Loan Participation Settlement Procedures

INSIDE THIS GUIDE:

Step-by-step instructions to process monthly investor settlement for standard participation loans.

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Introduction

The following steps are intended as guidelines for <u>standard (not government)</u> investors that require participation loans to be settled once a month. The steps for your credit union may differ or may not occur in the same order.

For more detailed information on standard participation loans, refer to the Participation Lending Standard reference guide.

The CU*Answers Earnings Edge team is here to assist at any time. Find us, contact us, and learn more via The Store | The Website | Email
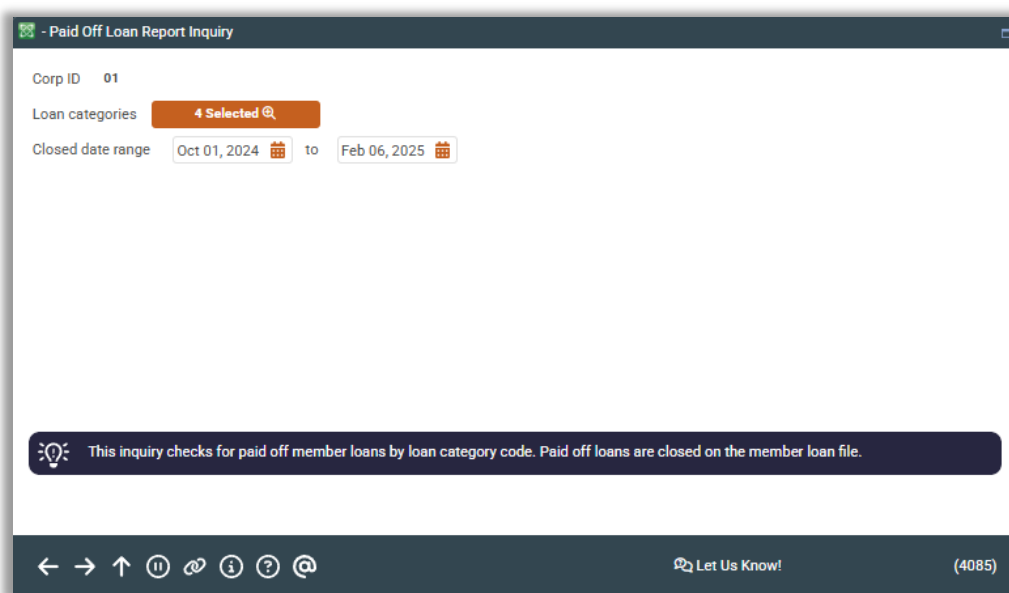
Instructions

The following steps in this guide are intended as guidelines for <u>standard (not government)</u> investors that require participation loans to be settled once a month. The steps for your credit union may differ or may not occur in the same order.

For more detailed information on standard participation loans, refer to the <u>Participation Lending Standard reference guide</u>.

Step 1: Review Paid Off Member Loans

Run the following report to identify closed (paid off) member loans and to determine if any adjustments need to be made in the settlement work file (slight balance differences due to rounding, etc.).

Tool #767 *Review Paid Off Participation Lns*

Select all *Loan categories* that apply and enter the appropriate *Closed date range* for the settlement period. This will bring you to the following screen.

Review Paid Off Loans – Tool #767

The report can be viewed on the screen and/or printed via the **Print Report** button if desired. Keep in mind that if the participation loan status (*Pl Sts*) is an "E" (Existing), the paid off loan is open on the participation loan system.

Step 2: Review Member Activity

Run the following report to research member payment activity to help determine any adjustments needed in the settlement work file.

Tool #766 *Review Mbr Activity on Part. Loans*

Enter the *Transaction date range* (1st-31st) and the appropriate *PL investors*. This will bring you to the following screen.

Member Activity on Participation Loans – Tool #776

The report can be viewed on the screen and/or printed via the **Print Report** button if desired.

Step 3: Participation Loan Balance Verification Report

Run the following report to identify differences between the end-of-month (EOM) member principal balance (can be run against current balance also) and the participation loan (investor) balance.

Tool #577 *Particip. Loan Balance Verification Rpt*

This report calculates the member's EOM balance multiplied by the investor's pro-rata share and compares with the investor's current balance. Any differences should be researched and/or adjusted in the settlement work file.

Step 4: Create/Post PL Payment Work File

In this step, you will enter the *Settlement calc routine* and *Settlement type. Company code* is optional on the screen below (if it applies to your credit union).

Tool #314 *Create/Post Part. Ln Pmt Work File*

Create/Post Work File for PLI Payments – Tool #314

The *Settle through date* is the last day of the prior month. Choose either *Process*:

- Option 2 = Calculate settlement for all loans
- Option 1 = Calculate settlement for investor/loan

A message will display showing the number of records written into the work file. The Trial Report version of the Settlement Detail Report will generate.

Step 5: Edit a Work File

To view and/or edit the work file, use *Process* option 3 = Work with settlement work file.

Create/Post Work File for PLI Payments (Tool #314)

The Trial Report version of the settlement Detail Report will generate. This version of the Trial Report will differ from the one created in Step 4 if maintenance was done in the work file.

Tool #314 (Screen 3)

PLI					Settle through	Dec 31, 2024	
Account							
Totals	39,873.52		0.00	2,105.27	126.48	0.00	2,105.27

PLI	Account	Type	Principal Balance	Past Due Interest	Interest Due	Principal Paid	Interest Paid	Monthly Income
2		800	39,873.52	0.00	2,105.27	126.48	0.00	2,105.27

You can modify interest and principal amounts in the work file. To modify an item, place your cursor on the item and use Enter or click the **Select** button to proceed to the update screen.

Tool #314 (Screen 4)

PLI	002			
Loan account			Original loan amount	40,000.00
PL type	04		Seq	1

Date reported   **Dec 31, 2024**

Term   1

Principal balance   39,873.52

Interest due	2,105.27
Principal paid	126.48
Interest paid	0.00
Total settlement	126.48
Monthly income	2,105.27

Use this screen to adjust the amounts that will be posted to an individual participation loan record when this settlement work file is posted. The *Total settlement* amount (*Principal paid + Interest paid*) will be recalculated automatically after your changes are made. When done, select the **Save** button to save and return to the previous screen.

Step 6: Post Work File

Here is where you will select another *Process* option to post the work file.

Create/Post Work File for PLI Payments (Tool #314)

Create/Post Work File for PLI Payments

Delete Work File

Settlement calculation routine   **PART**

Settlement type   **AA**

Copies   1   ☐ Job queue

Printer   EDOC

Settle through date   **Dec 31, 2024**

☐ Export final settlement report to file

Report format   Both

Process   4 = Post work file

Choose *Process* option 4 = Post work file to post the work file to the participation loan history and create the journal batch. A message will appear showing the number of records posted. The final version of the Settlement Detail Report will generate.

Step 7: Post GL Journal Entries

Post the journal entry batch created from Step 6 (will have ID of PL).

Tool #61 *Create/Post GL Journal Entries*

Step 8: Prepare Investor Reports

In additional to the Settlement Detail Report generated in Step 6, run the Participation Loan Trial Balance and the Participation Loan Delinquency Analysis to provide to the investor.

Tool #590 *PLI Trial Balance*

Run by the appropriate month end date and *PL investors*.

Tool #578 Particip. Loan Delinquency Analysis

Run by appropriate month end date, select the investor(s) and check the box to *Include 30 to 59 day call report term.*

Internal Reports

The Participation Loan Analysis Report is a helpful tool to provide to your Board of Directors when reporting about the credit union's participation loan program.

Tool #579 *Participation Loan Analysis Report*

Run by the appropriate month end date and select *Report type* Summary.

This report gives the following breakdowns:

- Investor and originator's portion of the loans

- Projection of servicing income

- Projection of income on originator's portion of the loan

- Projected total yield for the net position