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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**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:

```
<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/17</td>
<td>Get loan;</td>
</tr>
<tr>
<td></td>
<td>pay interest</td>
</tr>
<tr>
<td></td>
<td>through 12/31</td>
</tr>
<tr>
<td>1/1</td>
<td>No pmt due yet</td>
</tr>
<tr>
<td>2/1</td>
<td>First pmt due; includes</td>
</tr>
<tr>
<td></td>
<td>January interest</td>
</tr>
<tr>
<td>3/1</td>
<td></td>
</tr>
</tbody>
</table>
```

Interest for this period is calc’d on 1/20
Interest for this period is calc’d on 2/20
“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 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.
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.
There are several settings on the first loan category configuration screen that relate specifically to the 360-day interest calculation method:

**Interest Calculation Type**

<table>
<thead>
<tr>
<th>Calc Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>365 (0)</td>
<td>The standard daily interest calculation using a 365-day year.</td>
</tr>
<tr>
<td>None (2)</td>
<td>Does not accrue interest. Primarily used for written-off loans.</td>
</tr>
<tr>
<td>360 / Post (3)</td>
<td>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). Use the <em>Day to calculate interest</em> field to specify the day of the month when interest should be calculated. This can be any date (depending on your loan participation partner).</td>
</tr>
<tr>
<td>360 / 365 (4)</td>
<td><em>(Used for business loans)</em> The standard daily interest calculation using a 360-day year (30-day month). Interest is accrued each day using a <em>per diem</em> calculated as follows: [ \text{Rate} \div 360 \times \text{Loan Balance} = \text{Per diem} ] Refer to the separate “Loan Interest Calculation: ‘360/365 Daily Interest’” booklet for more details.</td>
</tr>
<tr>
<td>ADB (5)</td>
<td><em>(Average Daily Balance)</em> Used for online credit cards only.</td>
</tr>
</tbody>
</table>
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.

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.)
Screen 2

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)

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.

<table>
<thead>
<tr>
<th>Control</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allow partial payments</td>
<td>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 It’s Me 247 when setting up AFT payments to mortgages, to prevent a member from setting up a short payment.) <strong>Remember that the system will always allow extra payments to principal or principal-only payments, regardless of the setting of this flag.</strong> Therefore, this flag must be left unchecked for 360 mortgages for the most consistent processing. <strong>HINT:</strong> Consider establishing a “sweep” account and requiring payments to be posted to that account instead (see Page 20 for instructions).</td>
</tr>
<tr>
<td>Allow partial escrow payments</td>
<td><em>(Displays only when Allow partial payments is checked.)</em> <strong>This feature is not supported for the 360-day interest calculation type</strong> and must be left unchecked. 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.</td>
</tr>
<tr>
<td>Allow payment prior to first payment date</td>
<td>Uncheck 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.</td>
</tr>
</tbody>
</table>
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.*
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

<table>
<thead>
<tr>
<th>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.</th>
</tr>
</thead>
</table>

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:

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

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:

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.

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

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

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.
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)

Variations of this description include:

<table>
<thead>
<tr>
<th>Description</th>
<th>Transfer Acct.</th>
</tr>
</thead>
<tbody>
<tr>
<td>MBR-ELECTED PAYMENT FOR MM/DD/YY</td>
<td></td>
</tr>
<tr>
<td>MBR-ELECTED PRINCIPAL-ONLY PMT</td>
<td></td>
</tr>
<tr>
<td>MBR-ELECTED PAY AHEAD, PAYMENT FOR MM/DD/YY</td>
<td></td>
</tr>
</tbody>
</table>

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.
**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.

**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)

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:
• 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 **i** link in the lower right hand corner of this screen.
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*

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:

<table>
<thead>
<tr>
<th>Account#</th>
<th>1234-750</th>
<th>JOHN SMITH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payment Matrix:</td>
<td>1=Escrow, 2=Interest, 3=Principal, 4=Fines</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Balance:</th>
<th>100,000.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Due:</td>
<td>750.00</td>
</tr>
<tr>
<td>Escrow Amt:</td>
<td>150.00</td>
</tr>
<tr>
<td>Fine Due:</td>
<td>25.00</td>
</tr>
</tbody>
</table>

Next Payment Due: 05/01/xx
Delinquent: 2 payments
Regular Pymnt: 900.00
Delq Interest Due: 375.00

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:
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:

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

**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 MSRs 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:

<table>
<thead>
<tr>
<th>Loan Payoff or Current Balance</th>
<th>Loan Payment or Net Available</th>
<th>Description</th>
<th>Account Type</th>
<th>Deposit Amount</th>
<th>IRA</th>
<th>Withdrawal Amount</th>
<th>IRA</th>
<th>Proc Code</th>
<th>JO</th>
</tr>
</thead>
<tbody>
<tr>
<td>4,518.67</td>
<td>4,518.67</td>
<td>REGULAR SAVINGS</td>
<td>000</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>112.09</td>
<td>112.09</td>
<td>ESCROW FANNIE M</td>
<td>097</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>48.33</td>
<td>48.33</td>
<td>VACATION SAVING</td>
<td>050</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3,620.92</td>
<td>3,620.92</td>
<td>CHECKING</td>
<td>110</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5,333.71</td>
<td>289.11</td>
<td>USED VEHICLES</td>
<td>011</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>273,389.51</td>
<td>1,427.59</td>
<td>FANNIE MORTGAGE</td>
<td>710</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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!):

<table>
<thead>
<tr>
<th>Loan Payoff or Current Balance</th>
<th>Loan Payment or Net Available</th>
<th>Description</th>
<th>Account Type</th>
<th>Deposit Amount</th>
<th>IRA</th>
<th>Withdrawal Amount</th>
<th>IRA</th>
<th>Proc Code</th>
<th>JO</th>
</tr>
</thead>
<tbody>
<tr>
<td>33.90</td>
<td>28.90</td>
<td>REGULAR SAVINGS</td>
<td>000</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>220.16</td>
<td>220.16</td>
<td>SYSTEM ROTH IRA</td>
<td>021</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,656.84</td>
<td>1,656.84</td>
<td>ESCROW FANNIE M</td>
<td>037</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>301.60</td>
<td>301.60</td>
<td>CHECKING</td>
<td>110</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>29,508.67</td>
<td>508.57</td>
<td>USED VEHICLES</td>
<td>011</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>154,104.20</td>
<td>1,359.70</td>
<td>FANNIE MORTGAGE</td>
<td>705</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**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:

![Image of Payment Matrix]

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:

![Image of Payment Matrix]

Because the Payment Matrix on this particular loan deviates from the standard sequence, and fines are required in order to advance the due date, this message will appear if the member doesn’t provide enough funds to cover both the payment and the fine.
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:

**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
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.
Understanding Accrual Calculation Dates

**365** The most common dividend or interest calculation, the basic formula for the 365 calc. type is:

\[ \text{Int. Rate} \div \text{Days in Year} \times \text{Balance} = \text{Daily Per Diem} \times \# \text{ of days since last accrual} \]

Therefore, the **Interest date** 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.

**360** 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 **Interest date is not used** in the calculation and would always be equal to the last day of the month for which interest has been accrued.

Example: Assuming a calculation date of the 20th, on days 1 through 19, the Interest date would be the last day of the previous month, and the **Next Interest Calc** date would be the current month. On days 20 through the end of the month, the Interest date would be the last day of the current month, and the **Next Interest Calc** date would be the next month. (If you allow members to pay ahead, this may be a date even further in the future.)
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

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.

"Delinquent" Lookup (F23)

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:

<table>
<thead>
<tr>
<th>Business Date</th>
<th>Activity Date</th>
<th>Activity Time</th>
<th>Amount</th>
<th>Interest</th>
<th>Balance</th>
<th>Description</th>
<th>Transfer Acct</th>
<th>ID</th>
</tr>
</thead>
<tbody>
<tr>
<td>9/13/13</td>
<td>9/14</td>
<td>00:35</td>
<td>689.69</td>
<td>263.23</td>
<td>96,765.90</td>
<td>AUTO. FUNDS TRANSFER</td>
<td>37971-000</td>
<td>90</td>
</tr>
<tr>
<td>9/13/13</td>
<td>9/14</td>
<td>00:35</td>
<td>261.01</td>
<td>0.00</td>
<td>97,026.91</td>
<td>XR FOR ESCROW</td>
<td>37971-037</td>
<td>90</td>
</tr>
</tbody>
</table>

After toggle, showing principal paid:

<table>
<thead>
<tr>
<th>Business Date</th>
<th>Activity Date</th>
<th>Activity Time</th>
<th>Amount</th>
<th>Principal</th>
<th>Balance</th>
<th>Description</th>
<th>Transfer Acct</th>
<th>ID</th>
</tr>
</thead>
<tbody>
<tr>
<td>9/14</td>
<td>9/14</td>
<td>00:35</td>
<td>689.69</td>
<td>426.40</td>
<td>96,765.90</td>
<td>AUTO. FUNDS TRANSFER</td>
<td>37971-000</td>
<td>90</td>
</tr>
<tr>
<td>9/14</td>
<td>9/14</td>
<td>00:35</td>
<td>261.01</td>
<td>0.00</td>
<td>97,026.91</td>
<td>XR FOR ESCROW</td>
<td>37971-037</td>
<td>90</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Business Date</th>
<th>Activity Date</th>
<th>Activity Time</th>
<th>Amount</th>
<th>Balance</th>
<th>Description</th>
<th>Transfer Acct</th>
<th>ID</th>
</tr>
</thead>
<tbody>
<tr>
<td>9/13/13</td>
<td>9/14</td>
<td>00:35</td>
<td>261.01</td>
<td>1,234.44</td>
<td>ESCROW DEPOSIT</td>
<td>37971-706</td>
<td>90</td>
</tr>
</tbody>
</table>

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.)

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):

<table>
<thead>
<tr>
<th>Business Date</th>
<th>Activity Date</th>
<th>Activity Time</th>
<th>Amount</th>
<th>Interest</th>
<th>Balance</th>
<th>Description</th>
<th>Transfer Acct</th>
<th>ID</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/31/13</td>
<td>12/31</td>
<td>12:20</td>
<td>711.12</td>
<td>262.78</td>
<td>96,768.57</td>
<td>XR ELECTED PAYMENT</td>
<td>92</td>
<td></td>
</tr>
<tr>
<td>12/31/13</td>
<td>12/31</td>
<td>12:20</td>
<td>208.08</td>
<td>0.00</td>
<td>96,768.57</td>
<td>XR ELECTED PRINCIPAL</td>
<td>92</td>
<td></td>
</tr>
<tr>
<td>12/31/13</td>
<td>12/31</td>
<td>12:20</td>
<td>21.43</td>
<td>0.00</td>
<td>96,768.57</td>
<td>DEL. FINE PAYMENT</td>
<td>92</td>
<td></td>
</tr>
<tr>
<td>12/31/13</td>
<td>12/31</td>
<td>12:20</td>
<td>261.01</td>
<td>0.00</td>
<td>96,757.12</td>
<td>ESCROW TRANSFER</td>
<td>37971-007</td>
<td>92</td>
</tr>
</tbody>
</table>

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 1st 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)*

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.
This is the main "Prep 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

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

44 360-Day Interest Calculation (CU*BASE Mortgage Products)
<table>
<thead>
<tr>
<th>Field Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted</td>
<td>When the screen first displays, this is the delinquency fines due if applicable. The fine amount is adjusted here.</td>
</tr>
<tr>
<td>Misc Fees</td>
<td>This will be blank. No Misc fees will default when first entering the screen.</td>
</tr>
<tr>
<td>Before</td>
<td>When the screen first displays, this is zero. If a fee adjustment is made via the pop-up, the miscellaneous fee amount displays.</td>
</tr>
<tr>
<td>Adjusted</td>
<td></td>
</tr>
<tr>
<td>Escrow funds applied to loan</td>
<td>N/A</td>
</tr>
<tr>
<td>Before</td>
<td>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.</td>
</tr>
<tr>
<td>Adjusted</td>
<td></td>
</tr>
<tr>
<td>Total Calculated Payoff</td>
<td>Total Calculated Payoff is (Curr Bal +/- Interest Due + Delinquency Fines)</td>
</tr>
<tr>
<td>Before</td>
<td>Calculated Payoff after adjustments is (Curr Bal +/- Interest Due + Delinquency Fines + Misc Fees – Escrow funds)</td>
</tr>
<tr>
<td>Adjusted</td>
<td>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.</td>
</tr>
<tr>
<td>Escrow Information</td>
<td>Note: If the loan does not have an escrow account, &quot;No Escrow Information&quot; will display in this section.</td>
</tr>
<tr>
<td>Escrow account</td>
<td>Escrow account number and suffix tied to the loan (if applicable)</td>
</tr>
<tr>
<td>Current escrow balance is</td>
<td>Escrow account balance.</td>
</tr>
<tr>
<td>Freeze code</td>
<td>Freeze indicator and description from CU*BASE member file.</td>
</tr>
<tr>
<td>Accrued dividends section</td>
<td>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.</td>
</tr>
<tr>
<td>What to do with the escrow funds</td>
<td>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.</td>
</tr>
</tbody>
</table>
**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.

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

In this example, interest was calculated on Sept. 20\(^{th}\) (int calc date on the member file is the 20\(^{th}\) of the month) and it is Oct. 18\(^{th}\). Interest has been accrued through Sept. 30\(^{th}\). The number of days between Sept. 30\(^{th}\) and Oct. 18\(^{th}\) 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
In this example, interest was calculated on Oct. 20\textsuperscript{th} (int calc date on the member file is the 20\textsuperscript{th} of the month) and it is Oct. 18\textsuperscript{th}. Interest has been accrued through Oct. 31\textsuperscript{st}. The number of days is counted back from the calendar date month end (31-18=13). Since interest accrued on Oct. 20\textsuperscript{th} for the current month (Oct. 1-31\textsuperscript{st}), the member is owed 13 days of interest (13 days at 7.850).

**Field Descriptions**

<table>
<thead>
<tr>
<th>Field Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current balance</td>
<td>This is the current principal balance on the loan.</td>
</tr>
<tr>
<td>Interest due through XX/XX/XXXX</td>
<td>This is the interest due amount from the CU\textsuperscript{*}BASE loan record along with the Interest accrued through date.</td>
</tr>
<tr>
<td>Additional interest amount (X days at XX.XXX per diem)</td>
<td>This is the calculated amount of interest since the last Interest accrued through 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 Interest accrued through date.</td>
</tr>
<tr>
<td>Interest adjustment amount</td>
<td>This is the amount of the interest adjustment which will be added or subtracted from the Adjusted interest due. A + indicates to add the amount to interest due and a – indicates to subtract the amount from interest due.</td>
</tr>
<tr>
<td>Adjusted interest due</td>
<td>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 Adjusted interest due is as follows: Interest Due + Additional interest amount +/- Interest adjustment amount OR Interest Due – Refund interest amount +/- Interest Adjustment amount</td>
</tr>
<tr>
<td>Total interest adjustment</td>
<td>This is the total amount of the interest adjustment that will be posted as a separate transaction on the member loan.</td>
</tr>
<tr>
<td>Transaction description</td>
<td>This is the primary transaction description that defaults to ADJUST INTEREST DUE. The description can be changed.</td>
</tr>
<tr>
<td>Additional description</td>
<td>This is the secondary transaction description that defaults to FOR LOAN PAYOFF AS OF XX/XX/XXXX. The description can be changed.</td>
</tr>
</tbody>
</table>
**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.

![Image of Prepare Loan for Payoff screen]

**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.

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**

<table>
<thead>
<tr>
<th>Field Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fee Amount</td>
<td>The amount of the fee.</td>
</tr>
<tr>
<td>Post Code</td>
<td>Enter the appropriate Misc. Receipt Code for the fee. Use the lookup button for a list of configured codes.</td>
</tr>
<tr>
<td></td>
<td>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.</td>
</tr>
</tbody>
</table>
### Field Name & Description

<table>
<thead>
<tr>
<th>Field Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>G/L Account</td>
<td>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).</td>
</tr>
<tr>
<td>Description</td>
<td>Enter an optional description for the fee being charged (otherwise the description from the Misc. Receipt Code will be used).</td>
</tr>
</tbody>
</table>

### 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.

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.
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:

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)

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52 360-Day Interest Calculation (CU*BASE Mortgage Products)
Net Difference is < 0 (Member needs additional funds to pay off the loan)

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

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.