amount can be automatically posted by the payment reversal screen.

Past Due List Minimum Number of Days

Do not show loans on the past due report unless they are at least this many days past due. Defaults to 9.

Auto-Number New Loans
Automatically assign a loan number from the Loan Numbers database each time a new loan is created.
If this check box is checked, the system will assign loan numbers. If it is not checked, the user must manually assign a loan number when each new loan record is created. See page 123 for more information about Auto-Number,

Serial Number
Must be entered by the user. This number unlocks the expiration date set by the Evaluation feature of the program.

Date Installed

Must be entered by the user. Enter only the date you received when you received your codes to unlock the Evaluation Mode.

Fiscal Year End
Close out on this fiscal year end date instead of 12/31.

Payment Receipt Style
Select the payment receipt style. Print all styles to see which you prefer.

Strict Loan Dates
This option controls the way payment due dates are advanced. If this option is turned on, a payment will be due next month, every month, even if the borrower pays two or more payments this month.

If this option is turned off, payment of two payments will advance the payment due date by two months.

New System Setup - REQUIRED Options

Lender Tab

Name and address is required, rest is optional.

Servicer Tab

This is where the return address information for all correspondence will be retrieved. If you want it to appear on your notices and customer correspondence, it must be present on this tab.

Loan Defaults Tab 1

Everything on this tab is optional. The defaults work find for most lenders.

Loan Defaults Tab 2

If you are using portfolios, you might want to change the default portfolio from "A" to whatever the code is for your most used portfolio. If you do not use portfolios, blank it out.

System Options Tab 1

The defaults work fine for most lenders.

Date Last File Update

You MUST change this date to your system starting date BEFORE you do your first daily update with live data.. Failure to do so will totally trash your data.

System Options Tab 2

You must make several changes on this tab.

Enter your serial number.

Enter your Install date (this is the date assigned by Bottom Line Software, Inc. when they send you your key codes.

Check the Live System check box. This disables the evaluation feature that allows you to import and re-import new test data and delete all the loan and customer data.

All other items on this tab will default to values that are suitable for most small lenders.