

Balloon Loans in CU*BASE



Understanding balloon loans and how to book them in CU*BASE

INTRODUCTION

In this booklet, you will learn how to book a balloon loan in CU*BASE. A balloon loan is a loan with low monthly payments followed by a large final payment to repay the remaining balance at the end of the term (referred to as a “balloon” payment.)

CONTENTS

LENDING RESOURCE GUIDES	2
FREQUENTLY ASKED QUESTIONS	3
HOW TO SIMPLIFY THE BALLOON LOAN APPLICATION PROCESS	4
BOOKING BALLOON LOANS IN CU*BASE	5
BALLOON INDICATOR	5
LOAN REQUEST RECAP	6
HOW TO VIEW BALLOON LOAN DETAILS IN CU*BASE	7

Revision date: January 7, 2025

For an updated copy of this booklet, check out the Reference Materials page of our website:
<https://www.cuanswers.com/resources/doc/cubase-reference/>
CU*BASE® is a registered trademark of CU*Answers, Inc.

LENDING RESOURCE GUIDES

Be sure to check out these lending companion guides to learn more about lending and loans!

- [Big-Picture Planning for Your Loan Configurations: What to Consider When Setting Up Your Lending Codes and Configurations](#)
- [Escrow Processing with CU*BASE](#)
- [Interest Payment Only Loans \(CU*BASE Mortgage Products\)](#)
- [Lease Loan Tools](#)
- [Loan Interest Calculation: 360/365 Daily Interest](#)
- [Mortgage Products: 360-Day Interest Calculation](#)
- [Mortgage Products: Data Capture for Mortgage Closing Forms](#)
- [Variable Rate Loan Products](#)

All these booklets can be found posted on the CU*Answers Reference Page:
<http://www.cuanswers.com/resources/doc/cubase-reference/>

FREQUENTLY ASKED QUESTIONS

What is a balloon loan and how does it work?

A balloon loan is a short-term loan that does not fully amortize over its term. Payments are either interest-only or a mix of mainly interest and some principal for a set number of payments. The remainder of the loan is due as the final payment, the “balloon,” as it is generally larger than the monthly amount.

What is the most common use of balloon loans?

Mortgage loans are most-commonly associated with balloon payments. Balloon mortgages typically have short terms ranging from five to seven years. However, the monthly payments through this short term will not cover the entire loan payment. Instead, the monthly payments are calculated as if the loan is a traditional 30-year mortgage.

Why might my members be interested in Balloon loans?

For some members, a balloon loan has clear advantages:

- Lower monthly payments than a traditional amortized loan, because very little of the principal is being repaid; this may permit an individual to borrow more than they otherwise could.
- Not feeling the full impact of high interest rates because, as noted above, the payment is reduced, given the limited pay down of principal.

Can you book a balloon loan in CU*BASE that has annual payments?

No, the only payment frequency on a balloon loan is monthly (“M”).

HOW TO SIMPLIFY THE BALLOON LOAN APPLICATION PROCESS

To simplify the application process as well as future loan performance tracking, you may wish to build a specific loan product for balloon loans. The process to build these products is the same as any loan product. When viewing the product configuration screen in **Tool #470 Loan Product Configuration**, you can specify the loan type under the Loan Quoter Defaults section. This selection will ensure that the loan application always defaults to a balloon. Learn more in [CU*BASE Online Help](#).

Tool #470 Loan Product Configuration

Session 0 - File Edit Tools Help

Product Configuration

COPY

Product # 900 NEW VEHICLE 27 MONTH

Loan category 14 14-NEW VEHICLES Low 1.990

Corp ID 01 High 25.000

Use application workflow style 001 (blank = standard)

Product code base rate 6.390

Loan fees to be included in modified APR 0.00

Default collections officer XX

☐ Require Dealer/Indirect ID ☒ Miscellaneous coverage on loan ☐ Run loan deal filters

CLR Path program code

Amortization/External Loan Delivery Channel Defaults

Variant 0.000 Rate 0.000 - Or - ☒ Use risk-based pricing

Frequency code M Purpose 01 Delinquency code 3 % to use for calculating payment 0.000 (for CC and LOC)

of payments 27 Security code 02 Collateral type A Variable rate code 000 ECOA code 1

Loan Quoter Defaults

☒ Quote multiple payments ☐ Payment in final

Variant 0.000 + -

of payments and frequency A) 027 M B) 039 M C) 051 M

Amortization term for balloon loans A) 000 B) 000 C) 000

Loan type ☒ Balloon ☐ Lease ☐ General

Rate var + 0.500 - 0.000

Recalculate

Rate History

← → ↑ || ⏏ Ⓜ ⓘ ? @

(3272)

Select Loan Type under the Loan Quoter Defaults section.

VIDEO: [Learn how to design CU*BASE loan products](#)

BOOKING BALLOON LOANS IN CU*BASE

Booking a balloon loan in CU*BASE is as easy as any other loan product. Before you get started, always review the loan queue to ensure the request is not already in process.

You can start by using **Tool #2 Work/View Loan Application Status** and entering the member's account base, along with the loan request action code and loan product code.



[VIDEO: Learn how to create a simple loan request](#)

BALLOON INDICATOR

Loans can be flagged as a balloon loan using the Balloon Indicator flag, available on the Loan Information screen when creating a loan request.

Loan type ☐ General ☒ Balloon ☐ Lease

CREATING/EDITING BALLOON LOAN REQUEST

Enter the amortization term in the bottom section of the screen. The system expects this loan to amortize over a longer period than the number of payments, when entered this term must be greater than the # of payments listed in the **Loan Information** section of the screen. Leave the term date and final payment blank; using the enter key will calculate and fill these fields automatically.

Tool #2 Work/View Loan Application Status

Select the "Balloon" option for the Loan type.

The screenshot shows the 'Loan Request' screen in CU*BASE. The 'Loan type' is set to 'Balloon'. The 'Loan Information' section shows 'Amount requested' as 250,000.00, '# of payments' as 60, 'Frequency' as M, 'Interest rate' as 9.500, and 'Payment' as 0.00. The 'Miscellaneous Dates' section shows 'Application date' as May 08, 2024, 'Disbursement date' as May 08, 2024, and 'First payment date' as Jun 07, 2024. The 'Additional Details' section shows 'Refinanced amount' as 0.00, 'Variable int code' as 00000000, 'Maturity date' as 00000000, 'Add collateral type' as R REAL ESTATE, 'Loan fees to include in modified APR' as 0.00, 'Purpose' as 22, 'Security' as 11, 'Delq fine' as 2, 'Review date' as 00000000, and 'EOA' as 1. The 'Balloon Loans Only' section shows 'Amortization term' as 180, 'Term date' as 00000000, and 'Final payment' as 0.00. The 'Schedule payment in final' checkbox is unchecked.

Additional fields will reveal after selecting a balloon loan.

Field Descriptions (Balloon Loans Only)

Field Name	Description
Amortization term	Enter the number of payments to be used when calculating the amortization for this loan. This number must be higher than the <i>Number of payments</i> figure. <ul style="list-style-type: none"> Example: A member has a balloon loan for a 48-month term but will be making 24 payments. The <i>number of payments</i> field would read “24” and the <i>Amortization term</i> field would read “48.”
Amort term date	This field shows the date that the final payment would be due if the loan were not paid off on the <i>Maturity date</i> . Because balloon loans are due on the <i>Maturity date</i> , this field is shown primarily as a reference as to how the amortization was calculated. The system will automatically compute this date using the term entered in the <i>Amortization term</i> field. <ul style="list-style-type: none"> Example: A member has a balloon loan for a 48-month term but will be making 24 payments. The <i>Maturity date</i> field shows the date the final payment is due, 24 months out. The <i>Amort term date</i> field shows the date at the end of the 48-month term used to calculate the amortization.
Final payment	The amount of the final balloon payment. This field is calculated automatically on the loan request recap screen.
Schedule payment in final	This flag indicates that the balloon payment should be considered as the final payment on the loan. This setting cannot be changed. In other words, if the member is making 24 payments, the amortization program assumes the balloon payment is being made on the 24 th payment.

LOAN REQUEST RECAP SCREEN

The loan request recap screen will present information such as the amortization term date and final payment amount.

Session 0 CU*BASE GOLD - Loan Request Recap

Account base
MEMBER

Loan product
052 10 YEAR BALLOON MORTGAGE- 30 YR AMORTIZATION MAX

Amount requested
250,000.00

Date & Rate Details			
Disbursement date	May 08, 2024	# of payments	060 (balloon)
First payment date	Jun 07, 2024	Interest rate	9.500 %
Maturity date	May 07, 2029	Modified APR	9.500 %
Amort term date	May 07, 2039	Loan fees to include in modified APR	0.00
Frequency	MONTHLY		
Payment	2,611.18		
Final payment	204,315.24		

← → ↑ || 🖨️ 🔗 ⓘ ? @

LOANRECAPDETAILS

HINT: If necessary, you may use Edit Loan (F2) to return to the Loan Request screen, make any desired changes, and use Enter to recalculate and display a new recap.

HOW TO VIEW BALLOON LOAN DETAILS IN CU*BASE

Once the loan is booked, you may click the *balloon loan* button on the Member Account Inquiry screen for the booked loan.

Click this button to view loan information; this includes term and estimated final payment.

The screenshot shows the 'Member Account Inquiry' screen in CU*BASE. On the left, there are checkboxes for 'Collateral', 'Secured', and 'Delinquent'. In the center, there is a section for 'Account #' with a dropdown menu currently set to 'MEMBER'. Below this, there is a button labeled 'Balloon Loan'. To the right, there is a 'Date opened' field showing 'May 08, 2024' and a 'G/L account' field. Below the main screen, a smaller window titled 'Session 0 - Lease/Balloon/Residual Value Inquiry' is shown. It displays the following information:

Inquiry type	Balloon
Amortization term	180
Estimated final payment	204,315.24
Lease residual value	0.00

The bottom of the window features a navigation bar with icons for back, forward, up, down, print, link, info, help, and search, along with a page number '(39)'.

The **Lease/Balloon/Residual Value Inquiry** screen (pictured above) displays information about the balloon loan. This screen will show the amortization term and estimated final payment from when the loan request was originally set up. These values are stored for information only; you can adjust the values in these fields manually via **Tool #20 Update Account Information**