



Investor Payment Deferral

Support Documentation

September 2, 2020

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Change Summary

Description	Approved By	Date
Original publication.	Connie Hopkins	7/31/2020
<ul style="list-style-type: none"> • Additional information in Investor Payment Deferral Steps section. <ul style="list-style-type: none"> ○ New step 3. ○ Updates and additions in step 7. • New note for step 2 in the Loan Example section. 	Connie Hopkins	8/18/2020

Overview


Banks must have the following defects installed:

- 1162727 - Add Override on Non-HAMP Reporting Loans for Status 1 Change
- 1163310 - Add Interest Forbearance Balance in HMP Module

Investor Payment Deferral Steps

1. Set up a D-P **Transaction Code** for the capitalization of interest deferred for COVID or for escrow advanced and fees.
 - A longer **Transaction Code** is more prominent in loan history and therefore recommended.
 - The **Transaction Code** description is determined by each financial institution.
 - Set the **Force Pay** and **Print on Statement** fields to Yes. These transactions are passed to the investor.

Loan Transaction Code Maintenance Information

 Print ▾

COVID Deferred Interest Capitalization

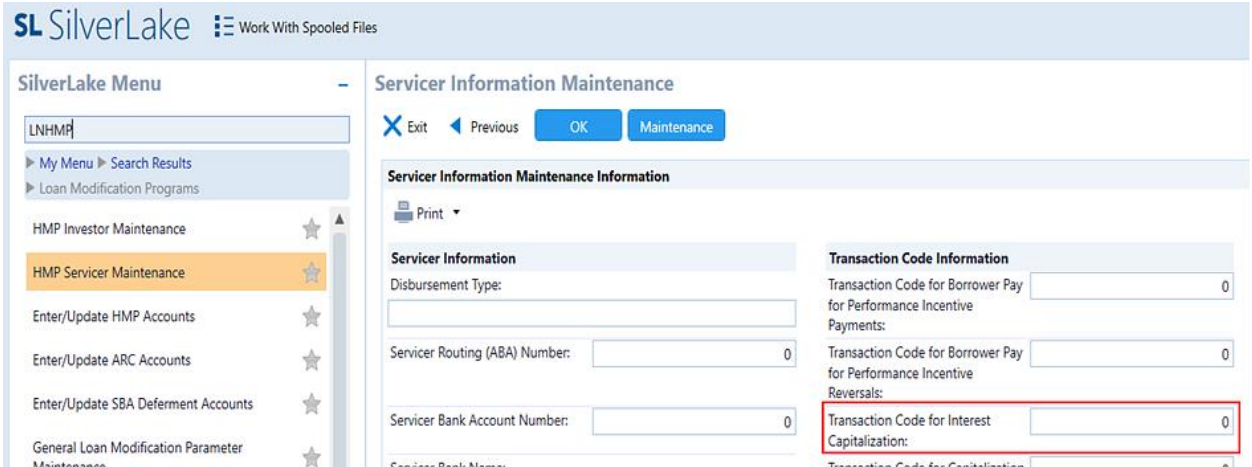
Debit/Credit:	D - Debit ▾
Affects Code:	P
Affects Next Payment Date?	N - No ▾
Force Pay:	Y - Yes ▾
Print on Statement:	Y - Yes ▾
Process Escrow Analysis:	N - No ▾
Check for Stop Payments:	N - No ▾
Code to Print on Statements:	
Count as Enclosure:	N - No ▾
Fee Number:	0
Override Close on Zero?	N - No ▾
Exclude from Total Advances:	N - No ▾
Allocation Code:	
Non-Monetary Transaction:	N - No ▾
Print Receipt Y/N:	N - No ▾
Use Minimum Check Toleran Y/N:	N - No ▾
Re-amortize Y/N:	N - No ▾
Waive:	N - No ▾
Servicing Release Y/N:	N - No ▾
Cash Transaction Y/N:	N - No ▾
Exclude from Servicing:	N - No ▾

2. Set up a **C-I Transaction Code** for interest deferred for COVID non-customer paid.
 - A longer **Transaction Code** is more prominent in loan history and therefore recommended.
 - The **Transaction Code** description is determined by each financial institution.
 - Set **Print on Statement** to **Yes**.

Loan Transaction Code Maintenance Information	
Print ▼	
COVID Deferred Int Non-Customer Paid	
Debit/Credit:	C - Credit ▼
Affects Code:	I
Affects Next Payment Date?	N - No ▼
Force Pay:	N - No ▼
Print on Statement:	Y - Yes ▼
Process Escrow Analysis:	N - No ▼
Check for Stop Payments:	N - No ▼
Code to Print on Statements:	
Count as Enclosure:	N - No ▼
Fee Number:	0
Override Close on Zero?	N - No ▼
Exclude from Total Advances:	N - No ▼
Allocation Code:	
Non-Monetary Transaction:	N - No ▼
Print Receipt Y/N:	N - No ▼
Use Minimum Check Toleran Y/N:	N - No ▼
Re-amortize Y/N:	N - No ▼
Waive:	N - No ▼
Servicing Release Y/N:	N - No ▼
Cash Transaction Y/N:	N - No ▼
Exclude from Servicing:	N - No ▼

3. Set up a **Transaction Code** for escrow that is capitalized to the balance so deferred escrow is easily distinguished.
 - A longer **Transaction Code** is more prominent in loan history and therefore recommended.
 - The **Transaction Code** description is determined by each financial institution.

4. In the **Loan Modification Programs Menu (LNHMP)** option **HMP Servicer Maintenance**, select **Bank Account**. On the **Servicer Information Maintenance** screen, add the new **C-I Transaction Code** to the **Transaction Code for Interest Capitalization** field. This prevents these transactions from passing to the investor side.



5. Figure the **Delinquent Interest** portion of the payment using the declining balance. If this is an ARM loan with a rate or payment change in the forbearance period, calculate the appropriate interest. This figure will be needed in the investor's workout system and for the **Forbearance Interest Amount**.
6. Update the loans in the investor's system before changes are made to any loan or HAMP records.
 - In the **Loan Modification Programs Menu (LNHMP)** option **Enter/Update HMP Accounts**, on the **HMP Maintenance – Add** screen, set the following fields as shown. The default values can be left in the other fields.
 - i. **Investor Code** – Enter the investor the loan is sold to.
 - ii. **Reporting** – *N* for No to bypass the trial period.
 - iii. **HMP Status** – Enter *1* for Active.
 - iv. **Forbearance Interest Amount** – The amount that was calculated for the delinquent interest in step 5.
 - v. **Forbearance Amount** – The total amount that is being deferred (total of principal and interest payments and advanced escrow).

NOTE

The **Trial Payment Amount** field must be overridden every time to bypass it. If you do not want to override the other fields, information in the historic fields can be entered in the modified fields. Where available, ellipses can be used to select field values.

7. Run D-P and C-I **Transaction Codes** for the deferred interest. **Interest Paid YTD** and **LTD** must be decreased manually by the amount of the C-I.
 - The bank must decide if the D-P should be effective dated to generate an accrual adjustment.
 - The bank needs to determine if the **Interest YTD** and **LTD** is decreased the day of the transaction or the day after.

NOTE

If LS Credit line 300 is going to a receivable GL, the offset is a debit to service clearing.
 If LS Credit line 300 is going to the DDA/Cust, then debit service clearing and credit the DDA and run a transaction C/Y/P/N to the custodial.

CAUTION

The **Next Payment Due Date** and **Next Scheduled Payment Due Date** must be the same for the accrual balance to calculate correctly on the first day. If the accrual balance is not correct, it can be file maintained.

8. File maintain the **Due Date** to the date of the next customer payment.
9. File maintain the **Last Paid Installment Date (LPI)** in the servicing record to be one month prior to the **Loan Due Date**. For example, if the due date is 8/1/20, the **LPI** will be 7/1/20.
10. If the loan has been inactivated, remove the **Date Inactivated** and **FHLMC** from the **Group** field.

Statement Information

1. A message can be added to individual loan statements using **Loan Input Menu (LNIN)** option **CFPB Account Statement Message Maintenance**. A specific message can be entered in the **Modification Message** section to be printed on the statement each month.

CAUTION

The verbiage of the message may need to be determined by the financial institution's legal/compliance department.

2. Set up the message to print.
 - Verify that **Bank Message** is turned on to print in the **Loan Parameter Maintenance Menu (LNPAR)** option **Mortgage Loan Periodic Statement Maintenance**.
 - Add variables \MODMSG1 through \MODMSG5 and align them to be at the beginning of each line.
 - Increase the **Number of Lines to Print** value if necessary.

Loan Example

Following is an example of a loan that is deferring six payments and has a current loan balance of \$160,697.62.

1. The amount of interest to be deferred is \$6,220.16. This is also the amount of the D-P and C-I transactions that need to process to increase the **Current Balance** to match the investor's New Unpaid Principal Balance.
2. The \$6,220.16 also goes into the **Forbearance Interest Amount** in the HAMP record.

NOTE

The **Forbearance Interest Amount** (HMPPAMT1 - Programmer Amount #1) is in the **Loan Home Modification Program Master (LNHMP)** file.

- The **Forbearance UPB** amount goes into the **Forbearance Amount** in the HAMP record.

Current Loan Bal	\$ 160,697.62	
Deferred Prin	\$ (1,892.46)	
Ln Accrual Bal	\$ 158,805.16	Interest Bearing UPB
Total Deferred	\$ 8,112.60	
Gross UPB	\$ 166,917.76	Loan Bal after D-P for delinquent Int
Payment Amount	\$ 1,352.10	
Deferring 6 pmts	\$ 8,112.60	Forbearance UPB

HMP Maintenance Information

Print

Name and Address	Historic Information	HMP Information
	Historic Payment Amount: \$635.52	HAMP Servicer ID Number: 32165
	Historic Rate: 5.000000%	GSE Investor Number: 0 ***
	Historic Term: 24	GSE Loan Number:
	Historic Maturity Date: 11/12/2018	Investor Code: 0 ***
Account Details	Historic P & I Payment: \$635.52	Reporting: N - No
Customer Number:	Historic Escrow Payment: \$0.00	HMP Status: 1 ***
Home Phone:	Historic Association Dues: \$0.00	Trial Start Date: //
Business Phone:		Trial End Date: //
Tax ID:		Trial Payment Amount: \$0.00
Loan Type:		Forbearance Amount: \$8,112.60
Loan Number:		Forbearance Interest Amount: \$6,220.16
		Original Forbearance Amount: \$0.00
		Forensic Christiana Perin: en

- The **Interest Remittance Amount** that appears on the *LNS326P – FHLMC MIDNET Download File* report and in the *LNS326D – Freddie Mac Reporting File* is calculated by taking the (**Current Balance** less the **Forbearance Amount**) multiplied by the (**Pass Thru Rate** divided by 12).

Calculations

- The **Interest Bearing UPB** is calculated by subtracting the **Forbearance Amount** from the loan's **Current Balance**. The investor files will reflect the **Interest Bearing UPB**.
- Accrued Interest** is calculated on the **Interest Bearing UPB**.
- The **One Month's Interest** displayed on the loan uses the **Accrual Balance**.

NOTE

Once the loan balance matches the **Forbearance Amount**, the loan will no longer accrue interest. When the system decreases the **Forbearance Interest Amount**, **Interest YTD** and **LTD** are increased.

If the customer wants to pay off the **Forbearance Amount** before maturity, manual updates must be made to **Interest YTD** and **LTD**. This is also a manual process to pay off the **Forbearance**.

CAUTION

Be aware that balancing can be impacted. Loans that have a payment deferral might be reconciling items.

Credit Bureau

1. Base field 21-Current Balance will include the **Forbearance Interest Amount**.
2. K4 – Segment Reporting
 - a. If the loan currently has a balloon payment amount, it is reported.
 - b. If there is no balloon payment, and a **Forbearance Interest Amount** has been entered, the full **Forbearance Amount** is reported.