Core Solutions

SilverLake System®

Release 2020

Loan Payment Reprieve for SilverLake FAQ

March 31, 2020

jack henry Banking®
A DIVISION OF JACK HENRY & ASSOCIATES INC®

Change Summary

Description	Approved By	Date
• Added the *How do I defer interest on a Payment Code 6 loan?* section header. • Added a paragraph to the *Amortized Loans – Ibase 5* section.	Patrick Anderson	03/31/2020

Interest Accrued

How do I defer interest with user-defined fees?

On any loan, the accrued interest can be decreased, and a user-defined fee assessed for the same amount. The fee can be set up in the fee processing parameters to have a receivable GL, so this can be tied to income when the fee is assessed.

Once the fee is assessed, it reflects as part of the payoff. The fee can be set to collect at payoff and is only billed at maturity. If not set to collect at payoff, it attaches to the next bill generated by the system. If the fee needs to be spread out, multiple fees can be posted at different intervals, generally one per month, so they attach to the next bill that generates.

The fee also allows you to track loans that had interest deferred so you can run Cognos® or query reports. When a fee is assessed or paid, a transaction record is created in the loan history. This also allows you to identify payments to these fees so they can be added to 1098s for interest paid if necessary.

How do I defer interest on a non-Payment Code 6 loan?

The following steps are for deferring the interest on a non-Payment Code 6 loan, assuming a monthly payment frequency.

1. Add any bank-specific alert message or code to the loan to designate that the loan has deferred interest. See the *Tracking Loans Affected by Payment Deferral (2020 Pandemic)* section for more detail.
2. Maintenance the due date forward by the number of payments being deferred.
    a. Any outstanding bills with a due date that is prior to the new due date are automatically cleared during end-of-day processing. The next step follows several months later, depending on how far the due date was rolled.
    b. If the maturity date is also going to be changed, this can be done as regular maintenance or the option to **Renew** or **Extend Loans** can be used to do this all at once and update the extension counters.
3. About a month before the new due date, decrease the accrued interest and assess the deferred interest fee.

   a. Typical practice is to use the amount in accrued interest from the date that is exactly one month prior to the next payment due date. Payoff inquiry can be used for most loans to get this amount. However, it is recommended to use the *Loan Accrued Interest* report (*LN2000P*) or a *Loan Trial Balance* report from the day before that date to get an accurate amount. Keep in mind that if the report is from a Friday or other day before a non-processing date, accrued interest includes all the non-processing days and may need to be backed off for the amount needed.
      i. For example, if you roll the due date on a loan to 7/5/2020, zero out the accrued interest as of 6/5/2020. This causes only the interest from 6/5/2020–7/4/2020 to be billed.

How do I defer interest on a Payment Code 6 loan?

The following steps are for deferring the interest on a Payment Code 6 loan, assuming the loans are cycled monthly.

1. Add any bank-specific alert message or code to the loan to designate that the loan has deferred interest. See the *Tracking Loans Affected by Payment Deferral (2020 Pandemic)* section for more detail.
   a. If there is an outstanding bill that is going to be deferred and interest is not capitalized, you can clear the remaining amount on the bill and fee record. You can also clear the due date.
   b. If interest is capitalized, the capitalization must be reversed first, and then the following day you can clear the bill and fee remaining, along with the due date.
2. To prevent the loan from billing for a period of time, change the **Cycle Code** to one that is not set up in the calendar.
   a. A new **Cycle Code** can be added if needed under **Cycle Code Maintenance**, which is in the **Deposit Parameter Maintenance** menu, so you may need to coordinate with your deposit operations department.
   b. Once the code is changed on a loan, effective-dated file maintenance can be set up to change it back on a date in the future when it should start billing again.
      i. If using the **Cycled Account Number** field to have the loan cycle with a deposit account, it must be cleared if the cycle code is changed so that the system will not change the cycle code back to match the DDA account during end-of-day processing.
3. About a month before the loan starts billing again, decrease the accrued interest and assess the deferred interest fee.
   a. Typical practice is to use the amount in accrued interest from the date that is exactly one month prior to the date the loan will cycle. Payoff inquiry can be used for most loans to get this amount. However, it is recommended to use the *Loan Accrued Interest* report (*LN2000P*), or a *Loan Trial Balance* report from the day before that date to get an accurate amount. Keep in mind that if the report is from a Friday or another day before a non-processing date, accrued interest includes all the non-processing days and may need to be backed off for the amount needed.

i. For example, if the loan will cycle on 7/5/2020, then zero out the accrued interest as of 6/5/2020. This allows it to have one month's interest in accrued when it cycles on 7/5/2020. Potential issues with the APR calculation on the statement can be avoided by using the fields in the **Fee Processing Parameters** as noted in the instructions below when setting up those parameters.

Amortized Loans – iBase 5

What do I need to consider for amortized loans?

If the field in the loan type for **Take Full Months Interest on Amortized Payoffs** is set to *No*, then accrued interest can be left in the **Accrued Interest** field instead of assessing a fee. These loans bill for the one month's interest and split one month's interest from the payment like normal. The accrued interest carries over to the end of the loan in the payoff. If the loan has an investor servicing record, refer to the *Investor-Serviced Loans* section for more detail.

If you want to only bill interest on an amortized loan, you can change the P&I payment amount to equal the one month's interest amount on the loan. This can be set up to change back automatically with effective dated file maintenance. However, if all payments are not made before the effective dated file maintenance occurs then manual intervention may be needed to roll the due date. The review date field can also be used as a reminder to do the maintenance manually instead.

Interest-Only Loans – Payment Code 2

What do I need to consider for interest-only loans (Payment Code 2)?

If the accrued interest is not decreased and the due date is rolled forward three months, then the next bill that drops bills the customer for all three months of interest that accrued. Decreasing accrued interest and assessing the user-defined fee may be desirable for these loans to prevent the customer from having a large payment.

Principal & Interest Loans – Payment Code 0

What do I need to consider for Principal and Interest loans (Payment Code 0)?

If the accrued interest is not decreased and the due date is rolled forward three months, then it is possible that only interest is billed, up to the principal and interest payment amount, each month until the interest has caught up. Decreasing the accrued and using the user-defined fee also prevents this.

Variable Rate Loans/Reamortizing Payments

What do I need to consider for variable rate loans and reamortizing payments?

If it is an ARM loan, the loan can be set to reamortize on demand at any time. If the maturity date is not being changed, the amortize-through date can be used to allow the payment to reamortize and keep the payment close to the same and assess the deferred payments as a balloon at the end of the loan.

If a loan only has rate reviewed and a new payment amount calculated, that payment rolls onto the loan if the due date is rolled to, or past, the new payment effective date. A reamortize on-demand can then be done if necessary.

Escrow Payments

What do I need to consider for escrow payments?

Billing escrow only is not a payment option.

If you defer multiple payments, it most likely causes a shortage situation when escrow analysis is run. Escrow analysis can be run at any time, so an option may be to process analysis after the payment deferral period to start to recover the deferred escrow payments now instead of waiting until the regular escrow analysis date. Also, if you want to spread the shortage over a longer period of time, there are tiers in the escrow processing options at the account level that can be used to have larger shortage amounts.

Escrow payments can be manually posted to a loan at any time if the customer wants to still pay those.

If you want to manually add bills for escrow only, only do it if the loan has **Split Payments as Billed** set to *Yes*. This is the only option that allows payments posted to the loan to split to escrow and roll the due date. However, this means that the due date on the loan cannot be rolled forward. The due date would have to advance naturally as payments are posted. This option also does not generate statements or notices.

Cycle Loans – Payment Code 6

What do I need to consider for cycle loans (Payment Code 6)?

If you want to continue sending a statement but do not want anything to be billed, this can be done if a loan meets the following criteria:

- The loan cannot have any fees that are not set to collect at payoff.
- The loan must be using Payment Code 6 method 3 for interest only and have no minimum payment amount.
- The loan must have an accrued interest of zero or less the night that it cycles, including what will accrue that night. Accrued interest can be taken negative and the user-defined

fee that is set to collect at payoff can be assessed before the loan cycles to make this happen.

Credit Bureau Reporting

What do I need to consider for credit bureau reporting?

A user status code can be used to place a stop for credit bureau reporting on individual loans that you do not want to report to the credit bureau. This can also be set with an expiration date so that the stop is removed automatically on a future date.

> **TIP**
> Stopping credit bureau reporting on a loan can cause the credit bureau to have stale dated information.

Note that the 24-month counters still update on the first of each month, so you may have to update for any loan that you do not want to report as past due that would not have had the due date rolled forward.

The credit bureau file should still be created and sent to the credit bureaus you report to each month to prevent stale dated information.

Per the *Credit Bureau Resource Guide* FAQ #58, the special comment code of *AW* can be selected for any loan that will have a deferred payment. Current programming for the *AW* special comment code does not report anything different for the loan. This matches option **2** of FAQ #58. If you want to use option **1**, open a case with support for assistance. Address questions on how the credit bureaus use this code to the specific credit bureau to see how they use that.

Freddie Mac®, Fannie Mae®, and Other Investor-Serviced Loans

What do I need to consider for investor-serviced loans?

Questions regarding how to handle investor-serviced loans that have payments deferred should be directed to the investor. We are also looking to them for guidance on anything we need to do to ensure that we can meet their requirements.

Tracking Loans Affected by Payment Deferral (2020 Pandemic)

What do I need to consider when tracking loans that are affected by payment deferral (2020 pandemic)?

The financial institution will want to have something added to a loan to let anyone in the future know that this loan had a payment deferral due to the 2020 Pandemic. Some suggestions are:

- Special Information Codes (SIC).
- An alert message added to the loan.
- A special message added to the loan.
- **User Status Code**, which is used in conjunction with the stop functions. This can be set up to add a banner message to the loan. There is a link in the FAQ to see more information on setting up stop functions and the **User Status Code**.
- **Next Review Date**, which can be used to run a report from the **Expiring Dates Report** option. If this date is used when a loan has the due date rolled forward or the statement cycle changed, this can help remind you when to defer the interest and/or change the cycle code back when the payment deferral period is over.
- User-defined fields, which can be set up with a specific description and have up to 35 characters input to give specific information for a particular loan account. This can also be used if you need to show something different on different loans related to the 2020 pandemic.

Late Charges

What do I need to consider for late charges?

For loans that have the due date rolled forward or are prevented from cycling, there is not a reason to update the loan to prevent late charges.

If the due date will not be rolled forward, but late charges should not be assessed to a specific loan for a certain period, there are two options:

- Remove the late charge code on the loan.
- Use the stop function for fee #808 (with **User Status Code**). Using the stop allows entry of an expiration date so the stop falls off automatically.

If you do not want to touch every loan account, the **Late Charge Code Maintenance** option can be used to change the parameters. The field for **Nth Day Past Due to Charge** can be changed to *99*. This prevents a loan from assessing a late fee until it hits 99 days past due. A report can also be created to see if a late fee assessment does occur due to a loan being 99 days past due and this can then be waived as needed.

Loan Mass Maintenance is an option to update the **Late Charge Type** (code) on multiple loans at the same time. Care is required when using this option because if the late charge code is cleared out, then it is possible that other loans could be picked up when mass maintenance is used to put the code back in. Also, for loans using different late charge codes that are in the same loan type, this would also cause potential manual maintenance to get the correct code back on the loans.

1098s

What do I need to consider for 1098s?

There is not a flag to automatically add a user-defined fee to the 1098. Any payments to the fee must be added to a 1098 manually after it has been created at EOY. The payment transactions from loan history can be pulled to a report to show any loans that had this fee paid.

Using HAMP

What do I need to consider when using HAMP?

A forbearance amount can be entered on a loan that has HAMP set up, which reduces the balance used to accrue interest on. Interest still must be deferred if you do not want it to be billed once the payment deferral period is over.

This can be used on any loan that is not Payment Code 6. Please refer to the link on HAMP documentation to get more information on this subject.

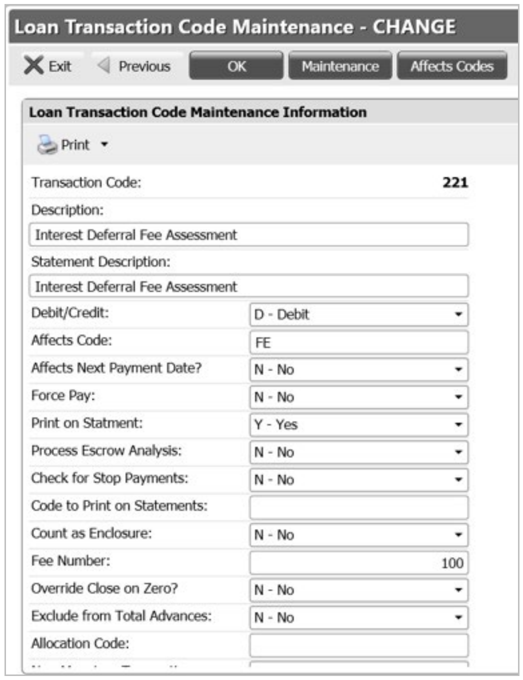
How Do I Set Up a User-Defined Fee on SilverLake?

1. Decide what fee number you are going to use for your new fee.
    a. This can be any number not already in use for fee numbers from 1 through 799. You can view the fee numbers already in use under **Fee Processing Parameter Maintenance** (**LNPAR** option 26). Click **OK** to see the full list of fees set up. For our example, we are going to choose fee number 100.

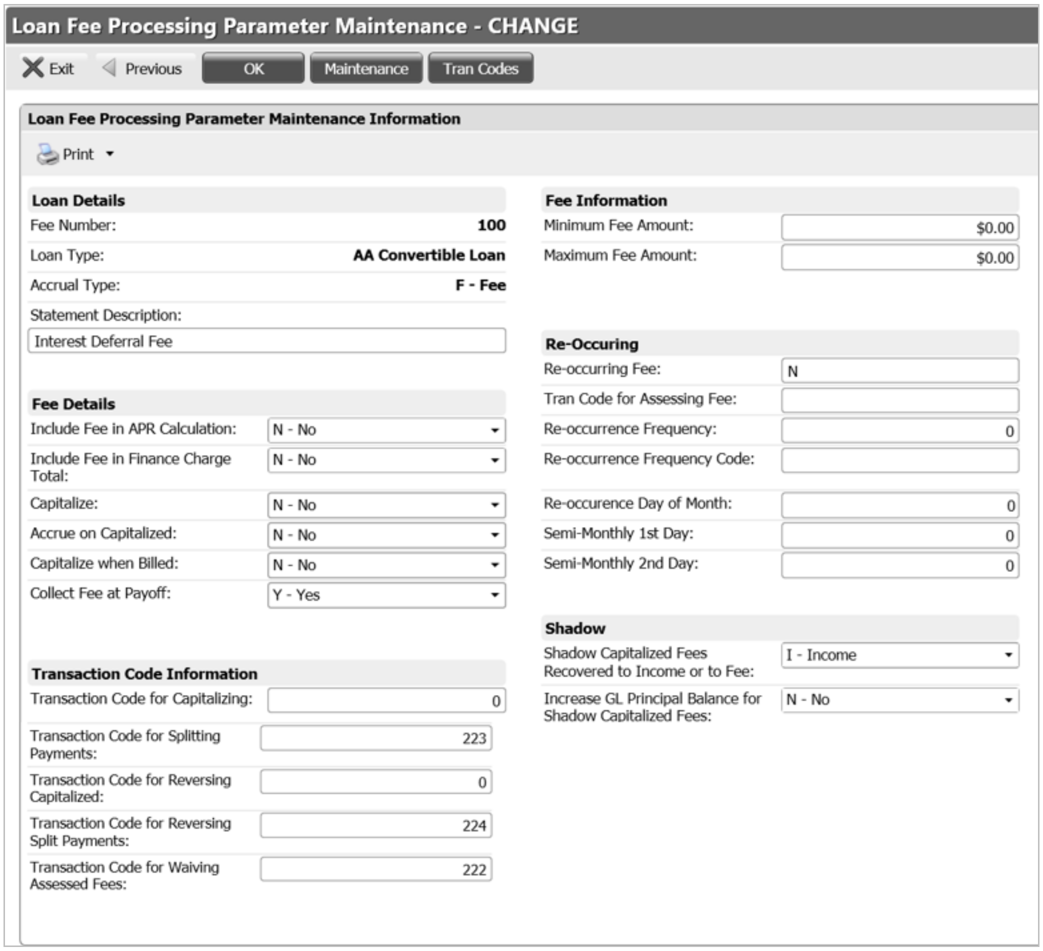
        > **TIP**
        > You cannot use any fee number 800 or greater. These are reserved for JHA.

2. Once you know the fee number you are using, create four new transaction codes for this fee number to use.
    a. Go to **Loan Parameters Maintenance** (LNPAR) menu option **Transaction Code Maintenance** (option 2) to set up the four codes (one to assess the fee, one to waive it, one to pay it, and one to reverse the payment).
3. Add your four new transaction codes.
    a. It is recommended to add them in sequence. You can use any transaction code from 1 through 298 not already in use, or if needed you can use any transaction code over 10000. The following screenshot shows how one of the transaction codes should be set up. Our example uses transaction code 221 and follows the guidelines later in the document.
        - The **Description** and **Statement Description** are up to the financial institution.
        - The **Debit**/**Credit Code** varies based on being the assessment, payment, payment reversal, or fee waive.
        - The **Affects Code** is *FE* on all transaction codes.
        - The **Print on Statement** is recommended to be *Y-Yes*.
        - The **Fee Number** should be entered with the fee number chosen by the financial institution.
        - All other fields can be set to *N-No*.

TIP
Once you have the first transaction code set up, you can copy that transaction code to set up the other ones and update the description and **Debit**/**Credit Code** as needed.



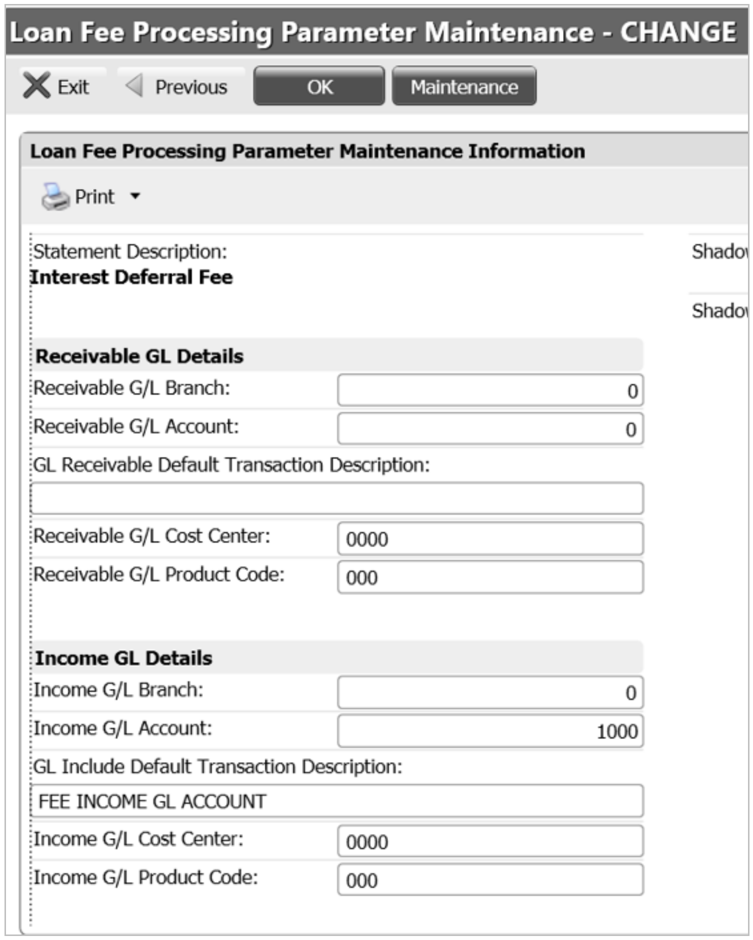
4. Once your transaction codes are set up, use your fee processing parameters for your new fee in **Fee Processing Parameter Maintenance** (**LNPAR** option 26).
   a. Under this option, you must set up the **Fee Number** and **Loan Type** combination for all loan types that this new fee will be used for. For example, if our new fee number 100 will be assessed to **Loan Type** *AA*, add that combination and set up the parameters like the following:



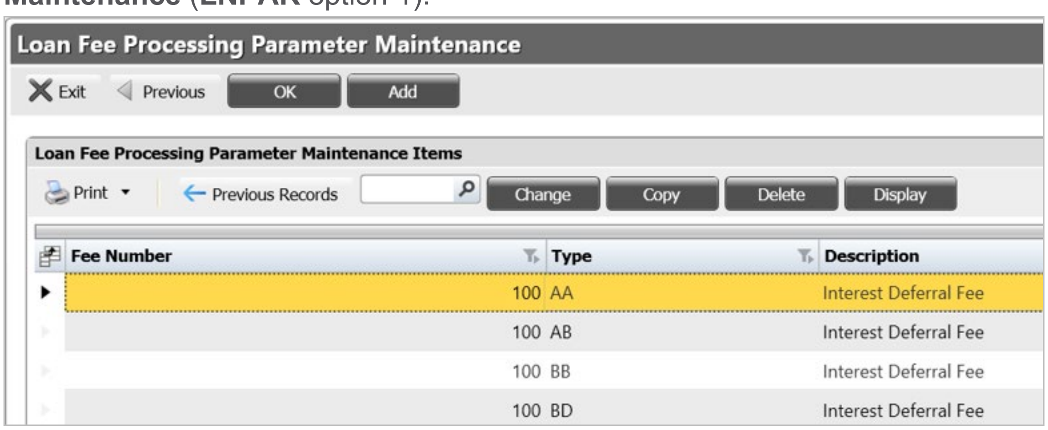
   b. For Payment Code 6 loan types, it is recommended to change the following fields to *Y-Yes*:
      - **Include Fee in APR Calculation**
      - **Include Fee in Finance Charge Total**

      These prevent APR calculation issues when the first statement is created after the deferral period.

5. Decide if you want to set up a receivable GL account to be affected when the fee is assessed to a loan.
   a. Even if you do not use a receivable, you must enter an income account, which affects when the fee is paid. If you leave the **Branch** and **Cost Center** fields blank, they follow the branch and cost center on the loan.



6. Once you have the parameters set up for one loan type, copy that type for all other loan types this fee is assessed to.
    a. If you are unsure which loan types this fee may be assessed to, the best practice is to set up the new fee for all loan types you have in the **Loan Type Maintenance** (**LNPAR** option 1).



How Do I Reduce the Accrued Interest and Assess the Fee?

1. When using this fee to reduce accrued interest, you must run two transactions to the loan.
    a. Post a credit to accrued interest (C-A) to reduce accrued interest.
    b. Post the fee assessment transaction (**Transaction Code** *221* in our example set up above) for the same amount.
        - The payoff amount on the loan is the same but the amount due for accrued interest has moved to other charges. This amount is not billed until the loan matures and would be due any time if the customer tried to pay off the loan.

It is recommended to wait until about a month before the next payment due date before posting these transactions. This allows you to get the amount that will be reduced from accrued interest and assessed for the fee. Typical practice is to use the amount in accrued interest one month prior to the next payment due date, assuming a monthly payment frequency. Payoff inquiry can be used for most loans to get this amount. You can also use the loan trial balance from the day before. For example, if you roll the due date on a loan to 7/5/2020, zero out the accrued interest as of 6/5/2020. This causes only the interest from 6/5/2020–7/4/2020 to be billed.