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# CPI Force Placed Insurance

## Posting and Payment Adjustment Processing

### INTRODUCTION

This booklet covers the “posting and payment adjustment” processing method for CPI force placed insurance. With this method, when a force placed policy is received by the system, CU\*BASE not only posts the premium, but it also adjusts the payment for the loan. An alternative method, “posting only” is mentioned, but not covered in this booklet.

The “posting and payment adjustment method” is currently supported by four vendors: Allied, SWBC, State National, Quie Track, and Van Wagenen. Credit unions must create agreements with these vendors prior to using this method. That way, these vendors will send data to CU\*BASE in the correct file format to indicate that this processing method should be used.

Included in this booklet is an overview of the “posting and payment adjustment method,” which covers a discussion of posting premiums, refunds and policy expirations. It also includes a discussion of exceptions that must be manually adjusted. The booklet concludes with examples of the reports generated and configuration screens used.

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For an updated copy of this booklet, check out the Reference Materials page of our website:  
[http://www.cuanswers.com/client\\_reference.php](http://www.cuanswers.com/client_reference.php)  
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# OVERVIEW OF TWO PROCESSING OPTIONS

Currently credit unions who use Allied, SWBC, Quie Track, or State National as a vendor have two options the processing of CPI force placed insurance policies.

- Posting only (briefly discussed in following section)
- Posting and payment adjustment (the focus of this booklet)

Credit unions need to arrange with their vendor to convert to the second method. Additional CU\*BASE configuration changes are needed for CU\*BASE to process the files received from the vendor. Online credit unions will need to contact a client services representative for assistance.

*Self Processors, see page 13 for more details on configuration settings.*

## POSTING ONLY PROCESSING

While this document only deals with the “posting and payment adjustment” processing method, it is important to have an understanding of the “posting only” processing, since the credit union may be converting from this processing method.

In “posting only” processing, CU\*BASE receives the file from the vendor. The CPI premium is posted, and the loan balance is adjusted by the system. Then it is the credit union’s responsibility to manually adjust the payment.

The posting only processing applies to both open and closed-end loans (MEMBER5 and MEMBER6).

## POSTING AND PAYMENT ADJUSTMENT PROCESSING

Credit unions can also choose to activate the “posting and payment adjustment” processing method. This, as mentioned before, requires an agreement with the vendor to handle this processing (since a different file is sent to CU\*BASE). In this method, the balance is increased and, following a configured number of grace days, the payment is also adjusted.

[For CPI force-placed insurance, how is the payment change to recover the CPI premium calculated?](#) (NOTE: This will open the Answer Book.)

### **What happens to open end loans and credit cards (MEMBER6 loans) if I use the Posting and Payment Adjustment Processing?**

If you use the Posting and Payment Adjustment Processing, CPI premiums and refunds received in the file for MEMBER6 loans will be posted, and the balance will be changed. The loan payment amount, however, will not be adjusted. These loans will appear on the Exception report with the text “MEMBER6 LOANS REQUIRE MANUAL PMT CHANGE” to alert you that you will need to manually adjust the payment.

## Posting and Payment Adjustment Processing Steps

With this method, the following process occurs:

1. CU\*BASE receives the file from the vendor.
2. The CPI premium is posted and the loan balance is adjusted.
3. A record is created in the CPIHST file.
4. After the CPI grace days (see page 5), the premium re-amortization is calculated over the term period and is added to the regular loan payment. (If the number of months until the maturity of the loan is less than the time period, the premium is amortized over the remaining month.)
  - NOTE: There are exceptions to this process that must be handled manually. These appear on an exception report. See Page 6 for more about exceptions. See page 11 for an example of the exception report.
  - See Page 3 for information on how open-end loans (MEMBER6) loans are handled.
5. If a refund is received in a subsequent file, CU\*BASE posts the refund credit and the scheduled payment is adjusted to remove the premium added in the previous step. Learn more about refunds on page 5.
6. If no refund is received, after the 12<sup>th</sup> payment (or configured number of term months – see page 13), the scheduled payment amount is adjusted to remove the amortized premium added in step 3.
7. In rare situations where a subsequent second year policy is issued, the account will appear on the exception report and will need to be handled manually by the credit union.

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# ADDITIONAL PROCESSING

## INFORMATION

This section covers how the posting of premiums, refunds and premium expirations are handled. It also covers the use of grace days and how this might affect payment adjustment.

### POSTING PREMIUMS

When a premium is received, the loan balance is adjusted. After the configured number of grace days (see following Grace Days section), the premium is amortized over the configured number of months (generally twelve) and that amount is added to the payment. (If the loan is for a time less than this number of months, the premium is divided over the remaining month.

### REFUNDS

If a refund is received, CU\*BASE reduces the loan balance by the amount of the refund. It also reverts the loan payment back to the previous payment amount.

**Early Refunds:** If CU\*BASE receives a full or partial refund before the loan payment will be adjusted (during the grace period), and the pending payment change will be cancelled (the balance will not change).

- For example, if the premium was \$1,000.00 and refund received two weeks later is \$925.00, the loan payment will be decreased \$925.00 and the payment will not be adjusted. The member would still be responsible for the \$75.00 that was not refunded.

### POLICY EXPIRATIONS

When the payment adjustment expires, CU\*BASE removes the CPI portion of the payment from the regular payment amount. An expiration record appears in the History screen (shown on page 10) and is written in the CPI History file (CPIHST).

### GRACE DAYS

The configuration (see page 13) allows you to enter the number of grace days set by the vendor (for example 21 days). The grace period begins when the CU\*BASE receives a file with a policy for a member. At this time the loan balance is increased. During the grace period, the payment is not increased, however, which gives the credit union time to alert the member of the upcoming payment change. In the rare occasion that the loan is paid one or more payments ahead, the loan payment may update immediately.

## EXCEPTIONS FOR PAYMENT ADJUSTMENT

Certain loans are not handled by the posting and payment adjustment processing method. These loans appear on the exception report. (See Page 11.) While the balance of these loan types is increased automatically when a policy is received, a credit union employee will need to manually adjust the loan payment amount.

The following types of loans are handled as exceptions:

- **Payment frequencies other than monthly**

Payment adjustments are based on a monthly frequency. Because of this, CU\*BASE will not calculate payment changes for loans with a frequency other than a monthly. CU\*BASE will post the premium and show that loan on the exception report, and a credit union employee will need to manually adjust the payment amount.

- **Variable Rate Loans**

Variable rate loans can possibly have multiple rate changes during the term of the premium. CU\*BASE will post the premium and show that loan on the exception report, and a credit union employee will need to manually adjust the payment amount.

- **LOCs with Automated Payment Changes**

Lines of credit with automated payment changes can potentially have multiple payment changes over the course of time when the CPI premium is in force. CU\*BASE will post the premium and show that loan on the exception report, and a credit union employee will need to manually adjust the payment amount.

Additionally, these situations will cause a loan to appear on the exception report:

- **Invalid accounts**

If a payment, refund, etc. to an invalid account appears in the file, this account will appear on the exception report.

- **Premium and refund**

If a premium and refund are received in the same file, the loan balance will be appropriately adjusted (may be a partial refund), but the payment will not be adjusted. If two refunds are received in the same file, the first refund will be posted and the second will appear on the exception report for manual processing.

- **Refund, without posting (may occur if credit union switches from one vendor to another or one processing method to another)**

In this case, it is possible that the file will contain a refund without an associated prior posting. In this case CU\*BASE will decrease the loan amount, but will not adjust the payment.

- **Overlapping premiums**

If a policy is in place and a second term policy is received, the loan balance will be increased appropriately. However, due to the overlapping policy periods, the payment will need to be adjusted manually.

## **Loan Extensions or Manual Payment Changes**

If a credit union processes a loan extension on a loan with a CPI premium or changes the payment, the loan will not appear on the exception report. CU\*BASE will still look to the CPI policy expiration date and will re-adjust the payment accordingly.

[Refer to this Answer Book item for details.](#)

## **Additional special handling for certain members**

CU\*BASE does not allow credit unions to flag a specific loan for special handling so that you can calculate a “special” payment for a member. CU\*BASE will change the payment according to standard calculation. You will then need to manually adjust this member’s payment.

# CPI HISTORY INQUIRY

There are several places that employees can view the history of force-placed CPI premiums for a loan:

1. **Tool #20 Update Account Information.**
2. The Debt Protection screen
3. The Loan Delinquency window accessed by Phone Operator and Inquiry

Use *CPI History* (F12) from the Account Update screen (shown below). This function key will appear only if a CPI policy record has been received for the loan (including pending payment changes).

## Account Update – Loan with CPI Policy Record

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

File Edit Tools Help

### Account Information Update

LOANS

Account # 616  
BRIAN F  
607

Loan category 16  
Loan officer 04

Last maintenance date Jan 31, 2013  
Current balance 42,484.77

Credit Reporting Information

G/L account 701.35

Purpose code 07  
Security code 05  
☐ Allow teller disbursement  
☐ Member loan payment protection  
ECOA 1  
Date opened Jun 04, 2010  
1st payment Jul 04, 2010  
Day of next payment 04  
Next payment Mar 04, 2013  
Interest date Feb 16, 2013  
Amort/maturity Jun 04, 2017  
Review Date Jun 04, 2017  
Scheduled payment 1,327.65  
Disbursement limit 60,060.00  
Disbursed amount 60,060.00  
Last disbursed bal 60,060.00

Partial payment 39.14  
Loan type ☒ Close ☐ Open  
Payment frequency M  
# of payments left 052 of 084  
User defined code  
Process type E  
Interest rate 7.900  
Interest payment code  
Interest calc code 0  
Variable interest  
Next Interest Calc 0000

YTD interest paid 496.67

Ins expiration 00000000  
Original/rem term 000 000  
Original amount 0.00  
Rebate amount 0.00  
Delinquent fine date Jan 04, 2013  
1st date of delinq 000000  
☐ No delinquency notices printed  
Freeze 0 = All Activity Allowed  
Statement indicator 0  
Passbook process ID 0  
Write off ID 0

Delinq control Pay Ahead  
# of times delinq 003  
Delinq fine 3  
# of extensions 000  
Delinq fine YTD amount 30.00  
Delinq fine amount 0.00

Lease/Bal/ResVal Loan Coverages Payment History **CPI History** Credit Report Info

FR (2452) 7/18/13



## #2 Access Point - Payment Protection and Miscellaneous Coverage Screen

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

File Edit Tools Help

### Payment Protection and Miscellaneous Coverages

Account 645 JOHN G MEMBER

**Payment Protection**

Single Credit Life Insurance ☐ MINNESOTA LIFE MTH REN

Joint Credit Life Insurance ☐

Disability ☐

**Miscellaneous Coverage Selection**

Code	Description	Fee Amount	Include in Loan Amount

Change Delete View Orig Config

Add Coverage

CPI History

FR (5133) 10/09/13

- NOTE: *CPI History* (F12) appears regardless of whether CPI force-placed insurance has been placed on this loan. An Inquiry view of this screen can be accessed by clicking the Payment Protection lookup in the Loan Account Inquiry screen so employees without access to the other access points can view CPI history

## #3 Access Point - Delinquency Window

Session 0 CU\*BASE GOLD Edition - Payment Information

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

View Credit File

Payment Change

Reporting History

CPI History

**Summary Escrow detail**

Delinquency Details				Credit Report Information	
Fine ID	3	\$30 LATE FEE CONS/CLASSIC LOC		Credit report #	0000000
Control			0/00/00	Report date	0/00/00
Notice level	0	Fines paid	0.00	Bureau	
Delinquent interest due			0.00	Risk score	0000
Actual # of days delinquent			45	MDS score	0000
Months	1	Days	5	CU risk level	
1st date delinquent	Sep 10, 2013	# times	1		
		# pmts	2		
Amount Due			Regular Payment Information		
Amount delinquent		652.08	Regular payment		651.04
Fine amount		0.00	Escrow transfer		0.00
Amount due		652.08	Total payment		651.04
Partial payment		650.00	Next payment day	19	Date Aug 19, 2013

FR (182)

- NOTE: *CPI History* (F12) appears regardless of whether CPI force-placed insurance has been placed on this loan. This also can be accessed by employees with less access to accounts.

[illegible]

If a pending premium record exists for a loan (still in the grace period), you can use *Pending CPI* (F6) to view it.

# CPI REPORTS

## EXCEPTIONS REPORT

The exception report includes both warning and errors. Errors are when the process did not change the balance, for example when the account number is invalid. Warnings are when balance was changed, but the payment needs to be manually adjusted. See Exceptions List on page 6 for more details.

### Exception Report - TCPISWBC2

4/23/12 11:52:30		ABC CREDIT UNION				TCPISWBC2	PAGE	1
RUN ON 5/24/12		CPI PREMIUM INSURANCE POSTING FOR ABC BUSINESS ERROR REPORT				U		
ACCOUNT NUMBER	CURRENT BALANCE	ISSUE AMOUNT	REFUND AMOUNT	REMARKS				
717177-701	4,205.66	952.00	796.00	PART REF BEFORE PMNT CHANGED - NO ACTN NEEDED				
727277-700	5,337.74	1,148.00	1,148.00	FULL REF BEFORE PMNT CHANGED - NO ACTN NEEDED				
737373-700	9,929.20	1,900.00	1,568.00	PART REF BEFORE PMNT CHANGED - NO ACTN NEEDED				
747474-700	.00	.00	.00	INVALID MEMBER ACCOUNT				
757575-700	.00	.00	512.00	INVALID MEMBER ACCOUNT				
767676-700	3,188.48	803.00	803.00	FULL REF BEFORE PMNT CHANGED - NO ACTN NEEDED				
777777-700	11,332.91	2,320.00	2,320.00	FULL REF BEFORE PMNT CHANGED - NO ACTN NEEDED				
778787-701	6,456.84	1,191.00	1,064.00	PART REF BEFORE PMNT CHANGED - NO ACTN NEEDED				
797979-700	5,677.13	1,114.00	937.00	PART REF BEFORE PMNT CHANGED - NO ACTN NEEDED				
881818-700	.00	.00	.00	INVALID MEMBER ACCOUNT				
		TOTAL COUNT	TOTAL ISSUE AMOUNT	TOTAL REFUND AMOUNT	TOTAL AMOUNT			
TOTAL ERRORS PROCESSED -----		3	1,748.00	512.00	2,260.00			
***END OF REPORT***								

## RECEIVE AND POST REPORTS

### Receive Report - LCPISWBC

4/23/12 11:52:21		ABC CREDIT UNION		LCPISWBC	PAGE 1
RUN ON 5/24/12		CPI PREMIUM INSURANCE POSTING FOR ABC BUSINESS REPORT			
ACCOUNT #	PREMIUM AMOUNT	REFUND AMOUNT	NAME		
111111-714	88.00		MEMBER, KYLE		
222222-701	1,586.00		OTHERMEMBER, HEATHER L		
333333-701	952.00		AMEMBER, CODY W		
444444-700	1,148.00		TWOEMEMBER, SARA		
555555-700	1,435.00		MEMBERA, JAMES W		
666666-700	1,900.00		BMEMBER, VICKY S		
TOTAL COUNT	TOTAL PREMIUM	TOTAL REFUND			
TOTAL 21	71,748.00	9,112.00			
***END OF REPORT***					

## Posting Report – TCPISWBC1

4/23/12 11:52:30		ABC CREDIT UNION				TCPISWBC1	PAGE
RUN ON 5/24/12		CPI PREMIUM INSURANCE POSTING FOR ABC BUSINESS REPORT					
ACCOUNT NUMBER	PREVIOUS BALANCE	ISSUE AMOUNT	REFUND AMOUNT	NEW BALANCE	CALCULATED PMT CHG DT		
717171-714	1,420.50	88.00	.00	1,508.50	6/14/12		
727272-701	8,287.04	1,586.00	.00	9,873.04	6/14/12		
737373-701	4,049.66	952.00	.00	5,001.66	6/14/12		
747474-701	5,001.66	.00	796.00	4,205.66			
757577-700	5,337.74	1,148.00	.00	6,485.74	6/14/12		
767676-700	6,485.74	.00	1,148.00	5,337.74			
777777-700	7,115.03	1,435.00	.00	8,550.03	6/14/12		
778787-700	9,597.20	1,900.00	.00	11,497.20	6/14/12		
779797-700	11,497.20	.00	1,568.00	9,929.20			
788888-700	3,188.48	803.00	.00	3,991.48	6/14/12		
781818-700	3,991.48	.00	803.00	3,188.48			
783828-704	21,028.62	3,636.00	.00	24,664.62	6/14/12		
TOTAL	TOTAL	TOTAL	TOTAL	TOTAL			
		COUNT	ISSUE AMOUNT	REFUND AMOUNT	AMOUNT		
TOTAL NUMBER OF RECORDS PROCESSED-----		21	17,921.00	9,148.00	27,069.00		
TOTAL NUMBER OF RECORDS ERROR-----		3	1,748.00	512.00	2,269.00		
TOTAL NUMBER OF RECORDS CHARGED-----		18	16,173.00	8,636.00	24,809.00		

# CONFIGURATION – FOR SELF PROCESSING CLIENTS

The configuration settings for CPI force placed insurance (posting and payment change processing) are located in the Master Parameters (OPER, 10, 1). Online clients should contact a Client Services Representative for assistance. **Important Note:** *These settings must follow the configuration requirements for your vendor. Contact your vendor or a CSR for assistance.*

## Master Parameter Config (Tool #5427)

The fields that are used with CPI force placed insurance (posting and payment change processing only) include the following fields:

Field	Description
CPI insurance vendor	Select Allied, SWBC, State National, Quie Track, Van Wagenen, Other, or None from the listing. Selecting Other or None will opt you out of the “posting and payment change” processing.
CPI grace days	Enter the number of grace days required by your vendor. Learn more about grace days on page 5.
CPI premium term months	Enter the number of months for the term of a force placed insurance policy. This need to match the requirements of your vendor. (Generally, this is twelve months.) NOTE: If a term of "99" months is configured, CU*BASE will amortize the CPI over the remaining term of the loan (assuming that the term is not more than 99 months, on RV loans for example.)