⇒ Loan Participation Settlement Procedures

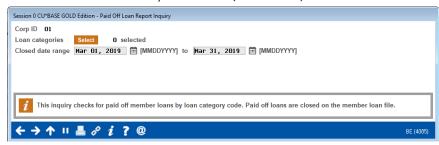
Step-by Step Instructions to process monthly investor settlement for standard participation loans

Note: The steps below 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 CU may differ or may not occur in the same order.

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

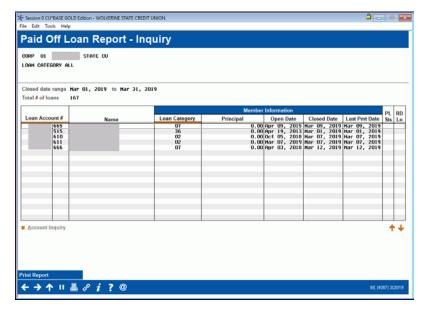
STEP 1: REVIEW PAID OFF MEMBER LOANS

Review Paid Off Participation Lns (Tool #767)



Run this 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.).

Select all *Loan categories* that apply and enter the appropriate *Closed date range* for the settlement period.

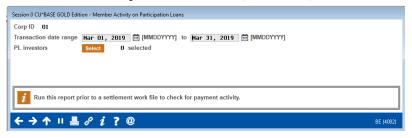


The report can be viewed on the screen and/or printed via **Print Report** (F14) if desired.

Note: If the participation loan status ($Pl\ Sts$) is an "E" (Existing), the paid off loan is open on the participation loan system.

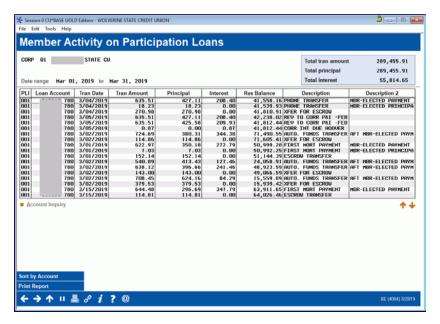
STEP 2: REVIEW MEMBER ACTIVITY

Review Mbr Activity on Part. Loans (Tool #766)



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

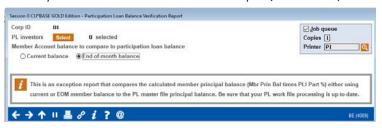
Enter the Transaction date range (1st-31st) and the appropriate PL investors.



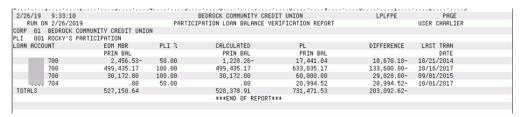
The report can be viewed on the screen and/or printed via **Print Report** (F14) if desired.

STEP 3: PARTICIPATION LOAN BALANCE VERIFICATION REPORT

Particip. Loan Balance Verification Rpt (Tool #577)



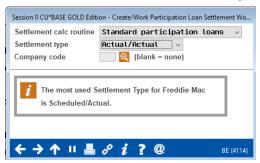
Run this report to identify differences between the end-of-month (EOM) member principal balance (can be run against current balance also) and the participation loan (investor) balance.



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

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



Enter the Settlement calc routine and Settlement type. Company code is optional (if it applies to your credit union).

Screen 2

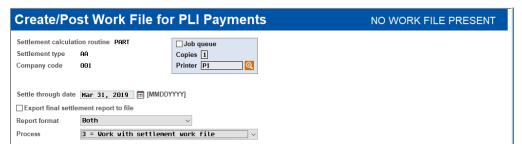
Create/Po	st Work File fo	NO WORK FILE	PRESENT	
Settlement calculate Settlement type Company code	cion routine PART AA 001	Job queue Copies 1 Printer P1		
Settle through date Mar 31, 2819 [[MMDDYYYY] Export final settlement report to file				
Report format Process	Both 2 = Calculate settlemen	nt for all loans		

The Settle through date is the last day of the prior month. Choose either Process option 2=Calculate settlement for all loans or 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.

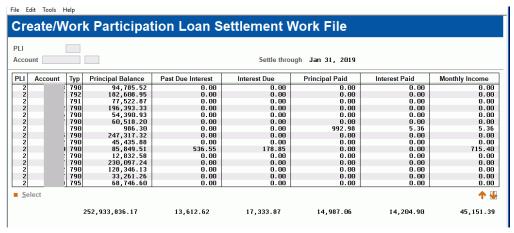
STEP 5: EDIT A WORK FILE

Create/Post Part. Ln Pmt Work File (Tool #314) > Screen 2



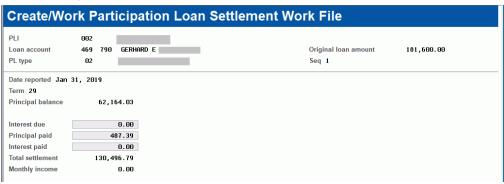
To view and/or edit the work file, use *Process* option "3=Work with Settlement work file". The Trial Report version of the Settlement Detail Report will generate. This version of the Trial Report will differ from the one created in Step 4 if maintenance was done in the work file.

Screen 3



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 **Select** to proceed to the update screen.

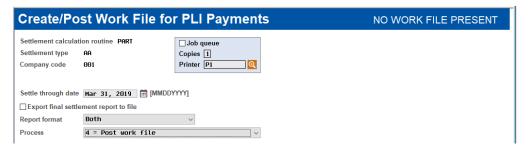
Screen 4 (Update)



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, use *Save* (F5) to save and return to the previous screen.

STEP 6: POST WORK FILE

Create/Post Part. Ln Pmt Work File (Tool #314) > Screen 2

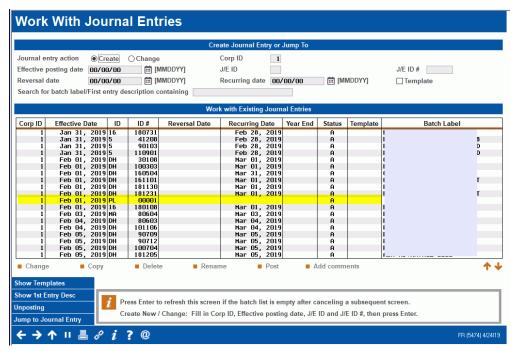


Choose *Process* option "4=Post work file" to post the work file to the participation loan history and create the journal batch. A message will

appear showing the number of records posted. The Final version of the Settlement Detail Report will generate.

STEP 7: POST GL JOURNAL ENTRIES

Create/Post GL Journal Entries (Tool #61)

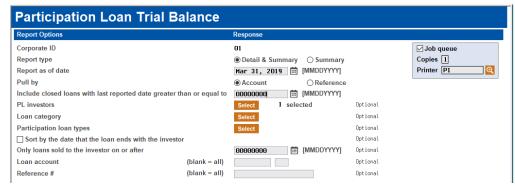


Post the journal entry batch created from Step 6 (will have ID of "PL").

STEP 8: PREPARE INVESTOR REPORTS

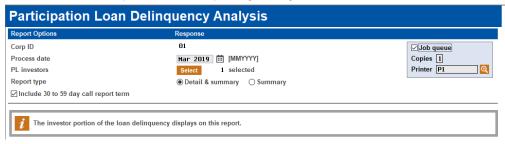
In addition to the Settlement Detail Report generated in Step 6, run the Participation Loan Trial Balance and the Participation Loan Delinquency Analysis to provide to the investor.

Tool #590 "PLI Trial Balance"



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

Tool #577 "Particip. Loan Delinquency Analysis"

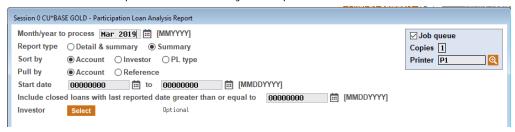


Run by appropriate month end date, select the investor(s) and check the box to *Include 30-59 day Call Report term*.

STEP 8: INTERNAL REPORTS

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

Tool #579 "Participation Loan Analysis Report"



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

The 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