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# 360-Day Interest Calculation

## CU\*BASE Mortgage Products

### INTRODUCTION

For many credit unions, a mortgage loan portfolio provides an excellent investment opportunity in the secondary market. However, in order for a block of mortgage loans to be sold as a security, they must conform to certain industry standards for processing so that they can be analyzed using predictable parameters (such as monthly income). Therefore, CU\*BASE mortgage loan processing brings all mortgage loans in line using consistent, industry-standard parameters for monitoring and servicing the loans. This booklet describes in detail how CU\*BASE handles the 360-day interest calculation process.

NOTE: Remember that if your credit union does not need to adhere to the strict guidelines required by the secondary market, you may prefer to set up your mortgage products with the 365-day interest calculation instead, so that your mortgages behave more like other types of loans with the daily accrual when it comes to things like allowing members to make partial payments. (CU\*BASE also offers a 360/365 daily accrual calculation.) If you are unsure what would be the best configuration to use for your mortgage products, don't hesitate to contact a member of the CU\*Answers Lender\*VP team for advice or assistance!

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For an updated copy of this booklet, check out the Reference Materials page of our website:  
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# THE BASICS

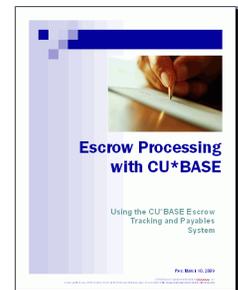
## ESCROWS AND MORTGAGES

Since escrows are a very common feature of a credit union's 360 mortgage portfolio, CU\*BASE Escrow Processing features are tightly connected to the way that payments are handled for loans with this interest calculation type.

Throughout this document, references to the member's "regular payment" will always include the escrow amount in addition to principal and interest, if an escrow savings account has been properly attached to the mortgage loan.

In addition, CU\*BASE Teller, Inquiry and Phone screens, as well as **It's Me 247** online banking, will always show the member's payment amount as *including* escrow. (See Page 30 for tips on how the amount due is calculated for a delinquent loan that has an escrow.)

*For complete details about setting up escrow savings accounts, using the accounts payable feature to pay escrow payees such as tax authorities and insurance companies, and handling the annual duties related to escrow analysis and related member notices, refer to the separate "Escrow Processing with CU\*BASE" booklet available on our website.*

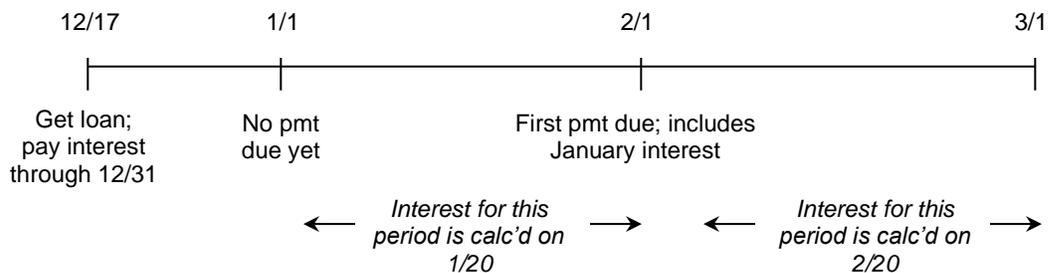


## HOW INTEREST IS CALCULATED

The CU\*BASE 360-day interest calculation type calculates 30 days' worth of interest once every month on a designated day for the current month, to be paid as part of the next month's payment. During end-of-day processing every month on the designated interest calc day, CU\*BASE calculates 30 days' worth of interest for the current month and places that amount in the *Interest due* field on the loan record.

This once-a-month calculation is the industry-standard approach for mortgage servicing, to give adequate time for the current month's payment to be made (therefore interest due would be zero) before calculating the interest for the following month's payment.

Interest is always paid in arrears (i.e., March payment pays February interest), as shown in the following illustration, which assumes a calc date of the 20th:



## “Instant Interest Calc” Method

The system also uses a special “**instant interest calculation**” method to allow members to make their current payment\* at any time during the month, *even prior to the interest calculation date*. For example, a member can make his May payment on April 10, even though interest for the May payment isn’t normally calculated until April 20 (or whatever the designated int calc day).

Assuming a loan isn’t past due, if interest for the month hasn’t been calculated yet, when a payment is made CU\*BASE will:

- **Calculate the interest amount** immediately, on the fly, using the same calculation as is normally used on the configured calc date);
- Update the **Next Interest Calc date** field on the loan account record\*\* so that interest is not calculated again for that same month;
- Post the transaction with a unique **Tran Type of 15** to indicate that the instant calc method was used; and
- Post the paid interest amount directly to the **income G/L** defined in the loan category configuration.

\*If the loan is past due (one or, at most, two payments), the system will make use of a separate *Delinquent interest due* bucket to determine the interest amount for the first catch-up payment, rather than using the instant interest calc method. See Page 26 for more information about how payments on delinquent loans are handled by CU\*BASE.

\*\*As described on Page 35, when reversing a transaction that used this method, the system will NOT change the date for the next interest calculation back. Instead, the interest amount is simply put back into the *Interest due* bucket to show that it has already been accrued for that month, and interest won’t be accrued again for that account until the *Next Interest Calc* date on the loan account record.

## Mortgage Payments and the General Ledger

When interest is **accrued** each month, that interest amount is:

- Credited to the Interest earned (income) G/L from the loan category, and
- Debited to the Accrued interest G/L from the loan category, and
- Recorded in the *Interest due* bucket on the account for future collection.

If a normal, on-time payment is posted **after interest is accrued** (meaning there is an amount in the *Interest due* bucket, and the “instant” method was not used), the interest paid amount is:

- Credited to the Accrued interest G/L from the loan category, and
- Removed from the *Interest due* bucket on the account (the income is now collected).

In essence, this “washes” the interest due amount through the accrual G/L.

If the system uses the “instant interest calc” method to post a normal, on-time payment **prior to the accrual date** (meaning the *Interest due* was \$0.00):

- The system will calculate *and* post the interest paid amount at the same time when the payment transaction is posted, using the unique Tran Type of 15 as described above. Because there was not an accrual, the interest amount is posted directly to the *income* G/L from the loan category only, and the accrual G/L isn’t used.

## **MAKING EARLY PAYMENTS / PAYING AHEAD**

As already explained, the system can automatically handle an early payment within the same calendar month. For example, a payment that is due June 1 can be posted any time in May, because of the instant interest calc method described above.

In addition, you can configure your mortgage loan category to allow the member to **pay ahead**, if desired, up to a maximum of 9 months (or even for unlimited months). In this case, the system also uses the instant interest calc method described above for future payments.

If you wish to confine members to a **single payment per period**, then the system will not allow a member to make, for example, their June 1 payment during April. The June payment would need to be made during the month of May.

On occasion a member may ask about making early payments for special circumstances, such as a trip out of the country, military leave, etc. Although members can always use **It’s Me 247** online banking to make their regular monthly payments, you could also use one of the following solutions:

- Deposit the funds into a share account, then set up a short-term or one-time-only AFT to transfer the funds from the share to the loan on the 1st of the appropriate month(s).

*See Page 20 for instructions on setting up a permanent share sweep account to receive all payments and transfer them only according to the proper schedule for the loan.*

- Deposit the funds into a share account, and create a follow-up Tracker reminder for a staff member to transfer the funds manually on the appropriate date.

## **WHAT ABOUT PARTIAL PAYMENTS?**

To keep these loans compliant for the secondary market, **partial pays are NOT supported for mortgages**. The *Partial Pay* field (which is used to keep track of partial payments made toward the next payment due for other types of loans) is NOT used during payment processing for 360 mortgage loans to determine whether to move a due date ahead.

If a member tries to make smaller, weekly payments, each payment that is less than his full regular payment will post directly to principal, with appropriate confirmation messages presented to the member (or teller).

*CU\*TIP: If you want members to be able to make partial payments toward future payments due (such as depositing a portion out of each weekly paycheck), you must set up a special mortgage payment savings account with an AFT sweep. (See Page 20 for details.) Or set up your mortgages to use the 365-day calc type instead.*

There are two kinds of partial payments: the first is where the amount being paid is **more than** the regular payment amount. For example, the payment is \$900 and the member gives \$1,000. Instead of the extra \$100 being treated as a partial payment toward the next month's payment, the extra is simply applied directly onto principal (a curtailment). The system is designed to handle these in an automated fashion using the interactive messages (see Page 13).

The other type is where the member gives **less than** the regular payment amount. In these cases, the interactive messaging will assume that the **entire payment will go toward principal only**.

If a member wishes to make smaller payments on purpose, you will either need to use a special mortgage sweep savings account (see Page 20), or it will be necessary to use the teller **Payment Matrix Override** (Proc Code "X") feature to manually distribute funds correctly among the various parts of the matrix. (See Page 33 for details on using the Payment Matrix Override feature.)

*We highly recommend that you prevent partial payments from being posted at all by using the Payment Controls in loan category configuration. See Page 11 for details.*

**IMPORTANT NOTE:** Everyone who is involved in servicing mortgages should understand the procedures required by the credit union to handle member requests to make partial payments (usually necessary only in special collections situations where the member is struggling to make their payments). The recommended method is to hold the funds in a savings account until the member makes the entire payment, and then apply the payment at one time, either manually or via an AFT sweep. In most cases, the credit union will identify key staff who have been thoroughly trained in using Payment Matrix Override and other CU\*BASE tools to apply payments correctly in these special cases.

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# CONFIGURING YOUR MORTGAGE LOAN CATEGORIES

## RULES FOR CONFIGURING MORTGAGE LOANS

The CU\*BASE 360-day mortgage product was designed not only to make these loans consistent and easy to service in an automated fashion, but also so that they can be analyzed using predictable parameters so that your credit union can sell your mortgages in the secondary market.

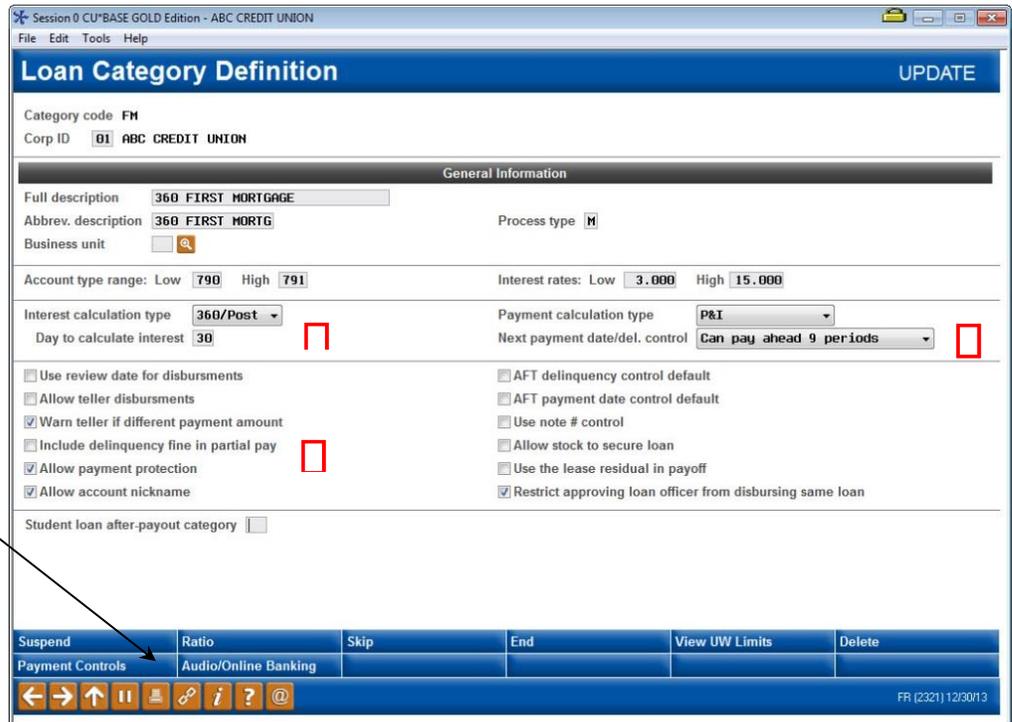
Although it may appear that the rules for these mortgage loans in CU\*BASE are a bit restrictive, the CU\*BASE system was designed to handle the norm. Loans outside of the norm must be handled manually on a one-on-one basis. The trick is to educate your members and take advantage of special options such as a mortgage payment sweep account to help keep your accounts in good shape.

Following are the standard configuration and processing parameters that must be in place in order to use the CU\*BASE 360-day calculation system:

- **Payment frequency** must be monthly. CU\*BASE does not support 360-day mortgage products for any payment frequency other than monthly. It is common in today's market for mortgage processors to offer semi-monthly (twice a month) payment plans for mortgages. At the current time, CU\*Answers recommends that you use a 365-day calculation method for these loan repayment plans.
- The ***Delinquency fine in partial pay*** flag on the loan category behaves as if it is checked, regardless of the selection. Therefore, it is a good rule of thumb to check this box.
- In order for payments to be processed correctly, the loan's **payment matrix** must be set up so that escrow is paid first, then interest due, then principal, and finally, fines. See Page 10 for details.
- As described earlier (see Page 5), the system does NOT support **partial payments** toward a future payment due. If a member wishes to make smaller payments, we recommend you set up a sweep account (see Page 20). The teller Payment Matrix Override (Proc Code "X") feature can be used to manually distribute funds from a single payment correctly among the various parts of the matrix.

# CONFIGURING LOAN CATEGORY CODES

## Loan Category Configuration (Tool #458) - Screen 1



Use Payment Controls (F17) and Audio/Online Banking (F23) to control how payments are applied to these loans (see below).

There are several settings on the first loan category configuration screen that relate specifically to the 360-day interest calculation method:

### Interest Calculation Type

Calc Type	Description
365 (0)	The standard daily interest calculation using a 365-day year.
None (2)	Does not accrue interest. Primarily used for written-off loans.
<b>360 / Post (3)</b>	<b>Interest is based on twelve 30-day months, calculated once each month on the same day of the month (i.e., interest is paid in arrears).</b> Use the <b>Day to calculate interest</b> field to specify the day of the month when interest should be calculated. This can be any date (depending on your loan participation partner).
360 / 365 (4)	<i>(Used for business loans.)</i> The standard daily interest calculation using a 360-day year (30-day month). Interest is accrued each day using a <i>per diem</i> calculated as follows: $Rate \div 360 \times Loan\ Balance = Per\ diem$ Refer to the separate "Loan Interest Calculation: '360/365 Daily Interest'" booklet for more details.
ADB (5)	<i>(Average Daily Balance)</i> Used for online credit cards only.

## □ Next Payment Date/Delinquency Control

This flag controls whether or not you allow the member to pay ahead. This is so a member could, for example, pay his May payment during March.

Next payment date/del. control	Can pay ahead
<input type="checkbox"/> AFI delinquency control default	Can pay ahead
<input type="checkbox"/> AFI payment date control default	No delinquency calculation
<input type="checkbox"/> Use note # control	Single payment per period
<input type="checkbox"/> Allow stock to secure loan	Can pay ahead 1 period
<input type="checkbox"/> Use the lease residual in payment	Can pay ahead 2 periods
<input type="checkbox"/> Restrict approving loan officer	Can pay ahead 3 periods
	Can pay ahead 4 periods
	Can pay ahead 5 periods
	Can pay ahead 6 periods
	Can pay ahead 7 periods
	Can pay ahead 8 periods
	Can pay ahead 9 periods

The *Can Pay Ahead* setting would allow *unlimited* payments ahead and is not generally recommended for 360 mortgages. Depending on your policies and the guidelines from your participation partners, you may choose to allow a member to pay 1 or 2 payments ahead (up to 9 maximum).

*If you do allow members to pay ahead, remember that CU\*BASE will NOT track the amount of interest paid ahead, which means that if a member who has been paying ahead pays off his entire mortgage early, you will still need to manually calculate any **interest rebate** to which the member may be entitled.*

If you prefer to require one payment per period, set this flag to *Single Payment Per Period (P)*. In this case the interactive messaging will automatically warn the member that early payments will be applied directly to principal, and the member can choose to cancel and wait to make the payment until the next month.

*Remember that regardless of this setting, members can always make their current payment at any time during the month, even prior to the interest calculation date. For example, a member can make his May payment on April 10, even if interest for the May payment isn't normally calculated until April 20, because of the "instant interest calc" feature (described on Page 4).*

## □ Include Delinquency Fine in Partial Pay

This flag controls whether the collection of a fine is necessary in order to move the payment due date ahead to the next period.

Because CU\*BASE requires that fines be collected last for 360-day calc. type loans, this flag should always be **checked** for these loan categories so that fines would always be considered an additional payment and not a payment toward advancing the next payment date and keeping the loan current. *(As a rule, this flag should be checked any time fines are set to pay last in the payment matrix, even for non 360-type loans.)*

See Page 32 for tips on how CU\*BASE will help you collect delinquency fines when payments are made.

## Screen 2

Session 0 CU\*BASE GOLD Edition - ABC TESTING CREDIT UNION

File Edit Tools Help

### Loan Category Definition UPDATE

Category code **08** FIXED RATE MORTGAGE

General Ledger Interface		Payment Matrix Priorities			
Loan category	701.10	Fine amount	4	Interest Due	2
Interest earned	111.22	Principal	3	Escrow	1
Accrued interest	751.10	Misc. G/L	0		
Insurance rebate		Over payment indicator	PRN		
		Miscellaneous G/L account			
		Miscellaneous G/L transaction description			
Loan category for write-offs	99	Miscellaneous G/L amount	0.00	or	0.000 %

Additional Information

Send 1098 tax form  
Maximum loan disbursement 600,000

Mortgage Loans

Allow tax-escrow accounts

Skip  
End Update  
Payment Controls

FR (2322) 9/04/13

## □ Payment Matrix Priorities

A loan's Payment Matrix controls how funds are spread among the separate portions of a loan payment (principal, interest, fines, escrow, etc.). The payment matrix is configured at the loan category level, or can be adjusted for each individual loan. In order to process correctly with automated processes, the payment matrix on a 360-day calculation type loan must be set up in the following order:

- 1) Escrow (if these mortgages will have escrows)
- 2) Interest Due
- 3) Principal
- 4) Fine Amount

The *Over payment indicator* must be set to PRN (Principal).

**Collecting Delinquency Fines:** If you use this standard configuration, the system will automatically collect fines due if the member adds extra to his regular payment. For example, say the member's regular payment is \$900 and he owes \$25 in fines. If he makes a payment of \$1,000, the system will satisfy the \$900 payment, pay \$25 in fines, and put the remaining \$75 on principal. Also see Page 32 for more tips about collecting fines.

**WARNING:** Setting your matrix in a sequence other than this, either at the loan category level or even on an individual loan, may cause payments to be applied incorrectly and might result in principal or interest being shorted, or the payment due date not advancing properly, or delinquent interest getting

out of synch, or a host of other problems. **Extreme care must be taken if you choose to deviate from this standard matrix for any of your mortgage accounts.** Remember that the spread can be manually adjusted for one transaction at the time via Payment Matrix Override (see Page 33).

### “Payment Controls” (F17)

### □ Payment Controls

The window shown above is used to control how payments can be made for these loans in the following loan payment programs *only*:

- Teller Posting
- Member Transfers (via MNSERV, Phone Op, and “Journal Transfer” (F13) in Teller Posting)
- Direct/Mail Post
- **It’s Me 247** Online Banking

See Page 19 for a list of error messages that will be displayed in CU\*BASE if the controls are used.

<i>Control</i>	<i>Description</i>
Allow partial payments	<p>Uncheck this flag to block partial payments from being applied. If a payment is entered other than the normal scheduled payment amount, a warning will be displayed and the payment will not be allowed to post with the incorrect amount. (This flag is also used by <b>It’s Me 247</b> when setting up AFT payments to mortgages, to prevent a member from setting up a short payment.)</p> <p><b>Remember that the system will always allow extra payments to principal or principal-only payments, regardless of the setting of this flag.</b> Therefore, this flag must be left <u>unchecked</u> for 360 mortgages for the most consistent processing.</p> <p>HINT: Consider establishing a “sweep” account and requiring payments to be posted to that account instead (see Page 20 for instructions).</p>
Allow partial escrow payments	<p>(Displays only when Allow partial payments is checked.)</p> <p><b>This feature is not supported for the 360-day interest calculation type</b> and must be left <u>unchecked</u>.</p> <p>For loans with the 365-day daily accrual calc type, this flag allows partial payments throughout the month toward satisfying the full escrow payment, similar to the regular partial payment feature.</p>
Allow payment prior to first payment date	<p><u>Uncheck</u> this flag to prevent members from making a payment prior to the first scheduled payment due date. Generally needed only for products sold on the secondary market.</p>

## “Audio/Online Banking” (F23)

Session 0 CU\*BASE GOLD Edition - Audio/Online Banking Processing

FM 360 FIRST MORTGAGE UPDATE

Allow disbursements from audio/online banking

If allowing disbursements from audio/online banking:

Minimum disbursement amount

Maximum disbursement amount

Allow payments via audio/online banking  Always  Never  Only if loan is current - block if delinquent

Save

FR (2318)

This window controls whether or not members can make mortgage payments on their own via **It's Me 247** online banking. Remember that with the interactive messaging features and other automated controls, you can feel confident in allowing your members to make their mortgage payments via online banking, so **we recommend the *Allow payments via audio/online banking* flag be set to “Always” (1).**

Other credit union policies may influence how you choose to set this flag. For example, if you automatically set up sweep accounts (see Page 20) to receive payments for *all* of your mortgages, then you could set this to **“Never” (2)** so that members cannot make payments directly to the loan account itself. Or, if your collections staff wants to keep a tighter control on payments made to delinquent mortgages, you could choose option **“Only if Loan is Current” (3)**, which will block a member from making a payment via **It's Me 247** if their mortgage is past due. The following message will be displayed to members when they try to make a transfer:

Because your loan is currently past due, we are unable to process your payment via online banking. Please contact the credit union directly for assistance in making this payment.

Because this can place an undue burden on both members and staff, it is not generally a recommended policy. See Pages 28 & 33 for tips on ways to handle the collection of delinquency fines on mortgages.

### Special Note about CU\*Talk Audio Response

Because of the complexity of messages that would be needed to handle mortgage payments via a voice response system, payments can NOT be applied to 360 loans via CU\*Talk audio response. The settings on this window, as well as the settings on the payment controls window described on the previous page, are ignored by CU\*Talk.

Members will hear the following message if they attempt to transfer money to a 360 mortgage loan in CU\*Talk audio response:

*“The account suffix to transfer to is not valid, please enter the account number to transfer from and then press the # sign.”*

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# SPECIAL SERVICING FEATURES

## INTERACTIVE MESSAGING FOR POSTING PAYMENTS

Because of the unique rules associated with 360 mortgage loans, when payments are posted to these loans, whether by a CU employee in CU\*BASE or by the member in **It's Me 247** online banking, the system will use interactive messages to help determine exactly how the payment amount should be applied. The interactive messages will appear when payments are posted in the following channels ONLY:

- CU\*BASE **Teller** Posting
- **Transfers** posted in CU\*BASE (*includes Phone Op transfers and regular Member/Journal Transfers*)
- Transfers made in **It's Me 247** Online Banking

IMPORTANT: Batch posting programs such as Direct/Mail Post, ACH, AFT, and payroll, will handle payments to mortgages by putting any extra funds directly toward principal. In some cases, if the payment made is not the expected amount, some posting programs may put the transaction onto an exception report for manual handling. And remember that payments cannot be posted at all to these types of mortgages via CU\*TALK audio response.

This messaging allows the system to handle the most typical payment scenarios in an automated fashion, with specific transaction descriptions that document the member's decisions. (See Page 18 for examples of the transaction descriptions.)

The following pages show some typical messages that will appear in CU\*BASE and **It's Me 247** when posting payments to 360 mortgage loans.

## Sample CU\*BASE Messages

### Payment amount is greater than a regular payment, no fines due:

Session 0 CU\*BASE GOLD Edition - Special Mortgage Payment Options

Method for posting payment  Payment  Principal only

Payment-The member wants to make one full payment to satisfy the 03/01/13 payment, \$1,005.19. Extra funds of \$194.81 will be paid directly on the loan's principal balance.

Principal Only-The member wants to put the entire transfer amount directly on the loan's principal. Remind the member that the next due date will not change, which means that the next payment will still be due on 03/01/13.

HINT: If the member intended to make more than one payment, rather than pay directly on principal, you must post separate transfers for each payment, entering the amount for one single payment at a time.  
[Click here for answers to frequently asked questions on this feature.](#)

Post

FR (3614)

### Payment amount is greater than a regular payment and fines are due:

Session 0 CU\*BASE GOLD Edition - Special Mortgage Payment Options

Method for posting payment  Payment  Principal only  Manually adjust how payment is applied

Payment-The member wants to make one full payment to satisfy the 10/01/13 payment, \$1,399.70. This includes a total of \$92.08 that will be paid toward outstanding fines. Extra funds of \$100.20 will be paid directly on the loan's principal balance.

Principal Only-The member wants to put the entire transfer amount directly on the loan's principal. Remind the member that the next due date will not change, which means that the next payment will still be due on 10/01/13.

HINT: If the member intended to make more than one payment, rather than pay directly on principal, you must post separate transfers for each payment, entering the amount for one single payment at a time.  
[Click here for answers to frequently asked questions on this feature.](#)

Post

FR (3614)

Notice that fines are taken out of the extra funds before the rest goes to principal.

HINT: This option will proceed to the Payment Matrix Override feature so the teller can adjust the payment spread (fines, escrow transfer amount, etc.). See Page 33 for more details.

### Payment amount is less than a regular payment, no fines due:

Session 0 CU\*BASE GOLD Edition - Special Mortgage Payment Options

Method for posting payment

Principal Only-The member wants to put the entire transfer amount directly on the loan's principal. Remind the member that the next due date will not change, which means that the next payment will still be due on 03/01/13.

HINT: If the member intended to make more than one payment, rather than pay directly on principal, you must post separate transfers for each payment, entering the amount for one single payment at a time. [Click here for answers to frequently asked questions on this feature.](#)

Post

← → ↑ || 📄 🔗 ⓘ ? @ FR (3614)

### If the payment amount is double the regular payment (or higher)

Session 0 CU\*BASE GOLD Edition - Special Mortgage Payment Options

If you are trying to satisfy multiple payments, please make one payment at a time.

Method for posting payment  Payment  Principal only

Payment-The member wants to make one full payment to satisfy the 03/01/13 payment, \$1,005.19. Extra funds of \$1,005.19 will be paid directly on the loan's principal balance.

Principal Only-The member wants to put the entire transfer amount directly on the loan's principal. Remind the member that the next due date will not change, which means that the next payment will still be due on 03/01/13.

HINT: If the member intended to make more than one payment, rather than pay directly on principal, you must post separate transfers for each payment, entering the amount for one single payment at a time. [Click here for answers to frequently asked questions on this feature.](#)

Post

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CU\*TIP: In this scenario, the member wants to make two full payments on the loan. In Teller Posting, you would simply back up, change the deposit amount to just the single payment amount (\$1,005.19) in this case).

Then instead of using **Post** (F5) to Post, use **Bal Fwd/This Mbr** (F11) to post the first payment and bring the remaining balance forward to this same member and post the next payment of the same amount. See Page 18 for more details.

**When the loan cannot be paid ahead (all funds will go to Principal only):**

Session 0 CU\*BASE GOLD Edition - Special Mortgage Payment Options

Method for posting payment

The loan is already paid ahead; cannot apply a regular payment at this time.

Principal Only-The member wants to put the entire transfer amount directly on the loan's principal. Remind the member that the next due date will not change, which means that the next payment will still be due on 02/01/14.

**HINT:** If the member intended to make more than one payment, rather than pay directly on principal, you must post separate transfers for each payment, entering the amount for one single payment at a time.  
[Click here for answers to frequently asked questions on this feature.](#)

Post

← → ↑ || 📄 🔗 ⓘ ? @

FR (3614)

**If the payment amount is the exact regular payment:**

In this case no message will be displayed; the payment will simply be posted!

## Sample It's Me 247 Online Banking Messages

With the interactive messaging used by **It's Me 247** online banking, you can feel confident in allowing your members to make their mortgage payments via online banking as well as in the lobby. Members will receive the same friendly messages that your tellers receive to explain exactly how the funds will be applied when they make payments to their mortgage loans online.

Quick Transfer

Transfer From  
000 REGULAR SHARE: \$7,107.83

Transfer To  
720 FIRST MORTGAGE: \$119,239.57

Amount  
\$1000.00

I am making one full payment to satisfy my 11/1/2021 payment. I understand that extra funds of \$286.19 will be paid on my loan's principal balance. My next due date will be moved forward one month only, which means that my next payment will be due on 12/1/2021.

I'd like to put the entire transfer amount directly on to my loan's principal. I understand that my next due date will not change, which means that my next payment will still be due in full on 11/1/2021.

Memo – *Optional*

Continue

## SECONDARY TRANSACTION DESCRIPTIONS

When a payment is posted via the methods described above, the system will automatically record a secondary transaction description to clearly document the member's decision.

Like any other secondary transaction description, these will appear on the member's statement and in **It's Me 247** online banking, and can also be viewed via the Phone Operator History feature (select the transaction and click *Additional Transaction Information*).

### Additional Transaction History (via Phone Op > History)

Session 0 CU*BASE GOLD Edition - Additional Transaction Information						
Account # -790 MARY H MEMBER			Transaction sequence # 05144			
Description			AFT MBR-ELECTED PAYMENT FOR 10/01/2013		Activity Date	Activity Time
					Oct 02, 2013	00:34:32
Business Date	Amount	Interest	Balance	Description	Transfer Acct.	
Oct 01, 2013	468.82-	326.89	92,159.31	AUTO. FUNDS TRANSFER	-110	

Variations of this description include:

If making a normal, regular payment:	<b>MBR-ELECTED PAYMENT FOR MM/DD/YY</b>
When posting a principal-only payment:	<b>MBR-ELECTED PRINCIPAL-ONLY PMT</b>
When paying ahead (if allowed):	<b>MBR-ELECTED PAY AHEAD, PAYMENT FOR MM/DD/YY</b>

## POSTING MULTIPLE PAYMENTS

If a member needs to make multiple payments in order to catch up a delinquent loan, both CU\*BASE and **It's Me 247** online banking will require each payment to be posted separately, so that the spread can be calculated and applied properly for each payment.

To make this easier, in CU\*BASE Teller Processing, a special "Balance Forward/This Member" function key allows the teller to post one payment, then immediately post a second payment to that same account with just one extra keystroke.

For payments posted by the member in **It's Me 247** online banking, messages will guide the member through posting separate transfers to apply payments correctly.



Use *Bal Forward/This Mbr* (F11) to post the first mortgage payment then come right back to this same account to post a second mortgage payment on the same loan.

## PAYING EXTRA ON PRINCIPAL

The system is set up to handle the most *common* servicing scenarios in an automated fashion. As shown above, because of the interactive messaging feature a member can make both a regular payment and extra towards principal (also referred to as a curtailment) in the same transaction. A member can even post an entire principal-only payment without needing any special handling.

Even a loan that is just a payment or two past due can also be handled automatically through the interactive messaging. However, loans that are delinquent by more than one or two monthly payments will require special handling, including the collection of outstanding delinquency fines. **See Page 26 for more details on handling delinquent mortgage loans.**

## KEEPING AN EYE ON MORTGAGE INTEREST ACCRUALS

To see how much interest is accrued each month on mortgage loans, check the “Monthly Accrued Interest Calculation Report” (PINTR3), produced as part of your daily reports on the designated interest calc day in loan category configuration.

10/31/11 23.36.02		CREDIT UNION							PINTR3		PAGE 1		
RUN ON 10/31/11		MONTHLY ACCRUED INTEREST CALCULATION REPORT									USER OPERATOR		
END OF DAY LOAN INTEREST PROCESSING													
CORPORATION -	01	CREDIT UNION		NEW		TOTAL	INT.CALC		DISBURSE	PAYMENT	DELINQUENCY		LOAN
ACCOUNT	CURRENT	. INTEREST RATE .	MONTHLY	INTEREST	INTEREST	MON	YR	DATE	DATE	PAY	MON	TYPE	SEC
NUMBER	BALANCE	ANNUAL											
-790MT	118,641.00	4.250%	.0035416	420.18	420.18	11	11	10/12/10	10/01/11			60	07
-795MT	65,078.64	4.500%	.0037500	244.04	244.04	11	11	10/26/09	10/01/11			60	07
-790MT	79,027.34	5.250%	.0043750	345.74	345.74	11	11	12/30/08	10/01/11			60	07
-790MT	133,172.79	4.125%	.0034375	457.78	457.78	11	11	9/28/10	10/04/11			60	07

## OTHER COMMON TELLER WARNING MESSAGES

Depending on how your loan category is configured, Teller Processing may display messages like these when posting payments:

**5033-WARNING Paymt different from expected amount. Press ENTER to continue.**

This message is used whenever a payment being posted is different (either higher or lower) than the normal payment amount, if the *Warn teller if different payment amount* flag is activated on the loan category (see Page 8).

As soon as the Teller presses Enter again, the appropriate pop-up window (see Page 14) will appear to allow them to proceed with the payment. Therefore, the main reason for this message is just in case they accidentally keyed in the wrong deposit amount and want to quickly correct it before proceeding.

**0341-Payment cannot be made until the first payment date.**

This error will appear if the payment control that allows payments prior to the first payment date (see Page 11) has been turned off, and the payment is being made before the first scheduled payment date. The error will block the payment from being posted.

---

# WAYS TO AUTOMATE MEMBER PAYMENTS ON MORTGAGES

Since 360-day calc. type loans require that *full* payments be made each month in order to process correctly, automated payment systems (AFT, ACH, Payroll) can present challenges for the mortgage department when the member does not have sufficient funds to make a full payment. Therefore, it is important that mortgage loans being paid by automated payment methods be monitored carefully.

Although ACH/payroll distributions and direct transfers from a regular savings/checking account can be set up to pay on a mortgage loan, the most flexible and trouble-free method is to set up a special savings “sweep” account to handle mortgage payments.

## USING AFT TO SET UP MORTGAGE PAYMENT “SWEEP” ACCOUNTS

By now you have seen that because of the intricacies of how interest is calculated and tracked for these special types of loans, it is important that members be educated on the rules for making mortgage payments. However, you can offer your members a way to set up convenient payment plans while still using correct procedures for making payments on these accounts.

**Our recommendation: Create a special “Mortgage Payment” savings account type.** Members may make “payments” into this savings account at any time, using any schedule they wish throughout the month.

*For example, a member could have a portion of his weekly paycheck deposited into this sweep savings account via an ACH or payroll distribution, make periodic transfers via audio or online banking, perform teller deposits, or even set up another savings-to-savings AFT to pull funds regularly from a checking account.*

Then a special AFT record is set up that automatically sweeps funds from this savings account to make a payment on the mortgage, once each month on the appropriate payment date (such as the 1st of the month).

- NOTE: There are controls in some cases on delinquent AFTs records when an **existing** AFT Transfers are changed to from an AFT Transfer Type that is not Sweep (loan payment, specific amount) to a Sweep Transfer Type. This is due to the fact that the AFT has a record of a Past Due Transfer Amount. When this affects the change, employees will receive error messaging and members (changing the AFT through online banking) will be asked to contact the credit union.

*For complete details, refer to CU\*BASE GOLD Online Help. Click the  link in the lower right hand corner of this screen.*

## How AFT Works Differently for Mortgages

For other types of loan payment transfers, the AFT program will always try to play “catch-up” whenever there are insufficient funds in the account to cover

the entire payment. For 365 loans, that's not a problem; the system can be set up to keep trying day after day, and not move the loan's payment due ahead until the entire regular payment is satisfied. However, for 360-calc type loans this causes a problem because partial payments are not allowed.

Therefore, the AFT posting programs will first look at the interest calc type on the loan category before posting an AFT payment. For the 360-calc type (type 3), the system will not attempt to transfer funds until the *entire* amount is in the Transfer From account. **In other words, no partial transfers will be allowed.** However, the system will keep looking each day at the Transfer From account until there are sufficient funds for the *entire* transfer (*including escrow*) and then make the full payment.

### **Setting Up Sweep Accounts: Step by Step**

1. Create a special dividend application for the mortgage payment savings account.
2. For members with mortgages, open a mortgage payment sweep sub-share account. To prevent funds from being removed from this account, you could freeze the account from withdrawals (freeze code 1).
3. Use the savings account to receive funds from any ACH or payroll distributions or other automated payment methods the member wishes to use for the purpose of paying their mortgage.
4. Set up an AFT record that transfers funds from the mortgage savings account into the mortgage loan, as shown below:

## SETTING UP AFT DISTRIBUTIONS ON MORTGAGES

A common way for members to make their monthly mortgage payment is via an AFT Transfer.

### **Update Auto Transfer Information (Tool #884)**

The screenshot shows a software window titled "Session 0 CU\*BASE GOLD Edition - ABC CREDIT UNION". The window has a menu bar with "File", "Edit", "Tools", and "Help". The main title is "Select AFT Transfer Type" with an "ADD" button in the top right corner. Below the title, there are two rows for account selection: "Transfer FROM account" with a dropdown showing "000" and "MARY M MEMBER", and "Transfer TO account" with a dropdown showing "790" and "MARY M MEMBER". To the right of these are two options: "REGULAR SAVINGS" and "FANNIE MORTGAGE". Under "Transfer type:", there are three radio button options: "Make a regular loan payment to FANNIE MORTGAGE", "Let me specify an amount to transfer every time.", and "Sweep the entire available balance from REGULAR SAVINGS to FANNIE MORTGAGE every time.". At the bottom left is a "Continue" button, and at the bottom right is a status bar with navigation icons and the text "FR (3884) 12/30/13".

There are several ways you can set up the record, depending on how much the member wants to pay. After entering the account numbers, you will be presented with three options:

Ⓒ **Make a regular loan payment to FANNIE MORTGAGE.**

- In order for payments to be made correctly on your 360 mortgage loans, we generally recommend that you select this option.

Select this option if the member wants to make pay enough to advance the loan payment date ahead a month. This will cause CU\*BASE to pull the correct payment amount each time, including escrow. *(Therefore, as the escrow amount changes over time, this record will not need to be maintained.)*

See Page 3 for more information on how escrows work with 360 mortgage loans.

Ⓒ **Let me specify an amount to transfer every time.**

- Select this option to pay a certain amount every time. Then enter the exact amount into the amount field on the next screen. To avoid the loan going delinquent, this amount should be at least equal to the loan payment.

If the member wants to pay extra on his mortgage each month, you can enter a transaction amount that is *higher* than the normal payment amount (remember to include escrow). **You will need to manually maintain these records, then**, every time an escrow analysis causes a change to the member's regular payment amount.

**However, keep in mind that CU\*BASE will not post the payment until that entire amount is in the mortgage savings account.** (It will *not* pull just the required amount and skip the overpayment.) In other words, if the member doesn't put the extra in his savings account, the system won't make the payment at all! You will also need to maintain this record every time adjustments are made that would change the payment amount (such as an escrow adjustment).

See Page 3 for more information on how escrows work with 360 mortgage loans.

Ⓒ **Sweep the entire available balance from REGULAR SAVINGS to FANNIE MORTGAGE every time.**

- Use this option to do a balance sweep and transfer the entire amount of the account towards the payment of the loan, with the extra going towards principal. This might be used by a member who wants to pay ahead on months, for example, where there are five pay periods.

For complete details, refer to CU\*BASE GOLD Online Help. Click the  link in the lower right hand corner of this screen.

## Second Screen (make regular payment selected)

If you selected to pay a certain amount, this field would be input capable, allowing you to enter the specific amount.

Enter the secondary transaction description to identify the transfer and select whether to show this on the To: account.

Check this box for AFTs used for collections purposes so that members cannot change the AFT transfer online.

Session 0 CU\*BASE GOLD Edition - ABC CREDIT UNION

File Edit Tools Help

### Automatic Funds Transfer Maintenance ADD

Transfer FROM account  MARY M MEMBER REGULAR SAVINGS  
 Transfer TO account  MARY M MEMBER FANNIE MORTGAGE

Transfer type  R Make a regular loan payment to FANNIE MORTGAGE.

Transfer amount  Loan payment 468.82  
 Frequency  Loan balance 92,159.31

Next transfer date  [MMDDYY] Transfer day  [MMDDYY]

End transfers  End as of date  [MMDDYY]  
 After maximum # of transfers   
 Never end

Optional secondary transaction description:

Show secondary description in the TO account

**Miscellaneous Controls**

Lock record to prevent changes in online banking  
 Priority (If other transfers are setup on same FROM account)

Last maintained Dec 30, 2013 By /E

Continue

Navigation icons: back, forward, up, down, search, help, @

FR (3885) 12/30/13

The available fields on the second screen are conditional based on the payment selection on the previous screen.

The final screen (not shown) will allow you to select the frequency and payment controls. Is this recommended that you select “1=Make this payment every time, no matter whether I am behind or whether a payment is made via another channel.”

*For complete details, refer to CU\*BASE GOLD Online Help. Click the  link in the lower right hand corner of this screen.*

## SETTING UP ACH DISTRIBUTIONS ON MORTGAGES

A common way for members to make their monthly mortgage payment is via a distribution from their ACH payroll deposit.

### **Work with ACH Members/Companies (Tool #989) > Distribution Maint > Update > Add Distribution**

Session 0 CU\*BASE GOLD Edition - ABC CREDIT UNION  
File Edit Tools Help

### ACH Distribution Maintenance

Post sequence #  (99 = Base distribution)  
Account or G/L #  Account type  MEMBER, MARY M  
Depositor ID   
Distribution type  Loan payment (credit)  
For one transaction types, tie to history for vendor #   
Transaction amount  (If loan account, leave blank for regular loan payment amount.)  
For distributions from incoming ACH deposits only (optional)  
Start post date  [MMDDYYYY] (zero = start immediately)  
End post date  [MMDDYYYY] (zero = permanent)

In order for payments to be made correctly on your 360 mortgage loans, we generally recommend that you **leave the Transaction amount blank** (will actually display as 0.00) when setting up a distribution to a mortgage loan (or any loan, for that matter).

This will cause the system to transfer whatever the regular mortgage payment is, including escrow. Since escrow amounts change over time, this means you will not have to edit your ACH distribution records every time you run an escrow analysis that updates the escrow amounts on your mortgages.

However, if the member wants to pay extra on principal with every payment, you can enter a transaction amount that is *higher* than the normal payment amount (remember to include escrow). **You will need to manually maintain these records, then,** every time an escrow analysis causes a change to the member's regular payment amount.

See Page 3 for more information on how escrows work with 360 mortgage loans.

---

# HANDLING DELINQUENT MORTGAGE LOANS

## UNDERSTANDING DELINQUENT INTEREST DUE

Just before calculating interest on the designated date each month (for the purpose of this discussion, let's assume the 20th), CU\*BASE looks at the loan record to determine whether or not there is any outstanding *Interest due* on the loan (meaning the payment is delinquent). Before adding the new month's interest, the system copies the amount of outstanding interest due into the *Delinquent interest due* bucket, then calculates this month's interest and adds it to the total outstanding interest due.

Therefore, on the loan account, *Interest due* will always be the total amount of interest that is due. *Delinquent interest due* only represents that portion that was delinquent from the previous month's payment.

Because there is only one *Delinquent interest due* bucket, the system assumes that any amount in that field represents the interest from one monthly payment. If the loan goes delinquent another month, on the 20th the system repeats the process: *Delinquent interest due* is cleared, the amount of total *Interest due* is copied to the *Delinquent interest due*, then interest is calculated for that month. At that point, the amount in the *Delinquent interest due* bucket represents more than one month of interest. **However, there is no way for CU\*BASE to know exactly how many months of interest.**

Consequently, once a loan has gone past two payments past due, and the interest calculation date has passed so that another month's interest has been added, CU\*BASE can no longer handle the payment spread correctly when the loan is caught up. Because the system does not know how many months are represented by the payment, not enough transfers to escrow will be made, or all funds will go to interest first with not enough to principal.

*Remember that CU\*BASE always assumes that delinquent interest is equal to a full delinquent interest payment and will calculate it as such. Therefore, if a normal payment is not made correctly and there is even one cent in the delinquent interest due bucket, CU\*BASE will calculate as if that 1 cent is the total interest owed for the delinquent payment. See Page 38 for details on updating this field.*

## AUTOMATED PROCESSING OF DELINQUENT PAYMENTS

CU\*BASE handles payment matrix processing differently for the 360-day calculation type than for all other loans, because of the additional element of the escrow transfer and potential "stacking" of multiple interest due calculations.

Because the system can retain one month's delinquent interest due separate from the total interest due, catch-up payments can be spread properly to the various elements of the payment matrix, including escrow, assuming the loan is not more than 2 payments delinquent and a third month's interest

has not yet been calculated. However, remember that payments must still be *posted* separately, one at a time, so that the system can correctly handle the spread of funds for each catch-up payment.

Because interest is calculated just once a month, the timing of catch-up payments is key to whether or not the payment can be handled automatically. Assuming a calc day of the 20th, if a member is 2 months past due, an automated catch-up payment may be made before the 20th of the month; after the 20th, the system will have calculated another month's delinquent interest due, making manual processing necessary.

## Making Catch-up Payments on a Delinquent Loan

Mortgage loans that are no more than 2 payments past due can be caught up automatically simply by posting two separate full payments, before the date when interest is calculated again, as described above. The following illustrations show how CU\*BASE will handle payments on a mortgage loan that is just 2 payments past due, *prior to* the next month's accrual date:

Account# 1234-750 JOHN SMITH

Payment Matrix: 1=Escrow, 2=Interest, 3=Principal, 4=Fines

Balance:	100,000.00	Next Payment Due:	05/01/xx
<b>Interest Due:</b>	<b>750.00</b>	Delinquent:	2 payments
Escrow Amt:	150.00	Regular Pymnt:	900.00
Fine Due:	25.00	<b>Delq Interest Due:</b>	<b>375.00</b>

Today is 6/12 and John is past due on his 5/1 and 6/1 payments. That means that the *Delinquent interest due* bucket contains the interest amount from his 5/1 payment and the *Interest due* bucket contains the combined interest amount for both the 5/1 and 6/1 payments.

The following scenarios assume John just wants to catch up the past-due payments first. Until 6/20 when interest will be calculated again, the steps described below will work to let him catch up past-due payments.

### Scenario 1: One Catch-up Payment

On 6/12, John wishes to pay only one delinquent payment from 5/1 and gives the teller **\$900.00**.

The system will post only the delinquent payment, by reading the interest due from the *Delinquent Interest Due* bucket first: \$150.00 escrow transfer, \$375.00 delinquent interest due, \$375.00 principal.

*NOTE: The interest amount paid (\$375) will be subtracted from Interest due as well as Delinquent interest due at the time the payment is made.*

### Scenario 2: One Catch-up Payment + Fines

On 6/12, John wishes to pay one delinquent payment from 5/1 plus outstanding fines, and gives the teller **\$925.00**.

The system will automatically pay the fine along with the regular payment amount: \$150.00 escrow transfer, \$375.00 delinquent interest due, \$25.00 fine, \$375.00 principal.

*IMPORTANT: In order for the fines to be paid, the payment amount being deposited must include both the regular payment amount plus the entire fine. Partial payments of fines due must be done via the Payment Matrix Override.*

### Scenario 3: Two Catch-Up Payments

On 6/12, John gives the teller **\$1,800.00** to pay both the 5/1 and the 6/1 payments.

The teller will need to post two separate payment transactions (using *Bal Fwd/This Mbr* (F11) as a shortcut) of \$900.00 each. Otherwise the extra \$900.00 would automatically go towards principal. No fines will be paid.

*NOTE: If the payment matrix is set up correctly, additional funds must be given in order for the fine to be paid. See Scenario 4 below.*

### Scenario 4: Two Catch-up Payments + Fines

On 6/12, John wants to pay both the 5/1 and the 6/1 payment and all outstanding fines, and gives the teller **\$1,825.00**.

To avoid having \$925.00 paid directly onto principal, the teller will need to post separate payment transactions as follows, using F11-Bal Fwd/This Mbr as a shortcut:

1. Enter the full \$1,825.00 as funds in
2. Post a \$925.00 payment, using *Bal Fwd/This Mbr* (F11) (**not Post (F5)**) to post (will pay the fine and one regular payment)
3. Post the second \$900.00 payment, this time using F5 to post

**The interactive messaging will always assume only one payment is being made at a time**, with remaining funds going to fines due (if any) then principal. So if the teller had entered \$1,825.00 into the deposit field on the mortgage, the window would show a message similar to the following example:

Session 0 CU\*BASE GOLD Edition - Special Mortgage Payment Options

**If you are trying to satisfy multiple payments, please make one payment at a time.**

Method for posting payment  Payment  Principal only

Payment-The member wants to make one full payment to satisfy the 11/01/13 payment, \$1,422.59. Extra funds of \$1,422.59 will be paid directly on the loan's principal balance.

Principal Only-The member wants to put the entire transfer amount directly on the loan's principal. Remind the member that the next due date will not change, which means that the next payment will still be due on 11/01/13.

**HINT:** If the member intended to make more than one payment, rather than pay directly on principal, you must post separate transfers for each payment, entering the amount for one single payment at a time.  
[Click here for answers to frequently asked questions on this feature.](#)

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The payment amounts are different in this sample, of course, but the idea is the same: If a member wants to *make* two payments, you must *post* two payments, one at a time.

## Delinquent More than 2 Payments

If a member has been delinquent more than 2 payment cycles, the system can no longer apply payments based on the payment matrix. As described before, the system always assumes that any amount in the *Delinquent interest due* bucket represents a single payment, even if it actually contains several payments' worth of delinquent interest. As described earlier, CU\*BASE has no way to know how *many* months' worth of interest might be represented by this amount, and the variables are too many to do this correctly in an automated fashion.

*In our example above, once June 20 passes and interest is calculated again, the delinquent interest due bucket on John's loan would contain the interest from 2 past-due payments (5/1 and 6/1) and the steps for doing the catch-up payments would no longer work properly through automated processes.*

Therefore, when a member has been delinquent long enough so that the delinquent interest due no longer represents just one delinquent payment, the payment must be handled manually.

## TIPS FOR COLLECTORS

Because of the complex ramifications of applying payments to mortgages more than 2 payments past due, we recommend that you institute some procedures on loans at an appropriate point in the collections cycle to help tellers and MSRs know how to deal with delinquent loans.

Member Account Comments, freezes on deposits, and Tracker follow-ups are all good ways to provide instructions so that payments can be handled by an appropriate person with a thorough understanding of the nuances.

Remember that it is NOT necessary to block automated payments of loans that are behind just one payment, but once a loan has gone two payments

past due and the timing starts to become important, it's a good idea to start putting other measures into place to help your staff. For this same reason, it is generally not recommended that anything besides normal, on-time mortgage loan payments be allowed through **Shared Branching** arrangements.

*Confused? Our Lender\*VP team handles mortgage servicing and collections issues like these every day. Contact us for some advice and helpful tips!*

## MANUAL PROCESSING OF DELINQUENT PAYMENTS

If a member is delinquent beyond the ability for the system to post automated payments, the method for correctly processing the payment depends on how the payment is received and posted.

If the member comes in to a teller, the teller or other qualified representative can use Payment Matrix Override to post the payment correctly, and then use **Tool #20 Update Account Information** to make any needed adjustments to due dates and delinquent interest amounts. Or the entire payment can be handled as an Account Adjustment with appropriate updates via Account Information Update on the loan account record.

See Page 33 for details on using Payment Matrix Override.

If the payment is received via an automated system (such as ACH or payroll) and has already been posted, a Member Account Adjustment would be needed to properly redistribute the payments between escrow, interest due, principal and/or fines.

In either case, the required adjustments will vary depending on the individual loan and its repayment history. Because each situation will be unique, adjustments to mortgage loans require a thorough understanding of how interest is calculated and due dates are determined.

**CU\*TIP:** If payments are made and due dates have been manually adjusted, the system will not clear the *Delinquent interest due* bucket until the interest calc date. At that time, the system moves the contents of the *Interest due* bucket (which would be zero since all payments have been caught up) to *Delinquent interest due*, before calculating the interest for that month. That field can also be cleared manually using the Account Information Update screen described on Pages 37 and 38.

## CALCULATION OF AMOUNT DELINQUENT

When a loan is delinquent, the Teller, Inquiry and Phone Operator systems display the total *Amount Due* instead of the regularly scheduled payment. For other delinquent loans, this amount due is calculated by multiplying the number of payments delinquent by the regular scheduled payment amount to determine the *Amount Delinquent*, then adding any outstanding fines to determine the total *Amount Due*.

For mortgage loans with escrow transfers, Teller, Inquiry and Phone screens will always show the payment amount, *including escrow*. If the loan is delinquent, the system will add the escrow amount into the *Amount Delinquent*, so that Teller and Inquiry/Phone screens will always display the

total amount due on delinquent loans, including all escrow amounts due. The formula used to determine *Amount Delinquent* and *Amount Due* is as follows:

$$(Reg\ Pmt\ Amt + Escrow\ Amt) \times \# \text{ of pmts past due} = Amount\ Delq + Delq\ Fine = Amount\ Due$$

Sample mortgage loan:

Regular payment: \$500.00 per month  
 Escrow Transfer: \$100.00 per month  
 \$600.00 regular monthly payment

The loan is 4 months delinquent, but no fines have been assessed. CU\*BASE Teller and Inquiry screens will display an *Amount Due* of \$2,400 (4 payments of \$500 plus 4 escrow transfers of \$100), so that tellers and MSR's understand what the member must pay to bring both the loan and the escrow current.

**Samples of the Teller Posting Deposits/Withdrawals Screen**

If the mortgage loan is current, the *Loan Payment or Net Available* column will show the regular scheduled payment as usual, including escrow:

Loan Payoff or Current Balance	Loan Payment or Net Available	Description	Account Type	Deposit Amount	IRA	Withdrawal Amount	IRA	Proc Code	JO
4,518.67	4,508.67	REGULAR SAVINGS	000	0.00		0.00			
112.09-	112.09-	ESCROW FANNIE M	037	0.00					
48.33	48.33	VACATION SAVING	050	0.00		0.00			
3,620.92	3,603.97	CHECKING	110	0.00		0.00			
5,533.71	289.77	USED VEHICLES	611	0.00					
273,309.51	1,422.59	FANNIE MORTGAGE	790	0.00					

If the loan is delinquent, this will instead show the *total* amount needed to bring the loan current, including escrow and delinquent interest (just remember that each individual payment must still be posted separately!):

Loan Payoff or Current Balance	Loan Payment or Net Available	Description	Account Type	Deposit Amount	IRA	Withdrawal Amount	IRA	Proc Code	JO
33.90	28.90	REGULAR SAVINGS	000	0.00		0.00			
220.16	220.16	SYSTEM ROTH IRA	028	0.00		0.00			
1,656.84	1,656.84	ESCROW FANNIE M	037	0.00		0.00			
301.80	281.80	CHECKING	110	0.00		0.00			
29,583.67	508.57	USED VEHICLES	611	0.00					
154,104.20	1,399.70	FANNIE MORTGAGE	795	0.00					

## PAYING DELINQUENT FINES

It is common practice for mortgage loans to assess fines for late payment, but never *require* the payment of fines in order to keep the loan current. As described already, if your Payment Matrix is set up using the standard configuration (see Page 10), **the system is set up to collect fines automatically if the member provides enough funds to cover both the fine and the regular payment due**, as in the following sample:

Session 0 CU\*BASE GOLD Edition - Special Mortgage Payment Options

Method for posting payment  Payment  Principal only  Manually adjust how payment is applied

Payment-The member wants to make one full payment to satisfy the 10/01/13 payment, \$1,399.70. This includes a total of \$92.08 that will be paid toward outstanding fines. Extra funds of \$100.30 will be paid directly on the loan's principal balance.

Principal Only-The member wants to put the entire transfer amount directly on the loan's principal. Remind the member that the next due date will not change, which means that the next payment will still be due on 10/01/13.

HINT: If the member intended to make more than one payment, rather than pay directly on principal, you must post separate transfers for each payment, entering the amount for one single payment at a time. [Click here for answers to frequently asked questions on this feature.](#)

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If you choose to deviate from the normal Payment Matrix configuration (see Page 10), the system will try to assist you in the collection of fines by providing special messages on the teller pop-up window, such as in the following example:

Session 0 CU\*BASE GOLD Edition - Special Mortgage Payment Options

Method for posting payment

Principal Only-The member wants to put the entire transfer amount directly on the loan's principal. Remind the member that the next due date will not change, which means that the next payment will still be due on 11/01/13.

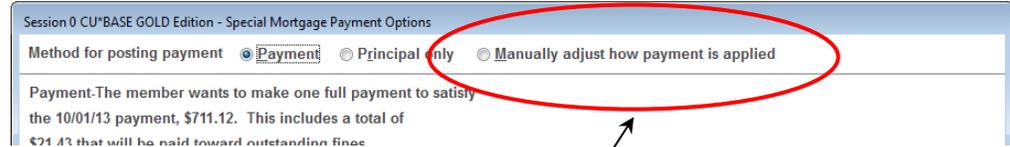
If the member wants to satisfy a payment to advance the due date, please include \$92.08 for outstanding fines.

HINT: If the member intended to make more than one payment, rather than pay directly on principal, you must post separate transfers for each payment, entering the amount for one single payment at a time. [Click here for answers to frequently asked questions on this feature.](#)

Post

FR (3614)

Another way to collect fines, such as when the member wants to pay only *some* of the fines they owe, is to use the **teller Payment Matrix Override feature**, described below, to override the normal payment spread. To access this feature, you can either use **Proc Code X** on the main teller screen, or select the **“Manually adjust...”** option on the mortgage payment options window:



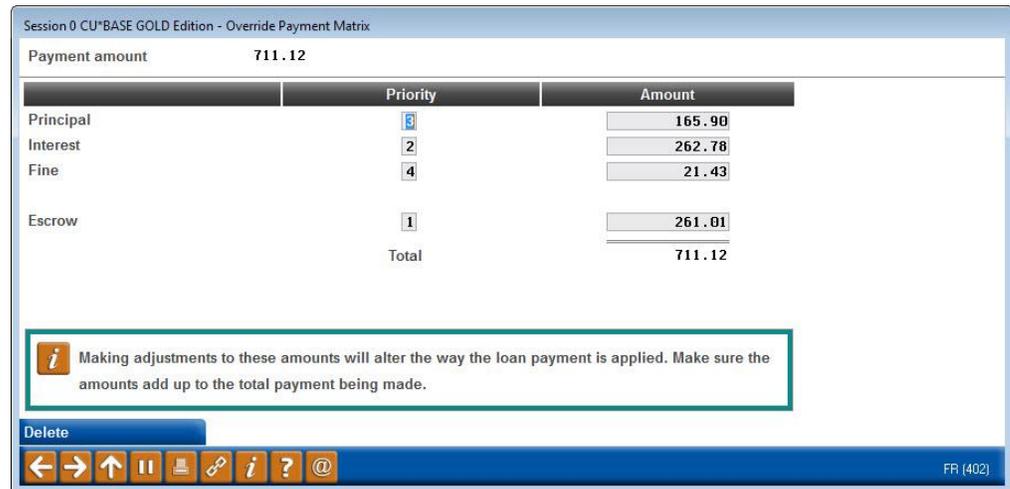
HINT: This option will not *always* appear on the pop-up window. For example, if the loan is already current with no interest due and the category does not allow the loan to be paid ahead, then there is no way for the system to do anything *except* pay toward principal only, in which case an Override is not needed anyway.

### Using Payment Matrix Override to Adjust Payment Spread

Because the interactive messaging described earlier walks a teller through the posting process in CU\*BASE, **Proc Code X** (Payment Matrix Override) and **Proc Code L** (Principal-only Payment) will generally not be needed for 360-day mortgage loans.

However, **Proc Code X** can still be useful in unusual situations such as when the member wants to increase the amount being paid toward escrow, or maybe pay just a portion of fines due, etc. The Payment Matrix Override feature lets a teller override the normal payment matrix on a loan account and post the payment according to the situation.

The following window appears when you use **Proc Code X** on the main teller posting screen, OR if you choose the **Manually adjust how payment is applied** on the mortgage payment options pop-up window. The system displays how the payment is going to be credited (principal, interest due, escrow, fines, etc.), and adjustments can be made to all of the bucket totals according to the situation and credit union policy:



If adjustments are needed, use the *Amount* field to enter the appropriate amounts to be distributed (the items listed will vary depending on the loan's payment matrix). The total funds distributed must equal the amount of the payment being made. In most cases, the "optional" categories (fines and escrow) will be adjusted by offsetting to the principal amount. Use Enter to record the payment matrix and exit the window.

To indicate that an override was done, a secondary transaction description will be posted, such as:

Primary description:     **360 MORTG PAYMENT \***  
Secondary description:   **TELLER PAYMENT OVERRIDE**

Other variations include **TELLER PAYMENT OVERRIDE FINE ONLY** or **TELLER PAYMENT OVERRIDE PRINCIPAL-ONLY**.

*\*The primary description is determined by a combination of the account suffix and the transaction origin code/type.*

---

# TRANSACTION REVERSALS AND ACCOUNT ADJUSTMENTS

Just like payments to regular loans, the CU\*BASE **Transaction Reversal** and **Member Acct Adjustment** features can be used to reverse a mortgage payment that was made incorrectly, such as to the wrong account, or if the spread was applied incorrectly, etc.

## Tips on Transaction Reversals

- If the **Transaction Reversal** feature is used to reverse a mortgage payment, remember that the transfer to the tax escrow share account is a separate transaction, and should also be reversed separately at that time.
- Auto Reversals of loans payments that include delinquent interest **will not adjust the Delinquent interest due amount** on the loan account. *Delinquent interest due* is increased or decreased through income accruals or payments, but no other process. See Page 38 for details about manually updating this delinquent interest amount on a loan account.
- If a payment was made using the “instant interest calculation” method (described on Page 4), when it is reversed the system simply moves the interest amount back to the *Interest due* bucket so that the loan shows that interest has been accrued but not yet paid. The date for the next interest accrual on the loan record is not changed back. (After all, there is no need to accrue interest again for that same month since it has in effect already been done, albeit a bit early.)
- If reversing a payment with an amount *greater than or equal to* the regular payment amount (including escrow, if applicable), the system *will* move the next due date back one month. **BE CAREFUL:** This happens regardless of whether the transaction was actually a large payment to principal only, so you may need to adjust the due date on the loan account record to the appropriate date.

## Tips on Account Adjustments

- Account Adjustments, especially on mortgage loans, require a thorough knowledge of the impact of all changes to the G/L. Often, it is necessary to perform a series of inquiries about a member's account(s) to obtain all necessary information before attempting the adjustment. Also, in some cases it may be necessary to block the adjustments from printing on a member's statement. And as always, make sure to verify the next payment due date and other details are correct, especially if you are reversing a large payment made to principal only, or regular payments plus extra to principal, etc. Refer to online help for additional tips.
- As mentioned above, account adjustments do not automatically alter the *Delinquent interest due* amount on the loan account, so you may need to manually adjust that after posting any needed adjustments. (See Page 38.)
- **Adjusting delinquency fines accidentally posted to principal:** The following example shows an adjustment that raises the loan's principal, with an offset to the credit union's fine income G/L account (133.00 in

this case):

Don't forget to use these fields to correct the amount of fines paid and fines due stored on the MEMBER5 loan record!

Type	Amount	Description	Interest	Principal	Offset G/L #	Offset Branch
92	15.31	PAY DELINQUENT FINE	0.00	15.31	133.00	1
	0.00		0.00	0.00		
	0.00		0.00	0.00		
	0.00		0.00	0.00		
	0.00		0.00	0.00		

Delinquent fine YTD amount	15.31	Delinquent fine amount	0.00
Last payment amount	468.82	Last payment date	Dec 31, 2013 [MMDDYY]

In addition to posting the transaction to debit the loan principal and credit the income G/L, the two related *Delinquent fine* fields at the bottom of the screen were also adjusted to increase the *Delinquent fine YTD amount* (which shows fines paid), and remove the fine amount from the *Delinquent fine amount* (which show fines due).

- To adjust a payment applied to the wrong account:** While a transaction reversal is the easiest way to handle this situation (don't forget to reverse the escrow deposit!), if you don't discover the error immediately you may need to do a series of account adjustments on both of the loans and the escrow accounts involved, as applicable. The most important thing here is to carefully research the account where the payment was posted incorrectly. Because no two members' mortgage payments are exactly alike, the payment might have been applied all to principal, or it might have posted as a regular payment plus extra to principal, etc.

**Make Things a Little Easier With Coded Account Adjustments!**

For simple account adjustments that are posted frequently, such as reversing a delinquency fine or correcting a fine that was paid accidentally to principal, we recommend you use **Tool #30 Member Account Adjustment (Coded)**.

Using **Tool #534 Misc. Posting Codes Configuration**, you can configure a code that stores the transaction code, a default transaction description, and the offset G/L. Then all a teller needs to do is enter that code and a dollar amount to post the adjustment.

This saves time for your back office staff, as they will not need to handle the more typical adjustments, while ensuring that your front-line staff uses consistent transaction descriptions and that they don't need to remember G/L account numbers.

# UPDATING LOAN ACCOUNT INFORMATION

## Update Account Information (Tool #20)

## Understanding Accrual Calculation Dates

<p><b>365</b></p>	<p>The most common dividend or interest calculation, the basic formula for the 365 calc. type is:</p> $\text{Int. Rate} \div \text{Days in Year} \times \text{Balance} = \text{Daily Per Diem} \times \# \text{ of days since last accrual}$ <p>Therefore, the <b>Interest date</b> is key to 365 accruals because it is compared to the current date at beginning-of-day to see how many days it has been since the loan last accrued. These loans accrue at every BOD.</p>
<p><b>360</b></p>	<p>This calculation is based on a hypothetical year of twelve 30-day months. Accruals happen during EOD in one batch on the designated day for a time period of 30 days (or from the first to the end of the month). Therefore, the <b>Interest date is not used</b> in the calculation and would always be equal to the last day of the month for which interest has been accrued.</p> <p><i>Example:</i> Assuming a calculation date of the 20th, on days 1 through 19, the <i>Interest date</i> would be the last day of the previous month, and the <b>Next Interest Calc</b> date would be the current month. On days 20 through the end of the month, the <i>Interest date</i> would be the last day of the current month, and the <i>Next Interest Calc</i> date would be the next month. (If you allow members to pay ahead, this may be a date even further in the future.)</p>

## When Opening a 360 Loan

Mortgage lenders collect prepaid interest on a mortgage loan at the time of its creation in order to start the next accrual calculation with a full month of interest. The following example assumes a calc date of the 20th:

A mortgage loan opens on May 4, 2009, and the first payment is due on July 1. The mortgage loan officer would collect prepaid interest through May 31, 2009 and create the loan on CU\*BASE with a first payment due date of July 1, 2009.

When funds are disbursed from this type of loan, the system will automatically update the *Next Interest Calc* date to June 2009 and the *Interest date* to May 31, 2009. Therefore the loan has a principal balance but no outstanding interest due until June 20, 2009. On June 20, 2009, CU\*BASE would accrue interest in preparation for the first payment due July 1 and update the *Next Interest Calc* date to July 2009 and the *Interest date* to June 30, 2009.

## UPDATING DELINQUENT INTEREST DUE

If a member has become more than two months delinquent, or in situations where non-routine activity has taken place, it may be necessary to maintain the *Delinquent interest due* on the loan account record. Remember that this field is NOT updated automatically by any process other than payments and interest accruals, which means that **reversals and account adjustments do NOT adjust this amount.**

To update this field, use the *Miscellaneous* (F14) feature available in Account Information Update.

### “Miscellaneous” (F14)



**NOTE:** This feature is available only for mortgage loan categories with the 360-day calculation type.

Remember that CU\*BASE assumes any amount in this field to be the total delinquent interest due, so if this amount is off, the next payment made will not be processed through the matrix correctly. Changes to this field should be made only by properly trained mortgage lending personnel.

# ACCOUNT INQUIRY & TRANSACTION HISTORY FOR MORTGAGES

To make analyzing and maintaining these loans easier, Account Inquiry screens will show the delinquent interest amount as well as payment information, including escrow amounts.

## Account Inquiry

Session 0 CU\*BASE GOLD Edition - ABC CREDIT UNION

File Edit Tools Help

### Member Account Inquiry

Collateral  
 Secured  
 Delinquent  
 Additional signers  
 Participation loan  
 Pledged  
 Payroll  
 ACH  
 AFT  
 Pmt protection N  
 Misc coverages N  
 Frozen 0 NO  
 Check digit 0  
 Delivery channel CU

Account # DANIEL

Date opened Nov 13, 2012  
G/L account 701.90-01

Account 790 FANNIE MAE LOANS - EQUITY  
Category 60 FANNIE MORTGAGE  
Purpose 60 REAL ESTATE  
Security 07 REAL ESTATE  
Proc type M MORTGAGE LOAN

Current balance	97,026.91	Interest rate	3.250	Club benefits	
+ Interest	262.78	Daily accrual	3 8.76	Accrued	0.00
+ Delinquent fine	21.43	YTD interest	2,385.03	YTD	0.00
- Insurance rebate	0.00				
<b>= Loan payoff</b>	<b>97,311.12</b>	Amort/maturity date	Dec 01, 2042		
		Review date	Dec 01, 2042		

Disbursement limit 98,500.00  
 Interest accrued through Sep 30, 2013  
 Last disbursed balance 98,500.00  
 Last payment 689.69  
 Regular payment 428.68  
 Amount due 711.12  
 Partial pay 0.00

Secured funds 0.00  
 Total disbursed 98,500.00  
 Last disbursed Nov 13, 2012  
 Last payment Sep 13, 2013  
 Next payment 01 Oct 01, 2013  
 # pmts remaining 351 of 360  
 Frequency MONTHLY

Available funds 0.00  
 First payment Jan 01, 2013  
 ECOA code 2  
 Escrow -037  
 Escrow payment 261.01  
 # of refinances 0

Transaction inquiry date Sep 13, 2013 [MMDDYY]

FR (3762) 12/31/13

Total interest due will include current interest plus delinquent interest due (shown in the Delinquency window).

## "Delinquent" Lookup (F23)

Session 0 CU\*BASE GOLD Edition - Payment Information

Use the Reporting History feature to see a history of credit bureau reporting for this loan, showing each time the loan was reported to the bureau(s).

View Credit File  
Payment Change  
Reporting History  
CPI History

Summary Escrow detail

Delinquency Details				Credit Report Information	
Fine ID	4	5% OF PAYMENT / MORTGAGES		Credit report #	0000000
Control	9	Oct 01, 2013		Report date	Sep 11, 2012
Notice level	1	Fines paid	0.00	Bureau	
Delinquent interest due			0.00	Risk score	0698
Actual # of days delinquent			91	MDS score	0000
Months	0	Days	17	# times	0
1st date delinquent		Oct 02, 2013	# pmts	1	CU risk level
Amount Due			Regular Payment Information		
Amount delinquent	689.69	Regular payment	428.68		
Fine amount	21.43	Escrow transfer	261.01		
Amount due	711.12	Total payment	689.69		
Partial payment	0.00	Next payment day	01	Date	Oct 01, 2013

FR (182)

The Delinquency information window in Account Inquiry gives a complete picture of the member's payment requirements, including escrow and delinquent interest due.

## Transaction History

Following are samples of the transaction history screen showing a normal mortgage payment and associated escrow transfer. (These come from Phone Op History, which has a Principal/Interest toggle feature.)

*Showing interest paid:*

Business Date	Activity Date	Activity Time	Amount	Interest	Balance	Description	Transfer Acct	ID
9/13/13	9/14	00:35	689.69-	263.23	96,765.90	AUTO. FUNDS TRANSFER	37971-000	90
9/13/13	9/14	00:35	261.01	.00	97,026.91	XFER FOR ESCROW	37971-037	90

*After toggle, showing principal paid:*

Business Date	Activity Date	Activity Time	Amount	Principal	Balance	Description	Transfer Acct	ID
9/14	9/14	00:35	689.69-	426.46	96,765.90	AUTO. FUNDS TRANS	37971-000	90
9/14	9/14	00:35	261.01	261.01	97,026.91	XFER FOR ESCROW	37971-037	90

Notice how the payment first reduces the loan principal, then the escrow transfer increases principal again by the amount of the escrow transfer. (See below for more details about this.)

*Here's what the escrow savings account looks like for that same payment:*

Business Date	Activity Date	Activity Time	Amount	Balance	Description	Transfer Acct	ID
9/13/13	9/14	00:35	261.01	1,234.44	ESCROW DEPOSIT	37971-790	90

Your transaction descriptions will vary as they are determined by your CU's account suffix description config. in combination with the type of transaction being posted.)

If the payment had included an extra payment to principal, then you would see an extra transaction, like this (use the Toggle Description feature in Phone Op History to see the secondary description like this):

Business Date	Activity Date	Activity Time	Amount	Interest	Balance	Description	Transfer Acct	ID
12/31/13	12/31	12:20	711.12-	262.78	96,578.57	MBR-ELECTED PAYMENT		92
12/31/13	12/31	12:20	288.88-	.00	96,289.69	MBR-ELECTED PRINCIPA		92
12/31/13	12/31	12:20	21.43	.00	96,311.12	DELQ. FINE PAYMENT		92
12/31/13	12/31	12:20	261.01	.00	96,572.13	ESCROW TRANSFER	37971-037	92

Also see Page 18 for examples of other secondary transaction descriptions used for mortgage payment transactions.

**\*Why does an escrow transfer “wash” through mortgage principal?**

CU\*BASE uses the mortgage account as the single point of contact for the mortgage and all affiliated activity, whether it be an escrow payment, fine payment, insurance premium, etc. The system first credits the entire transaction to the mortgage account, so members and staff can easily track the received credit. Then the system makes the corresponding debit settlements to the appropriate associated accounts (escrows), general ledgers (fine income), or miscellaneous processes (sales tax, promotion programs, etc.).

This easy audit feature allows the mortgage account to be the comprehensive statement for all things related to the member's mortgage *relationship* with the credit union.

---

# PREPARING A MORTGAGE LOAN FOR FINAL PAYOFF DEPOSIT

When it is time for a member to make the final payment on a 360 mortgage loan, use the mortgage payoff tool before posting the payoff deposit. The tool will calculate the payoff amount including interest due and delinquency fines and compare it to the amount being presented for the payoff. With this tool, you can add miscellaneous fees to the payoff and/or include the escrow balance in the loan payoff. You also indicate whether to close the escrow, or leave the escrow account open, but the link to the loan will be broken in either case. You have the ability to adjust these amounts as needed (clear delinquency fines, adjust the interest amount, etc.) so that the member's final payoff deposit matches the calculated payoff amount.

**Important Note:** *The final payoff deposit is done separately and must be posted the same day via one of the payment channels (i.e. Teller Processing).*

## STEPS FOR PROCESSING A 360 MORTGAGE PAYOFF

1. Access **Tool #627 Prep Mortgage for Payoff Deposit**. On the 1<sup>st</sup> selection screen, enter the loan account base and type. The *Amount Member will be paying* can be entered here but is not required. Hit Enter to continue.
2. Compare the *Amount Member will be paying* (if applicable) to the *Total Calculated Payoff*. If no amount was entered on the initial screen, this will be the amount that the member needs to pay off the loan.
3. Review Interest due. If necessary, adjust interest using the “Calculate Interest for Mortgage Payoff” pop-up screen.
4. Review Delinquency fines. If necessary, add or change Delinquency fines.
5. Apply miscellaneous fees if necessary using the “Calculating Service Fees for Mortgage Payoff” pop-up screen.
6. Review escrow information and indicate what to do with the escrow funds.
7. Post the “prepare” transactions.
8. Post the payoff transaction via one of your usual loan payment channels (Teller Processing, Mail/Direct Post or account transfer).

## Tips on Making the Final Payoff Deposit

It is important to process the final payoff deposit the same day that you prepare the loan for payoff. Keep in mind that after you post all of the “prepare for payoff” transactions, accruals will still happen on the appropriate date, delinquency monitoring will continue and ACH or payroll transfers will still occur. And don't forget that because the link between that escrow account and the loan will be broken, any payments that are applied won't transfer to escrow anymore.

**Important!!** The final payoff transaction must be processed as a regular payment (with the excess going to principal). Do not use the payment matrix Proc Code X or L in Teller Posting.

## PREPARE MORTGAGE LOAN FOR PAYOFF DEPOSIT

### *Prep Mortgage for Payoff Deposit (Tool #627)*

Session 0 CU\*BASE GOLD Edition - Prepare Loan for Payoff

Account #

Amount member will be paying  (optional)

Continue

Navigation icons: back, forward, up, down, print, refresh, help, search. FR (3901)

This is the first screen where the loan account number is entered. You can also enter the amount that the member will be paying, but it is not required. After entering to continue, the system will calculate the payoff amount for you.

## Prep Mortgage for Payoff Deposit (Tool #627)

This box appears here and on the interest and misc fees screens. This is where you compare the amount member is paying to the calculated payoff.

Session 0 CU\*BASE GOLD Edition - ABC CREDIT UNION

File Edit Tools Help

### Prepare Loan for Payoff

Account

Loan category **60 FANNIE MORTGAGE**

Interest calc type **3** Interest calculated through **Sep 30, 2013**

Interest rate **4.000** Next due date **Oct 01, 2013**

Payoff will be posted **Oct 18, 2013**

Amount member will be paying

Total calculated payoff **72,033.70**

Net difference **- 72,033.70**

**i** Comparing current payoff amounts with future amounts calculated via this tool may show differences because any 360 day loan interest that has not accrued yet is calculated at a 360 day rate.

	Before	Adjusted
Current balance	+ 71,636.05	+ 71,636.05
Interest due	+ 238.78	+ 380.08
Delinquency fines	+ 17.57	+ 17.57
Misc fees	+ 0.00	+ 0.00
Escrow funds applied to loan	-	- 0.00
<b>Total calculated payoff</b>	<b>71,892.40</b>	<b>72,033.70</b>

No escrow information

**i** Payoff amount is based on our records as of the current date and does not include any payments, delinquency fines, etc. that take place after this date. Any Misc Fees added to the payoff amount here are for estimation purposes only and will still need to be posted to the loan with the payoff.  
Tip: When the payoff is received, use the Prepare Mortgage for Payoff tool to post the fines & other adjustments.

Recalculate Post All

FR (3902) 12/31/13

The adjusted interest due amount includes any interest additionally owed as of today.

This is the total calculated payoff before adjustments.

This is the main "Prepare Mortgage for Payoff" screen which calculates the payoff amount for the current day. When first entering the screen, the payoff amount includes interest due and delinquency fines.

*Important Note: This tool provides the payoff amounts as of today. Currently, the tool will not calculate a payoff for a future date.*

The information on this screen can be used to quote a payoff for the current day. But in most instances, this screen is used to compare the calculated payoff amount to the amount that the member has presented for the payoff.

If the *Amount member will be paying* has been entered, the goal is for the Net Difference to be zero unless you plan to transfer funds to or from another account (to either add to the payoff amount or subtract). The transfer transaction is done separately.

Adjustments to delinquency fines and the escrow account information are done directly on this screen. If the interest amount needs to be adjusted or a miscellaneous fee needs to be added, use the appropriate *Adjust This Amount* button which takes you to another screen to make the appropriate entries.

*The "adjusted" interest amount may be different than the "before" interest amount because the "adjusted" interest amount can include additional interest due or a refund of interest. This is because 360 mortgage loans only calculate interest once a month and the system is comparing the last "interest accrued through" date to the current date and either adding or subtracting the appropriate interest amount.*

- To adjust *Interest due*, click the *Adjust This Amount* button and the screen on page 46 will appear.
- To adjust *Delinquency fines*, the fine amount is entered directly on this screen. See page 49 for more detail.
- To charge *Misc fees*, click the *Adjust This Amount* button and the screen on page 50 will appear.
- To indicate what to do with the escrow funds, check the appropriate box directly on this screen. See page 51 for more information.

Once you have made all appropriate adjustments, use **Post All (F5)** to post the adjustment transactions. See page 53 for what will happen with the loan when you post.

**Remember to post the payoff transaction the same day!! Refer to page 44 for tips on posting the final payoff deposit.**

### Field Descriptions

<i>Field Name</i>	<i>Description</i>
Int Calc Type	Interest Calculation Type from CU*BASE loan record.
Loan Category	Loan Category Code from CU*BASE loan record along with the description.
Interest Rate	The interest rate on the loan.
Next Due Date	Next due date on the loan.
Interest Calculated Through	This is the date that interest has been accrued through on the CU*BASE loan record.
Amount Member will be paying	This is the amount of funds the member is presenting for the payoff. This field either defaults from the first screen is entered on this screen. This is not a required field.
Total Calculated Payoff	This is the total calculated payoff after adjustments. This amount is compared to the <i>Amount member will be paying</i> .
Net Difference	This is the net difference between the <i>Amount member will be paying</i> and the adjusted <i>Total calculated payoff</i> . This field is calculated ( <i>Amount member will be paying</i> – <i>Total calculated payoff</i> ) and could result in a negative amount.
Payoff will be posted	This is the current date.
Current Balance	This is the loan principal balance. Both the “Before” and “Adjusted” principal balance amounts are protected (no adjustments allowed).
Interest Due Before  Adjusted	This is the calculated interest due. It includes the amount in the interest due field on CU*BASE member file.  This is the adjusted interest due. When the screen first displays, it includes the amount in the Interest Due field on CU*BASE member file plus the calculated amount of interest based on the number of days since last “interest accrued through” date. If an interest adjustment is made via the pop-up, this adjusted amount is updated.
Delinquency Fines Before	Defaults in the Delq Fine Due from the CU*BASE member file if applicable, otherwise is zero.

<i>Field Name</i>	<i>Description</i>
Adjusted	When the screen first displays, this is the delinquency fines due if applicable. The fine amount is adjusted here.
Misc Fees Before	This will be blank. No Misc fees will default when first entering the screen.
Adjusted	When the screen first displays, this is zero. If a fee adjustment is made via the pop-up, the miscellaneous fee amount displays.
Escrow funds applied to loan Before	N/A
Adjusted	When first entering this screen, this field is zero. If you choose to close the escrow account and apply the funds to the loan payoff (per option 2 under "What to do with escrow funds"), the escrow amount will display here.
Total Calculated Payoff Before	Total Calculated Payoff is (Curr Bal +/- Interest Due + Delinquency Fines)
Adjusted	Calculated Payoff after adjustments is (Curr Bal +/- Interest Due + Delinquency Fines + Misc Fees - Escrow funds)  Note: When first entering the screen, the Before and Adjusted amounts can be different because the Adjusted interest amount includes additional interest due (or a refund of interest) since the last "interest accrued through" date.
<b>Escrow Information</b> Note: If the loan does not have an escrow account, "No Escrow Information" will display in this section.	
Escrow account	Escrow account number and suffix tied to the loan (if applicable)
Current escrow balance is	Escrow account balance.
Freeze code	Freeze indicator and description from CU*BASE member file.
Accrued dividends section	If the member has accrued dividends on the escrow savings, the amount will display here. If there are no accrued dividends, the message 'Member has no accrued dividends on their escrow' will display.
What to do with the escrow funds	One of the following options must be selected to indicate what to do with the escrow funds; 1=Do not close the account 2=Close the account and apply funds to the loan payoff 3=Close the account and transfer funds to XXXXXXX-XXX. If option 2 is selected, the payoff amount will be reduced by the escrow balance amount.

## ADJUST INTEREST DUE AMOUNT

The system will automatically figure out if the member owes additional interest, so you may not need to make any adjustments on this screen. But, there could be instances where the interest due amount should be adjusted, such as if the payoff check does not match the calculated payoff or the member is owed interest.

To adjust the interest amount, click the Adjust This Amount button on the main “Prepare Loan for Payoff” screen. This will take you to the “Calculate Interest for Mortgage Payoff” screen below.

This is where to enter an adjustment to interest.

This is the amount that the *Interest Due* bucket on the loan record will be adjusted.

Interest Adjustment	
Current balance	71,636.05
Interest due through Sep 30, 2013	238.78
Additional Interest Due (18 days at 7.850 per diem)	141.30
Interest adjustment amount	0.00
Adjusted interest due	380.08
Total interest adjustment	141.30

Transaction description: ADJUST INTEREST DUE  
Additional description: FOR LOAN PAYOFF AS OF 10/18/2013

Use + to increase the interest due amount and - to decrease the interest due amount and/or post a refund.

Recalculate Save Reset Interest

FR (3903) 12/31/13

The *Additional interest amount* is calculated by checking the number of days between the current date and the last “interest accrued through” date on the loan. A per diem calculation is used for the remaining days (i.e. 4 days at .473 per diem).

*Note: The adjusted interest due amount may include additional interest due or a refund of interest. This is because 360 mortgage loans only accrue interest once a month and the system is comparing the “interest accrued through” date to the current date and either adding or subtracting the appropriate interest. Refer to the examples on the next page.*

If you would like to adjust the interest, enter the amount in the *Interest adjustment amount* field. Use + to increase the interest amount and - to decrease the interest amount.

Use **Enter** to apply the adjusted interest amount to the *Total Calculated Payoff* and remain on the screen. Use **Save (F5)** to apply the adjusted interest amount to the *Total Calculated Payoff* and return to the main screen.

## Example 1 – Additional Interest Due

Session 0 CU\*BASE GOLD Edition - ABC CREDIT UNION  
File Edit Tools Help

### Calculate Interest for Mortgage Payoff

Account

Interest calc day 31  
Interest rate 4.000

Amount member will be paying	0.00
Total calculated payoff	72,033.70
Net difference	- 72,033.70

Interest Adjustment	
Current balance	71,636.05
Interest due through Sep 30, 2013	238.78
Additional Interest Due (18 days at 7.850 per diem)	+ 141.30
Interest adjustment amount	+ 0.00
Adjusted interest due	+ 380.08
Total interest adjustment	+ 141.30

Transaction description   
Additional description

*i* Use + to increase the interest due amount and - to decrease the interest due amount and/or post a refund.

Recalculate Save Reset Interest

← → ↑ || 🔗 *i* ? @ FR (3903) 12/31/13

In this example, interest was calculated on Sept. 20<sup>th</sup> (int calc date on the member file is the 20<sup>th</sup> of the month) and it is Oct. 18<sup>th</sup>. Interest has been accrued through Sept. 30<sup>th</sup>. The number of days between Sept. 30<sup>th</sup> and Oct. 18<sup>th</sup> is 18 days, therefore 18 days of interest is calculated at the appropriate per diem (18 days at 7.850).

## Example 2 – Refund Interest Paid

Session 0 CU\*BASE GOLD Edition - ABC CREDIT UNION  
File Edit Tools Help

### Calculate Interest for Mortgage Payoff

Account

Interest calc day 31  
Interest rate 4.000

Amount member will be paying	0.00
Total calculated payoff	71,790.35
Net difference	- 71,790.35

Interest Adjustment	
Current balance	71,636.05
Interest due through Oct 31, 2013	238.78
Refund Interest Amount (-13 days at 7.850 per diem)	- 102.05
Interest adjustment amount	+ 0.00
Adjusted interest due	+ 136.73
Total interest adjustment	- 102.05

Transaction description   
Additional description

*i* Use + to increase the interest due amount and - to decrease the interest due amount and/or post a refund.

Recalculate Save Reset Interest

← → ↑ || 🔗 *i* ? @ FR (3903) 1/23/14

In this example, interest was calculated on Oct. 20<sup>th</sup> (int calc date on the member file is the 20<sup>th</sup> of the month) and it is Oct. 18<sup>th</sup>. Interest has been accrued through Oct. 31<sup>st</sup>. The number of days is counted back from the calendar date month end (31-18=13). Since interest accrued on Oct. 20<sup>th</sup> for the current month (Oct. 1-31<sup>st</sup>), the member is owed 13 days of interest (13 days at 7.850).

### Field Descriptions

<i>Field Name</i>	<i>Description</i>
Current balance	This is the current principal balance on the loan.
Interest due through XX/XX/XXXX	This is the interest due amount from the CU*BASE loan record along with the <i>Interest accrued through</i> date.
Additional interest amount (X days at XX.XXX per diem)	This is the calculated amount of interest since the last <i>Interest accrued through</i> date. The number of days and per diem are in parenthesis.  Note: It is possible have a negative number of days if interest has been accrued for the current month and it is before the <i>Interest accrued through</i> date.
Interest adjustment amount	This is the amount of the interest adjustment which will be added or subtracted from the <i>Adjusted interest due</i> . A + indicates to add the amount to interest due and a - indicates to subtract the amount from interest due.
Adjusted interest due	This is the adjusted interest due amount. This amount will appear in the "Adjusted" Interest Due column on the main screen after you use F5-Save.  Calculation for <i>Adjusted interest due</i> is as follows: Interest Due + Additional interest amount +/- Interest adjustment amount OR Interest Due - Refund interest amount +/- Interest Adjustment amount
Total interest adjustment	This is the total amount of the interest adjustment that will be posted as a separate transaction on the member loan.
Transaction description	This is the primary transaction description that defaults to ADJUST INTEREST DUE. The description can be changed.
Additional description	This is the secondary transaction description that defaults to FOR LOAN PAYOFF AS OF XX/XX/XXXX. The description can be changed.

## DELINQUENCY FINES

If you would like to add or change a delinquency fine amount, enter the amount in the *Delinquency fines* adjusted column directly on the “Prepare Loan for Payoff” screen. The delinquency fine amount on the member loan record will be updated with this amount. This amount is added to the adjusted *Total Calculated Payoff*.

Enter the new total *Delinquency fine* amount.

After using Enter to recalculate, the *Total Calculated Payoff* will be updated with the new delinquency fine amount.

	Before	Adjusted
Current balance	+ 71,636.05	+ 71,636.05
Interest due	+ 230.78	+ 136.73
Delinquency fines	+ 17.57	+ 30.00
Misc fees	+ 0.00	+ 0.00
Escrow funds applied to loan	-	- 0.00
<b>Total calculated payoff</b>	<b>71,892.40</b>	<b>71,802.78</b>

No escrow information

Payoff amount is based on our records as of the current date and does not include any payments, delinquency fines, etc. that take place after this date. Any Misc Fees added to the payoff amount here are for estimation purposes only and will still need to be posted to the loan with the payoff.  
Tip: When the payoff is received, use the Prepare Mortgage for Payoff tool to post the fines & other adjustments.

FR (3902) 1/23/14

*Note: Be sure to enter the total amount for the delinquency fine. For example, if the amount is 279.90 and it should be 350.00, enter \$350.00 in the “Adjusted” column.*

## CHARGING SERVICE FEES TO THE LOAN

If you would like to add miscellaneous fees to the loan, click the *Adjust This Amount* button to take you to the “Calculating Service Fees for Mortgage Payoff” screen below. Up to 16 miscellaneous fees can be added. The total fee amount to apply to the loan displays at the bottom of the screen.

Enter the Fee Amount here.

Click the lookup to select from the CU configured Misc. Receipt Codes.

Sequence	Fee Amount	Post Code	G/L Account	Description
0001	30.00	NMB	195.40	MISCELLANEOUS FEES
0002	42.00	999	151.30	EARLY PAYOFF FEE
0003	0.00			
0004	0.00			
0005	0.00			
0006	0.00			
0007	0.00			
0008	0.00			
0009	0.00			
0010	0.00			
0011	0.00			
0012	0.00			
0013	0.00			
0014	0.00			
0015	0.00			
0016	0.00			

Amount member will be paying 0.00  
Total calculated payoff 71,879.78  
Net difference - 71,879.78

Total fee of 72.00 will be applied to loan

After entering the *Fee Amount*, click on the *Post Code* lookup button to select from a list of the Credit Union configured Miscellaneous Posting Codes\*. The *G/L Account* and *Description* will default for you unless you enter 999 for the Post Code. If you enter 999, then The *G/L Account* and *Description* fields will open up and require entries.

*\*Note: All miscellaneous receipt codes are credit union-defined and correlate to a specific General Ledger account number. If there is no code set up for the transaction you are performing, if allowed by your credit union's configuration, you may use code 999 and enter a G/L number manually.*

Use **Enter** to apply the fees to the loan and remain on the screen. Use **Save (F5)** to apply the fees to the loan and return to the main screen.

### Field Descriptions

Field Name	Description
Fee Amount	The amount of the fee.
Post Code	Enter the appropriate Misc. Receipt Code for the fee. Use the lookup button for a list of configured codes. If no code has been configured for the fee, type “999” here and proceed to the G/L field and enter the appropriate G/L number.

Field Name	Description
G/L Account	If 999 was entered in the Code field, type the appropriate G/L account number here (otherwise the G/L tied to the Misc Receipt Code is defaulted).
Description	Enter an optional description for the fee being charged (otherwise the description from the Misc. Receipt Code will be used).

## ESCROW INFORMATION

If the mortgage loan has an escrow account tied to it, you must indicate what to do with the escrow funds. The “Prepare Mortgage Loan for Payoff” screen allows you to do the following:

- Pay the accrued dividends to the escrow account
- Keep the escrow account open and break the link to the loan
- Close the escrow account and apply funds to the loan payoff
- Close the account and transfer funds to an account
- Keep the escrow account open

For all options, the link between the escrow account and the loan is broken when you post the “prepare” transactions.

Here you can see that the escrow funds were applied to the payoff.

If the member has accrued dividends on the escrow account, the amount will show here.

Indicate what to do with the escrow funds here.

Session 0 CU\*BASE GOLD Edition - ABC CREDIT UNION  
 File Edit Tools Help

### Prepare Loan for Payoff

Account  Loan category **60 FANNIE MORTGAGE**  
 Interest calc type **3** Interest calculated through **Sep 30, 2013**  
 Interest rate **6.750** Next due date **Nov 01, 2013**  
 Payoff will be posted **Oct 18, 2013**

Amount member will be paying   
 Total calculated payoff **49,735.16**  
 Net difference **- 49,735.16**

**i** Comparing current payoff amounts with future amounts calculated via this tool may show differences because any 360 day loan interest that has not accrued yet is calculated at a 360 day rate.

	Before	Adjusted
Current balance	+ 50,413.37	+ 50,413.37
Interest due	+ 0.00 <input type="button" value="Adjust This Amount"/>	+ 167.81
Delinquency fines	+ 54.23	+ 54.23
Misc fees	+ 0.00 <input type="button" value="Adjust This Amount"/>	+ 0.00
Escrow funds applied to loan		- 900.25
<b>Total calculated payoff</b>	<b>50,467.60</b>	<b>49,735.16</b>

**Escrow Information**  
 Escrow account   
 Current escrow balance **900.25** Freeze code **0 All transactions allowed.**

What to do with escrow funds:  **NOTE: The link to the loan will be removed with all options**

**i** Payoff amount is based on our records as of the current date and does not include any payments, delinquency fines, etc. that take place after this date. Any Misc Fees added to the payoff amount here are for estimation purposes only and will still need to be posted to the loan with the payoff.  
 Tip: When the payoff is received, use the Prepare Mortgage for Payoff tool to post the fines & other adjustments.

Recalculate Post All

FR (3902) 1/23/14

You must select one of the three options to indicate what to do with the escrow funds. If you choose to close the account and apply the funds to the payoff, after you use Enter, you will see the escrow funds subtracted from the adjusted *Total Calculated Payoff*.

If the escrow account has accrued dividends, you will see the accrued dividends amount below the escrow balance along with a dropdown box where you indicate whether to forfeit or force pay the dividends. See below for an example of an escrow account with accrued dividends.

Escrow Information	
Escrow account	-037
Current escrow balance	900.25
Accrued dividends of	.37 will be <b>forfeited</b>
What to do with escrow funds	Close acct & transfer funds to <b>000</b>

Freeze code 0 All transactions allowed.  
 NOTE: The link to the loan will be removed with all options

## POSTING THE TRANSACTIONS THAT WILL PREPARE THE LOAN FOR PAYOFF

Once you have completed the adjustment transactions and indicated what to do with the escrow funds, use **Post All (F5)** to prepare the loan for payoff.

The following confirmation window displays:

Session 0 CU\*BASE GOLD Edition -

Account -780 SHAWN  
 Loan category 60 FANNIE MORTGAGE Interest calc type 3

The Following Activity Will Occur on the Loan

- Interest adjustment will be posted
- Delinquency fine(s) will be adjusted
- Miscellaneous fee(s) will be posted
- Link between the escrow account and loan will be removed
- Escrow account will be closed
- Escrow funds will be transferred to the loan
- Escrow funds will be transferred to another account

Warning - This activity cannot be undone.

Confirm & Post

FR (3695)

The confirmation window lists the activity that will occur on the loan. It is important to review the items because the activity cannot be undone!

Once you have confirmed the activity, use **Confirm and Post (F5)** to post the transactions.

You will receive one of three pop-up windows depending on whether the Net Difference was equal to, less than or greater than the amount that the member presented for the payoff.

**Net Difference = 0** (Member payoff matches calculated payoff)

Session 0 CU\*BASE GOLD Edition -

Account -790 JOHN G MEMBER  
 Loan category 60 FANNIE MORTGAGE Interest calc type 3

The loan is now ready to post the final payoff deposit of 92,008.02

Amount Member will be paying 92,008.02

Note: If making a deposit through Teller or Mail/Direct, process a regular payment.

Transfer Done

FR (3696)

## Net Difference is < 0 (Member needs additional funds to pay off the loan)

Session 0 CU\*BASE GOLD Edition -

Account -790 JOHN G MEMBER  
Loan category 60 FANNIE MORTGAGE Interest calc type 3

The loan is now ready to post the final payoff deposit of 92,008.02

Amount Member will be paying 92,000.00  
An additional 8.02 is needed to payoff the loan.  
Note: You may post a transfer for all or part of this amount .

If making a deposit through teller or Mail/Direct, process a regular payment.

Transfer Done

← → ↑ || ⏏ Ⓜ ⓘ ? @ FR (3896)

## Net Difference > 0 (Member over-paid the loan)

Session 0 CU\*BASE GOLD Edition -

Account -790 JOHN G MEMBER  
Loan category 60 FANNIE MORTGAGE Interest calc type 3

The loan is now ready to post the final payoff deposit of 92,008.02

Amount Member will be paying 92,010.00  
This will cause an overpayment of 1.98.  
You may need to transfer excess funds to another account.

Note: If making a deposit through Teller or Mail/Direct, process a regular payment.

Transfer Done

← → ↑ || ⏏ Ⓜ ⓘ ? @ FR (3896)

Use the **Transfer (F9)** button to go directly to the Member Account Transfer screen.

## Summary of Activity That Occurs With Confirm (F5) and Post:

- Interest will be adjusted (if applicable)
- Delinquency Fine amount will be adjusted (if applicable) and a file maintenance record created
- Miscellaneous fees will be posted to the loan (if specified)
- The link between the escrow account and the loan will be broken
- Escrow funds will be transferred to the loan OR to another account (if specified)
- Escrow account will be closed (if specified)
- All Automatic Funds Transfer (AFT) records to this mortgage will be deleted (if applicable)
- The interest accrued through date on the member file is updated to the current date
- The loan is flagged to allow a paid ahead payment (this facilitates the final payment being made without error messages)

*Note: In addition to the above activity, the interest due bucket on the loan may get populated. The system rules for 360 mortgages require that a payoff gets processed as a regular payment (with excess funds to principal). Therefore, if the interest due amount is zero when you use **“Confirm and Post” (F5)**, the system will put an amount in this field temporarily so that the payoff transaction flows smoothly. This situation may occur on a paid ahead loan.*