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# Configuring Tools for Collections

## Developing a Collections Strategy

### INTRODUCTION

Before your credit union can begin taking advantage of the many tools CU\*BASE offers for managing day-to-day collections efforts, it is important to understand how you can set up those tools to meet your credit union's needs.

This booklet describes configuring various CU\*BASE tools in order to set up an effective collections *team* that includes all credit union staff from the CEO to the loan department, from the Collections Manager to the front-line staff.

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For an updated copy of this booklet, check out the Reference Materials page of our website:  
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# OVERVIEW: SETTING UP A COLLECTIONS DEPARTMENT

When asked when does the loan collections team get involved in servicing a loan, many people mistakenly reply, “When the loan goes  $x$  number of days delinquent.” In reality, the collections team should get involved prior to the loan even being approved.

The very concept of **servicing** a loan only has one primary focus: **collecting**. Therefore, when a credit union team discusses organizing the collections department, it is very important that they consider the entire lending process, and how the individual steps involved in servicing a loan can either hinder or enhance the collection of the outstanding debt.

The main objective of this guide is to get your team to consider the following:

- Who plays which roles in the collection of a loan?
- What tools are available for the team to use?
- What is the credit union’s policy as to the entire loan servicing procedure?
- What are the goals of this collections team?

After planning for the entire process, the next step will be to configure your CU\*BASE tools using the instructions in this guide. Then make sure your entire collections team knows how to access the instructions available in CU\*BASE GOLD On-Line Help for all CU\*BASE collections tools.

Remember, the key to collecting on a member’s debt is a complete plan where everyone is communicating and working as a team — a CU\*BASE specialty!

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# THE EFFECTIVE COLLECTIONS TEAM

Who is involved on the credit union's Collections Team? Just like a football team can't win with just a quarterback and a coach, an effective team doesn't just include Collectors and the Collections Manager. Everyone from the CEO to the front-line teller plays an important role in making the collections effort work:

The **Teller** and **Phone Operator** . . .

*. . . who make sure that members make the correct loan payment and are aware of any delinquency problems.*

The **Loan Officer** and **Member Service Representative** . . .

*. . . who gather all of the necessary information to handle the member should a delinquency problem occur.*

The **Collector** . . .

*. . . who gathers collection information and presents it in a format other staff can use to collect from the member.*

The **Collections Manager** . . .

*. . . who uses data gathered by the Collectors to ensure that credit union policies (such as repossession and legal action) are followed correctly and consistently.*

The **Loan Manager** . . .

*. . . who evaluates collections statistics to check for contributing underwriting problems and ensures that the best lending decisions are being made.*

The **Controller** . . .

*. . . who analyzes collections and lending statistics to maximize return and minimize loan loss reserves.*

The **CEO** . . .

*. . . who routinely reviews and analyzes the results of Lending and Collections efforts with an eye toward the credit union's growth and stability.*

Even if the members of your team wear more than one hat, do they know the role they play in the collections effort? Are they comfortable with the many CU\*BASE tools available to make their work easier and more consistent? Has your credit union taken advantage of all of the configuration tools to automate the parameters used to control delinquency fines, notices, and monitoring?

Whether you need to set up your collections policies from scratch, or you just need a refresher on what is important, read on...

# ARMING YOUR TEAM WITH THE PROPER TOOLS

In setting up an effective collections team, the most important step is making sure that the team members not only know their responsibilities, but what tools are available to get the job done.

Although the tools described below are used by everyone on the credit union staff, data compliance is very much a collections issue. The goal of any collections team should be to keep members from going delinquent in the first place. Meeting this goal takes planning, training and practice.

<i>Tool</i>	<i>Features</i>
Member Inquiry Phone Inquiry	<ul style="list-style-type: none"> <li>• Pop-up member comments, including configurable automated delinquency comments.</li> <li>• Reverse image and delinquency indicator for delinquent loans.</li> <li>• Display showing the amount needed to bring the loan current.</li> <li>• Account statistics showing delinquency status, including number of times delinquent, fines, notice level, etc.</li> <li>• Command key access to additional loan data, including secured shares, collateral, payroll deduction, automated transfers, trackers, etc.</li> <li>• Payment history and other contract information, including due dates, amounts, daily per diem, interest rate, etc.</li> <li>• Fine flags and delinquency type monitoring codes.</li> </ul> <p><i>SEE ALSO: Pages 19 and 22</i></p>
Trackers	<ul style="list-style-type: none"> <li>• Manually-generated Trackers containing instructions and background on member service issues.</li> <li>• Automated Trackers generated by the system to warn of delinquency, negative balance or over-disbursement situations.</li> <li>• Follow-ups to remind and prompt staff to action.</li> <li>• Collection Card Trackers to maintain an ongoing record of all collections activity.</li> </ul> <p><i>SEE ALSO: Page 19</i></p>
Delinquency Fines	<ul style="list-style-type: none"> <li>• Designed not just to be punitive to the member, but to help recover the costs associated with the collections effort.</li> <li>• Flexible; configured by the credit union to convey the credit union's style and encourage desirable behavior.</li> <li>• Can be automatically attached to each loan category to ensure consistent use of configured fines.</li> </ul> <p><i>SEE ALSO: Page 17</i></p>

<i>Tool</i>	<i>Features</i>
Notices	<ul style="list-style-type: none"> <li>• Designed to prompt a member to act.</li> <li>• Multiple levels configured by the credit union—the longer the member has been delinquent, the stronger the text can be.</li> <li>• Notices are generated automatically based on delinquency configuration.</li> </ul> <p><i>SEE ALSO: Page 19</i></p>
Freezing Member Access To Accounts	<ul style="list-style-type: none"> <li>• To prevent additional disbursements on delinquent loans, whether at the teller line or through automated processes such as a ATM, Audio or ACH.</li> <li>• To stop a delinquent member from withdrawing share funds that might be required to meet the loan obligation.</li> </ul> <p><i>SEE ALSO: Page 22</i></p>
Household Database	<ul style="list-style-type: none"> <li>• To ensure that crucial data such as household members, employers, wages, assets and debts are recorded not only for collections efforts but for use by all credit union staff from lending to tellers.</li> </ul> <p><i>SEE ALSO: CU*BASE GOLD On-Line Help, Index keyword "Household"</i></p>
Underwriting Comments	<ul style="list-style-type: none"> <li>• To provide a means of communicating between collectors and loan officers and summarizing the results of collections efforts to aid in making future loan decisions.</li> </ul> <p><i>SEE ALSO: CU*BASE GOLD On-Line Help, Index keyword "Underwriting Comments"</i></p>
Loan Classification	<ul style="list-style-type: none"> <li>• A full classification coding and reporting system that allows the credit union to manage loan loss reserves on line.</li> </ul> <p><i>SEE ALSO: CU*BASE GOLD On-Line Help, Index keyword "Configure Classification Codes"</i></p>
Printed Reports	<ul style="list-style-type: none"> <li>• <b>Collection Delinquency Report</b> - An on-demand report showing all of the delinquent accounts as listed on the daily Delinquent Loans inquiry screen.</li> <li>• <b>Delinquency Analysis Report</b> - An on-demand report showing delinquent loans categorized for reporting to examining agencies.</li> <li>• <b>Delinquency Payment/Credit Activity Report</b> - A daily report showing payments made on delinquent loans.</li> <li>• <b>Delinquency Increase Report</b> - A daily report showing the movement of members into, out of and within the collections system.</li> <li>• <b>Loan Classification Report</b> - An on-demand report showing loan classifications and calculations for your credit union's reserve amounts.</li> <li>• <b>Risk Score Analysis Report</b> - An on-demand report summarizing all delinquent loans using your normal collections aging parameters, grouped by risk score ranges within each aging group.</li> </ul> <p><i>SEE ALSO: CU*BASE GOLD On-Line Help, Collections (MNCOLL) and the separate "Risk-Based Delinquency"</i></p>

<i>Tool</i>	<i>Features</i>
	<i>Analysis Tools” and “On-Line Credit Bureau Access: User Guide” booklets</i>
Managing Member Payments	<ul style="list-style-type: none"> <li>• Payment Matrix - used to control how payment funds are distributed among fines due, principal, and interest.</li> <li>• Payroll Deduction, AFT, ACH and Escrow accounts for automating a member’s loan payments.</li> </ul> <p><i>SEE ALSO: Page 13</i></p>
Managing Written-Off and Charged-Off Loans	<ul style="list-style-type: none"> <li>• Written-off loans can still be serviced via CU*BASE; inquiry on the loan status is available and payments can still be made on-line. A special loan category is used to make tracking easy, and the accounting is against the credit union’s loan loss reserve account.</li> <li>• Charged-off loans are actually closed accounts that are retained in the closed account files to show history of problem debts with the member. Servicing cannot be done via CU*BASE, but history is stored for future reference.</li> </ul>

Does your staff know how to make the best use of these tools? Does your credit union have policies and procedures in place to ensure that the tools are used correctly and consistently? Is the data recorded correctly so that it can have the maximum effect? If even your best efforts are not successful, are your bases covered in case of legal action?

**Most important, does everyone know what to *do* with the information available?**

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# PREPARING FOR THE BIG GAME: END OF MONTH

Like the high school football team that devotes time and energy all week long in preparation for Friday's big game, all of your collections activities throughout the month should be in preparation for your big game: end-of-month delinquency reporting. If the goal is to prevent members from appearing on the report, to win that report should be as clean as possible, with no surprises.

That's why it's important to work from the daily collections inquiry screens rather than a report that is only printed once during the month. The successful collections team depends on the most up-to-date information so they don't waste time on accounts that have been caught up, and can catch the newly delinquent accounts before they get out of control.

## Playing The Percentage Game

Another factor in the collections arena has to do with when loan payments come due, in relation to the monthly reporting time frame. When it comes to the goal of keeping delinquent accounts off the reportable list, one thing that can help is to set loan payment due dates earlier in the month. This can provide more time for a collector to notice the problem and take action before the account makes it to the report, as illustrated below:

<i>Loan Payment Due Date</i>	<i>Number of Days Delinquent at March 31 Monitoring</i>	<i>Comments</i>
January 1	86	These first two loans have been past due without being reported for at least two weeks, allowing more time for the collector to work the accounts before they must be reported.
January 14	76	
January 31	61	This third loan has not been past due as long and will be reported for the first time on almost the same day it actually moved past 2 months delinquent.

This technique is just another weapon in a collections manager's arsenal to keep delinquency under control and present your credit union in the best possible light to reporting agencies and examiners.

## Helping a Member to Pay

From the moment a loan is approved, the credit union's goal should be to make it as easy as possible for the member not to become delinquent. Remember these tools in the CU\*BASE arsenal to assist your member in making their payments regularly and on time:

Automated Funds Transfer (AFT)	ATM
ACH	Telephone Services (Phone Op)
Audio Response	Loan Coupons
Payroll Deduction	

## Motivating the Member to Pay

When planning a collections system, it is important to know when to turn up the heat. These tools can help when the time is right:

- Delinquency Fines
- Delinquency Notices (automated and on-demand)
- Member Comments directing Tellers and MSRs to ask for payments
- Freezes to deny the member's access to funds

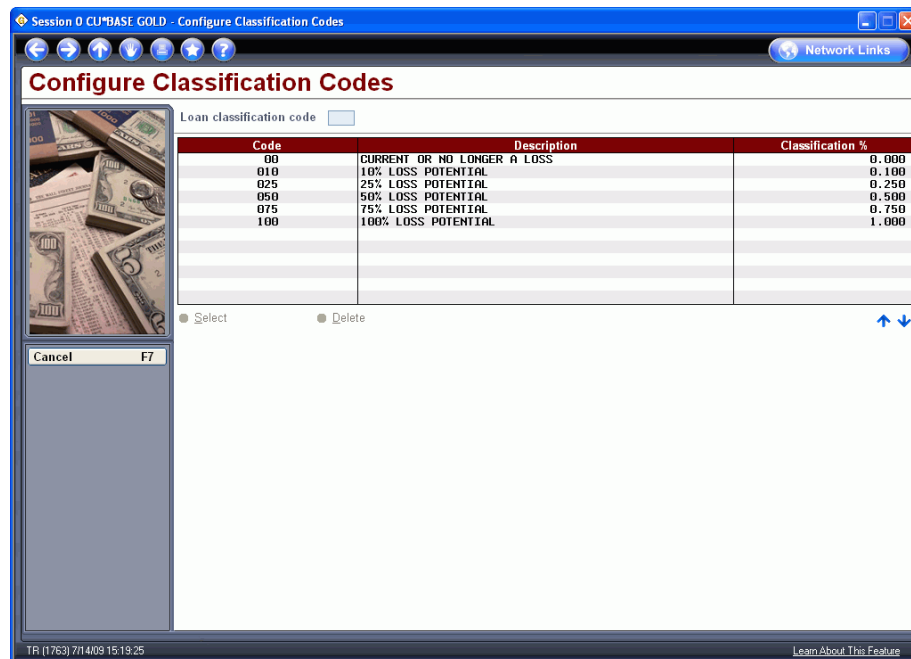
# CONFIGURING LOAN CLASSIFICATION CODES

Managing loan loss reserves can be a tricky process. The combination of history and loan classifications can lead to off-line subsidiaries and tracking systems that need to be created, updated, and maintained. What loans were classified last audit? The audit before? For which loans should the loan manager anticipate that the examiner will want an update? What is our current classified portfolio balance? What percentage of loans that were classified in the past have since been written off?

The CU\*BASE Loan Classification Codes system allows the credit union to track potential problems on-line, and the information is protected by backup and disaster recovery procedures as part of the credit union's database.

Remember, preparation is the key to any audit or examination. Reviewing the loans that the auditor/examiner found interesting in previous audits will help make sure you have the best chance of avoiding repeat problems.

MNCNFB #22 "Loan Classification Code Config."  
Screen 1



This is the first of two screens used to configure Loan Classification Codes. To create or modify a code and its reserve percentage, enter a three-character code (alpha or numeric) at the top of the screen and use Enter to proceed to the second screen.

Classification codes can be set up to handle many different situations:

1. **To calculate the portion of the principal balance to be reserved as potential losses.** *For example:*

Code 010 = 10% Loss Potential  
 Code 025 = 25% Loss Potential  
 Code 040 = 40% Loss Potential  
 Code 090 = 90% Loss Potential

<u>Loan Account</u>	<u>Current Balance</u>	<u>Code</u>	<u>Reserve Total</u>
1235-780	10,150.00	010	1,015.00
78945-650	20,525.00	025	5,131.25
98599-780	17,500.00	040	7,000.00
10493-754	100,000.00	090	90,000.00

2. **To track previously classified loans that have returned to a current status.** *For example:*

Code 950 = Loan classified in 95 audit, but current with no reserve %

3. **To track loans that have reserve percentages and the audit year.** *For example:*

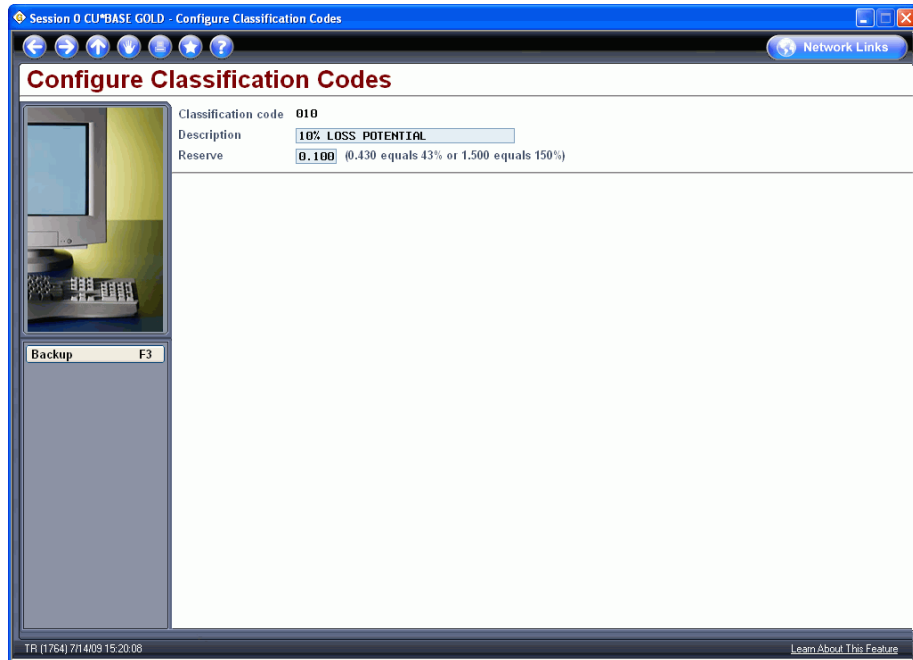
Code 951 = Loan classified in 95 audit, with a reserve of 10%  
 Code 969 = Loan classified in 96 audit, with a reserve of 90%

4. **To track loans that have had documentation problems in the past, and might merit auditor/examiner interest in the upcoming audit.**

*For example:*

Code 495 = Poor documentation finding in the 95 audit

Screen 2



On this second screen, enter a complete description of the Classification Code. Use the final field to enter a percentage to be used in calculating loan loss reserve amounts for loans flagged with this classification code. For example:

Loan Account: 12365-780  
Current Balance: 10,000.00  
Classification Code Reserve %: 25%  
Amount Calculated as the Reserve: 2,500.00

If no reserve is needed for loans with this code (such as a code used to report loans with documentation problems for auditors), leave the percentage field blank. When done, use Enter to record the change and return to the previous screen.

*For information on flagging individual loan accounts with these Classification Codes, refer to the Collections (MNCOLL) chapter in CU\*BASE GOLD On-Line Help.*

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# DETERMINING A DELINQUENCY FINE STRATEGY

The number one motivational tool in collecting a loan can be a member's pocketbook. Therefore, the use of fines can be a very effective tool in working with delinquent members. From the cost accounting standpoint, the very fact that you must employ a collections team points to the need to collect funds to offset their efforts.

There are many factors to be considered when configuring fines. Understanding and explaining these factors to members and other credit union staff is an important part of a collector's responsibility.

Three configuration settings have particular importance to how delinquency fines will affect member loans. It is the combination of these settings that can make explaining delinquency fines tricky, so it is important to understand each and how they can interact with each other.

- **Delinquency Control** - This code controls whether or not delinquency is monitored, and if so, whether or not the loan can be paid ahead or if one full payment is required every period in order for the loan to remain current.
- **Payment Matrix** - The system uses this to earmark funds from the loan payment to be distributed among various segments, including interest, principal, fines, escrow and miscellaneous funds (such as sales tax).
- **Delinquency Processing/Partial Pay Setup** - This flag, which is defined in your credit union's CU\*BASE master parameters, controls whether or not the payment of a fine is required in order to bring a loan current.

Ultimately, fines are never a positive situation for anyone involved. The credit union reluctantly charges the fine, the member begrudgingly pays the fine, and often the person collecting the fine is stuck in the middle. It is important that a Collections Manager communicate the importance of why fines are used and how they work. Nothing is more embarrassing to a collector than when a member can prove that a fine was charged in error. It is important that the credit union has credibility in the collections process, and that credibility comes from everyone knowing how the system works.

## DELINQUENCY CONTROL

This code helps the system determine how the next payment date is advanced on the loan, and thus, whether or not the loan is considered delinquent. There are three different types of delinquency controls:

P	<p>The next payment date will not advance more than one payment period. Loans cannot be paid ahead. This method is typically used on open credit loans.</p> <p>For example, on March 5 a member makes a \$100 payment. The monthly payment amount is only \$50 and the member is not delinquent. The system treats this as one payment and advances the next payment due date to April 5.</p>
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(blank)	<p>The next payment date is advanced according to the number of payments made.</p> <p>For example, on March 5 a member makes a \$100 payment. The monthly payment amount is only \$50 and the member is not delinquent. The system treats this as two payments and advances the next payment due date to May 5.</p>
N	The system neither monitors nor controls the next payment date or delinquency on the loan.

These codes are assigned to the Loan Category, but can be modified on an individual loan account if necessary.

## PAYMENT MATRIX

The Payment Matrix on a loan determines how the funds from a loan payment are distributed among the various segments: principal, interest, fines, escrow (optional), and miscellaneous funds (optional).

### Sample Payment Matrix

- 1 Fines
- 2 Interest
- 3 Principal

If the member makes a payment less than the regularly scheduled amount, the system would pay fines first, then interest, then any remaining funds onto principal.

The rules for how these funds are applied are flexible and configured by the credit union. Therefore, you can choose to accelerate the crediting of principal but it may result in other segments receiving less. Generally, credit unions will satisfy outstanding fines first, then interest due, and finally, principal. If a credit union uses the optional escrow or miscellaneous funds segments, the order in which these are satisfied depends on the type of loan.

A payment matrix is determined when a Loan Category is configured, but the matrix can be adjusted on individual accounts as necessary.

### Example

A member becomes several months delinquent but then makes six regular payments on time. The credit union views these regular payments as a good faith effort and wants to rewrite the loan to a current status through an extension. However, the examiner feels that the principal should be reduced at an accelerated pace to show further good faith before rewriting the loan.

A compromise using Payment Matrix may be that the loan officer through a “workout” collects a fixed amount of principal first out of every payment before crediting the credit union’s outstanding interest. After the member has made the appropriate number of payments to catch up the delinquent principal, the credit union and examiner may agree to rewrite the loan and set the Payment Matrix back to its original order.

## DELINQUENCY PROCESSING/PARTIAL PAY SETUP

In the loan category configuration there is a *Delinquency fine in partial payment* flag that controls whether or not the payment of fines will affect the loan's delinquency status.

Essentially, this flag controls whether the collection of a fine is necessary in order to move the payment due date ahead to the next period. To better explain the difference between the choices, following are scenarios that show results on the same loan with the flag turned off and with it turned on:

Loan Balance	\$1,000.00	Next Payment Due Date:	March 15
Interest Due	50.00	Regular Payment:	\$125.00
Fines Due	<u>10.00</u>	Frequency:	Monthly
Payoff	\$1,060.00		

### *Delinquency fine in partial payment*

The member pays \$125. The system considers it a partial payment of \$115 and does not advance the next payment due date. In order to avoid delinquency, the member would have to pay the additional \$10.

The member pays \$135. The system considers it a full payment of \$125 on the loan and \$10 on the fine, and advances the next payment due date to April 15.

### *Delinquency fine in partial payment*

The member pays \$125. The system considers it a full payment of \$125 toward the loan, even though only \$115 goes toward satisfying principal and interest due. The system advances the next payment due date to April 15 because the fine is considered part of the full payment used to advance the due date.

The member pays \$135. The system considers it an overpayment: a full payment of \$125 toward the principal and a \$10 fine credit. Therefore it will advance the next payment due date because at least \$125 was paid. A negative side effect of this setting is that any time an actual overpayment is made, everything is credited toward the determination of the next payment date, whether or not it was credited to principal or interest.

Because of the different state laws governing the collection of delinquency fines, CU\*BASE offers the option so that each credit union can select the style that is correct for them. It was designed specifically for state with laws prohibiting the collection of a fine to cause an additional delinquent payment.

## HOW PAYMENT MATRIX AND PARTIAL PAY SETUP WORK TOGETHER

The following scenarios illustrate how the combination of a loan's Payment Matrix and *Delinquency fine in partial payment* flags can affect loan delinquency:

Example

Loan Balance	\$500.00	Next Payment Due Date:	March 15
Interest Due	50.00	Regular Payment:	\$100.00
Fines Due	10.00	Frequency:	Monthly
Payoff	\$560.00		

The member needs \$100 of credit to move the payment due date forward. Depending on how the member’s money is used in making the payment, you may or may not have to subtract the fine from the \$100 needed to move the payment forward.

1st Scenario	2nd Scenario Payment Matrix
<p>Payment Matrix:</p> <ol style="list-style-type: none"> <li>1 Interest</li> <li>2 Principal</li> <li>3 Fines</li> </ol>	<p>Payment Matrix:</p> <ol style="list-style-type: none"> <li>1 Fines</li> <li>2 Interest</li> <li>3 Principal</li> </ol>
<p>The member pays \$100. The system applies \$50 to interest due and takes the remaining \$50 and tries to satisfy principal.</p> <p>Because the balance of \$500 is greater than the \$50 payment, the entire \$50 goes toward principal, and no money is credited toward the fine.</p> <p>However, because both interest and principal have been satisfied, the next payment due date is moved forward to April 15.</p>	<p>The member pays \$100. The system applies \$10 to the fine. From the remaining \$90, the system takes \$50 and applies it to interest due and \$40 toward principal.</p> <p>At this point, the system interprets the Partial Pay Setup flag as to what was applied to principal and interest. If the fine is considered as part of the partial, it adds up \$10 plus \$50 plus \$40 = \$100 and the payment moves forward.</p> <p>If the fine is not considered part of the partial, it adds up \$50 plus \$40 = \$90 which is less than the required \$100 payment and the payment due date does not move forward. In order to avoid delinquency, the member must pay the additional \$10 to satisfy the loan requirements.</p>

To put it another way: a loan’s Payment Matrix divides the loan payment into different segments. The system must determine which segments are credited toward moving the payment due date ahead. Interest, Principal, Escrow and Miscellaneous funds are always included; the only segment that is optional and configured by the credit union is delinquency fines.

## HOW PAYMENT MATRIX CAN AFFECT LOAN PAYOFF

When determining how to set up the Payment Matrix, one important consideration is how it can affect the final payoff of a loan, if the loan ever incurs delinquency fines throughout its life. For example:

- If fines are taken first, and the member never makes an additional payment to cover the fines, at maturity the member will owe principal and interest due reflecting the amount of the fines (as long as fines are not included as part of the partial payment) and the member would be delinquent. If fines were included in the partial payment, the member would still owe principal and interest but would not be delinquent.

- If fines are taken last, and the member never makes an additional payment to cover the fines, at maturity the member will owe no principal or interest due but will owe the amount of fines never collected. In this case, the Partial Pay Setup flag has no effect.

As any collector knows, it is much easier for a credit union to recover principal and interest still owed on a loan than to collect outstanding fines when the member sees that interest and principal have already been satisfied.

## OTHER IMPORTANT CONSIDERATIONS

- Fines are posted to the member inquiry, phone and teller screens as “memo posted” items only. This means that the actual income is not accrued before the fine is paid. It is simply a debt owed by the member but not counted on as credit union income. Therefore, before it is collected the credit union can erase a fine without a corresponding journal entry (this is done using the “Update Member Account Infor.” command, available on menu MNUPDT). Once the fine is paid, the income is recorded using the G/L income account specified in the fine configuration.
- When fines are paid, the system first credits the entire payment to the member’s account and then takes the fines and any other funds earmarked for escrow or miscellaneous use and debits these amounts back against the member’s loan in separate transactions. This makes member statements and transaction histories much easier to interpret, because the transactions show exactly where the money went.

In the following example, a payment of \$250.00 is made, then \$10.00 is debited to cover a delinquency fine:

<u>Total Payment</u>	<u>Interest \$</u>	<u>Principal \$</u>	<u>Balance</u>	<u>G/L Offset</u>
			1000.00	
250.00	50.00 CR	200.00 CR	800.00	Cash or 870.xx
10.00		10.00 DB	810.00	Fine Income G/L

Therefore, if you wish to reverse the collection of a fine, you may simply auto-reverse the individual fine payment transaction. This method is similar to the transactions generated when a member’s payroll is credited to a share account and then transferred to cover loan payments, club deposits, etc. This system of individual transactions allows for a clear and easily audited transaction trail.

- Each payment can only be fined once for a delinquent status. To accomplish this, the system uses only one calculation date for fines, based on a payment due date and grace period.

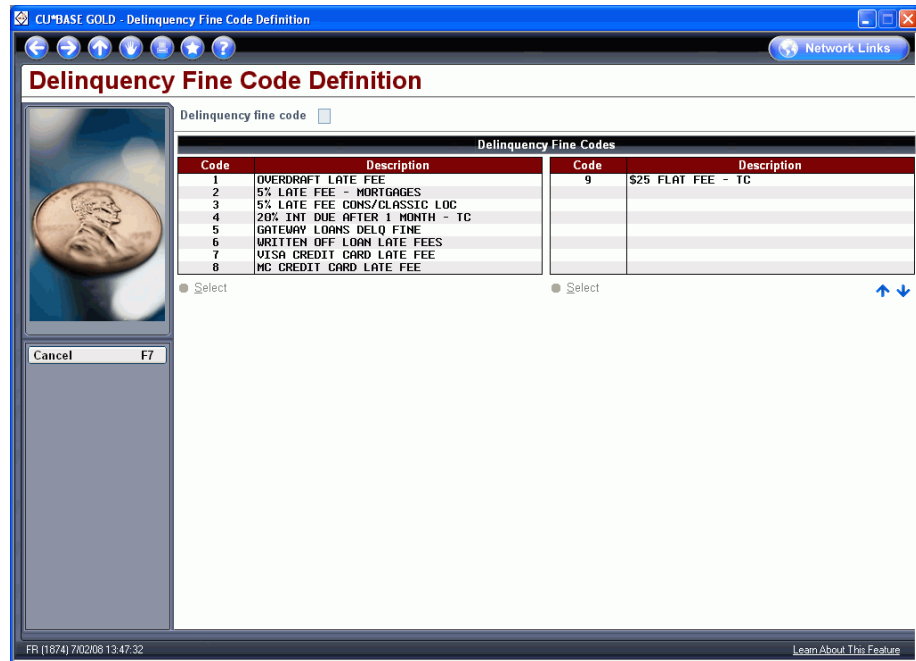
Example

Payment Due Date: January 5  
 Payment Frequency: Monthly  
 Grace Period: 10 days  
 Fine Calculation Date: January 15

If the loan is delinquent on the Fine Calculation Date, the fine is assessed. If the loan is still delinquent on the next Fine Calculation Date of February 15 (February 5 + 10 days grace), another fine is calculated.

# CONFIGURING DELINQUENCY FINES

MNCNFB #23 "Loan Fines Configuration" - Screen 1



This is the first of two screens used to configure delinquency fines. These codes are assigned to a loan note when it is created, and take effect according to the fine configuration when the member becomes delinquent. Enter a one-digit numeric code and use Enter to proceed to the second screen.

**NOTE:** Code "0" (zero) is reserved for "No Delinquency" (no delinquency fines are assessed).

Screen 2

Special Note: These two flags are designed only for certain states that allow these special fine features. Refer to online help for more details.

CU\*BASE GOLD - Delinquency Fine Code Definition

### Delinquency Fine Code Definition

Delinquency fine code 1

Description OVERDRAFT LATE FEE

Assess fine after 30 D = Days

Stop applying fine after maturity date

Waive fine if regular payment made in current period

Calculate fine based upon fee type P = Percentage

Select I = Interest per day, single amount per period

What is the % 20.0 The maximum fee is 99,999.99 The minimum fee is 0.25

General ledger fine income account 131.02

Suspend	F4
Bypass	F8
Delete	F16

FR (1875) 7/02/08 13:51:10 [Learn About This Feature](#)

This second screen lets you set up exactly how and when fines will be assessed, for members whose loans have been flagged with this delinquency fine code. When done, use Enter to record the changes and return to the previous screen.

*For complete field descriptions and other tips on completing this configuration, refer to CU\*BASE GOLD Online Help (click the [Learn About This Feature](#) link while working on this screen).*

# CONFIGURING DELINQUENCY NOTICES AND COMMENTS

MNCNFB #24 "Delinquent Notice Config"

Preset Levels			Recurring Notices	
Level	Activate After	Frequency	Activate Every	Frequency
1	10	D = Days	<input type="checkbox"/>	N/A
2	25	D = Days	<input type="checkbox"/>	
3	50	D = Days	<input type="checkbox"/>	
4		N/A	<input type="checkbox"/>	

Default delinquency notice level for additional signers: 1

Loan to appear on Non-Responsive to Notice list after: 999 D = Days

Produce loan delinquent comment after: 15 D = Days

Comment text: SEE COLLECTIONS OFFICER

Cancel F7

TR (1878) 7/14/09 15:28:16 [Learn About This Feature](#)

**CU\*TIP:** This are the same fields you can also access from the Delinquent Aging Levels Config. screen shown on Page 22.

This screen is used to define when and how the system should generate notices to warn both the member and credit union staff about a loan that has gone delinquent. In addition to the printed notices generated for mailing to members, the system can also generate Trackers and comments to notify credit union staff.

There are two methods for distributing notices: *Preset Levels*, where a different notice is generated depending on how long the member has been delinquent, and *Recurring Notices*, where the same notice is sent again and again. You may use one method or the other, not both.

*For complete field descriptions and tips on completing this configuration, refer to CU\*BASE GOLD Online Help (click [Learn About This Feature](#) while working on this screen).*

## Important Considerations

In order for delinquency notices to have the desired effect, but avoid wasting the credit union's time and money, it is necessary to plan carefully when and how delinquency notices are generated. Because of the expense associated with printing and mailing notices, it is best to avoid using notices as simple "bill paying" reminders.

In addition, it is important to educate all staff as to the procedures to be followed when member comments and trackers are generated. If a teller sees

a delinquent loan comment, should it be ignored or should Collections be contacted? Can a payment be accepted? Does the Collections staff know how to check a tracker and use the information it contains? Is the notice text you set up a year ago still applicable? Do your notices actually do the job?

To help make your Comments work for you and get results for your collections efforts, CU\*BASE allows you to configure custom text to be used in the Member Comments window for delinquent loans, instead of the generic Comment, "THIS LOAN IS DELINQUENT."

You can use this Comment as a way to remind front-line and other staff what to do when a loan is delinquent. In fact, because CU\*BASE automatically highlights a loan account on the first day it is delinquent in inquiry and teller screens, you actually have opportunities for two different actions, one after the loan first goes delinquent, and another once the Comment finally appears.

In the following scenario, a Member Comment is set up to appear at the same time that fines begin being charged:

*ABC Credit Union begins assessing delinquent fines at 14 days delinquent. Member Comments are also set up to appear beginning at 14 days delinquent.*

*Everyone working at ABC Credit Union knows that the first day a loan becomes delinquent, the loan account will be highlighted on inquiry and teller screens. If they are working with a member and notice this highlighting, they are to offer a "friendly reminder" to the member that the loan payment is past due, and offer any assistance they can.*

*After 14 days, the Member Comment will also begin to appear. Because the Comment is timed to coincide with the first day fines are assessed, the text is designed to prompt staff to advise the member that a delinquency fine may have been assessed on the loan, and to encourage the member to make the required payment.*

With the configurable Comment text feature, ABC Credit Union can state in the Comment exactly what should be done, such as:

"ADVISE MBR LOAN IS DELINQ AND FINE MAY BE ASSESSED"

You may also choose to correlate the appearance of the Member Comment with the date on which a freeze is put on the loan account, and include instructions in the Comment such as:

"ADVISE LOAN FROZEN DUE TO DELINQ OVER 30 DAYS"

## CHANGING COMMENT TEXT: CLEANING UP "OLD" DELO. COMMENTS

A change to your configured comment text WILL NOT automatically change existing loans with delinquent Comments. If you would like to "clean up" all existing delinquency Comments from your member accounts, use this one-time procedure:

1. Using one of the above screens, change the *Produce Loan Delinquent Comment after setting to 999 M* (Months).

**HINT:** This setting means never produce delinquency Comments.

2. During end-of-day processing that night, the system will purge all existing delinquency Comments and, because of the new setting, will not produce new Comments for any accounts.
3. The next morning, return to one of the above screens. Change the *Produce Loan Delinquent Comment after* setting to the correct number of days or months, and enter the desired Comment text. That night, during EOD processing, new Comments will be produced for delinquent loans based on the settings you configured.

## Delinquent Tracker Sample

This is a sample of a Tracker record created for a delinquent loan:



NOTE: The system creates a new, separate Tracker record each time delinquency monitoring causes a Tracker to be generated (in other words, it does not simply add new notes to an existing Tracker). Memo Type will always be "DQ" regardless of your credit union's configured memo types. Employee ID will be 99.

## Report Sample

Following is a sample portion of the Non-Responsive Delinquent Loan Report:

Account Number		Member Information		Current Balance	Interest Due	* Delinquent Paym	* Delinquent Amount	** Last Transaction Date	** Last Transaction Type	** Last Transaction Amount	Payment Amount
69-700	MEMBER	STEVE	S	20,014.3	83.88	1	397.96	2/21/97	60	15.92	397.96
	1234	ANYSTREET					MI 49000-3404				
148-700	MEMBER	ARTHUR	L	14,667.9	97.02	2	684.08	2/18/97	60	13.68	342.04
	1234	ANYSTREET					MI 40000-3143				
272-702	MEMBER	SUSIE	Q	12,668.7	16.38	2	302.76	3/04/97	12	222.39	222.39
	1234	ANYSTREET					MI 49999-1141				
418-810	MEMBER	EDWARD		35.4	.67	2	36.15	1/03/97	10	33.00	50.00
	1234	ANYSTREET					MI 45555-9584				
647-701	MEMBER	HARRY	E	1,181.1	19.20	3	279.19	1/10/97	60	3.92	97.99
	1234	ANYSTREET					MI 67890-9300				

# CONFIGURING DELINQUENCY AGING LEVELS AND ACCOUNT FREEZES

MNCNFB #25 "Collection Parameter Config"

**CU\*TIP:** This are the same fields you can also access from the Delinquent Notices Config. screen shown on Page 19.

Level	From		To		Description
	Months	Days	Months	Days	
1		7	1		07 DAYS TO 1 MONTH
2	1	1	2		>1 MONTH TO 2 MONTHS
3	2	1	6		>2 MONTHS TO 6 MONTHS
4	6	1	12		>6 MONTHS TO 12 MONTHS
5	12	1	999	99	OVER 12 MONTHS
6					

Produce loan delinquent comment after: 2 M = Months

Comment text: \_\_\_\_\_

Freeze account after: \_\_\_\_\_ months and 30 days

Accounts to freeze: S = All Except Share Drafts

Use freeze indicator: 1 = Withdrawals & Disbursements Not Allowed

Freeze for delinquent OTB accounts

Freeze for delinquent credit card accounts

This screen is used to set up the delinquency aging categories and other parameters used by the collections system. The category levels you set up here will be used when inquiring on and reporting delinquency via the CU\*BASE system. Unlike the categories required by NCUA and other reporting agencies, these categories can be configured any way your credit union wishes to make collections activity easier to monitor.

The Collection Delinquency report (MNCOLL #18) uses these configured levels when grouping delinquent loans. The Delinquency Analysis report (MNCOLL #19) groups accounts according to the NCUA guidelines (2-6 months, 6-12 months, 12 months and over).

*For complete field descriptions and tips on completing this configuration, refer to CU\*BASE GOLD Online Help (click [Learn About This Feature](#) while working on this screen).*

## Important Considerations

- Levels should be set up to include only those accounts that actually require collections activity. Because the Delinquent Loans Inquiry screen will include all loans, no matter how long they have been delinquent, it is not necessary that the Aging Levels include accounts

that have only been delinquent for a few days. The lowest level should begin at the time when collections efforts would normally be initiated, and could correspond with the date on which the first fine would be assessed.

▮ *Configuring delinquency fines is covered starting on Page 17.*

- To make it easier to separate those accounts which NCUA requires you to report versus those accounts you will not be reporting, a system like the following is recommended: Levels 1 and 2 are used for “preventative maintenance” type activities—those accounts that you want to work to try and keep them off the reportable list. Levels 3 through 6 would be for those accounts you currently report to examiners as delinquent.