



# Loans

## Timely, profitable lending decisions by maximizing your CBS Information

CBS combines real estate, consumer, and commercial lending applications into a single comprehensive Loan Module. A combined lending system gives you increased flexibility when defining innovative lending products. CBS gives you the capability to better serve all your borrowers' credit needs...and make timely and profitable lending decisions.

### About the Loan Module

The Loan Module is a common loan system, incorporating all lending instruments established by your institution. This makes it possible to offer a broad range of products and incorporate features from many "traditional" loan applications. Many unique features are available within the Loan Module to make work more efficient and effective. These features provide you control over:

- Common File Parameters
- Product Types

- Interest Rates
- Accrual Methods
- User-Defined Codes
- Payment Schedules and Processing
- Indirect Liabilities
- Credit Information
- Collateral Processing and Reporting
- Participations
- Fannie Mae and Freddie Mac Reporting
- Loan Memos
- Deduction Processing
- Reporting
- Fee Processing
- Late Fee Processing
- Coupon Processing
- Assumption Processing
- Dealer Processing
- Loan Platform Interface

### Common File Parameters

The Common File acts as the "blueprint" for

your institution's Loan Module. Much of the information required to establish and process loans is created as part of your institution's Loan Common File. By defining this information at the institution and loan product levels, the loan department's work is simplified and errors are reduced.

The Common File includes such information as processing days, loan officer records, and tables listing various codes including collateral, census tracts, dealer names, and FDIC reporting.

### Product Types

The Common File also includes Loan Module product types. Product types define the lending products available at your institution and establish reporting categories for those products. The product type defines the codes and processing options effective for a particular lending product.

Your institution can create up to 999 types of loans, each with unique product characteristics that you define. Processing parameters are internally keyed to the type of loan, and need not be entered at the loan set-up time.

The benefits? Less time and effort required for establishing new loans. You also enjoy improved data consistency and accuracy.

### Interest Rates

The Loan Module supports up to 99 prime or rate indexes. Each prime-related loan can vary from the prime by either a percentage or a multiplier that you define.

When dealing with prime-related notes, the Loan Module allows you to change the rates periodically. Interest rates can float with the index, change on a specific frequency, or change with additional debt. These changes can be automatically computed or based on current index rates.

### Accrual Methods

The Loan Module uses the following methods of interest accrual:

- Simple
- Actuarial or New York Actuarial
- Straightline
- Rule-of-78ths
- Average daily balance

Interest accruals are defined at the product level. You have complete flexibility when defining loan products, enabling you to serve your borrower, create unique credit services, and meet profit objectives.

Loan interest is accrued daily, including weekends and holidays, giving you accurate month-end accruals, and the income figures always give a true picture of your loan portfolio performance.

### User-Defined Codes

To provide you with maximum flexibility, many of

the codes used in defining and processing loan products are user-assigned. These codes include:

- Rebatable and non-rebatable deductions
- FDIC call reporting
- Federal Reserve call reporting
- Loan risk classification
- Recourse
- Collateral
- Officers
- Dealer names
- Loan classification
- Dealer floor plan names
- Insurance company names
- Posting restriction reasons

Up to 60 optional user-defined loan fields may be defined for your institution's reporting and tracking needs.

### General Ledger Interface

To provide accurate reporting to your general ledger, the Loan Module automatically updates general ledger accounts for principal, interest, late fees, loan fees and escrows. The Module also provides for appropriate reporting of rebatable and non-rebatable deductions to the general ledger. You can determine how updates are made to general ledger accounts as part of the product definition in the Loan Common File.

### Payment Schedules and Processing

A large variety of repayment methods and schedules are available in the Loan Module.

Options offered include billing, coupon generation, external payment and automatic payment draft from a customer's transaction account on all types of loans.

Each loan can have up to nine repayment schedules. Each payment schedule can accommodate repayment using the following methods:

- Principal only
- Interest only
- Principal plus outstanding interest
- Level payment
- Percentage of outstanding balance

- Percentage of outstanding balance plus interest.

Payments may be processed with coupons through the Financial Transaction Management Module or they may be posted on-line using monetary transaction codes. The Loan Module accommodates the following payment situations:

- Regular payment as of due date
- Excess payment
- Unscheduled payment
- Force payment
- Payoff

### Indirect Liabilities

A loan may have an unlimited number of endorsers or guarantors. When you add endorsers or guarantors to a loan, you can assign an indirect liability equal to a specific dollar amount or to a percentage of the loan. You may update this amount or percentage at any time. The customer's summary displays both direct and indirect liability exposure.

### Credit Information

Through an interface with the Customer Information File, loan officers can instantly perform credit checks on any customer. Available information includes deposit account balances, credit data, financial statements, and other account relationships that may indicate the credit strength of your customers.

The Loan Module maintains complete information about your customers' direct and indirect borrowing, including: high direct borrowing, amounts of secured and unsecured borrowing, and amount of contingent liability. Both current and historical data is very comprehensive, to allow you to better manage and control credits.

### Collateral Processing and Reporting

Collateral data for specific loans is reported on both management and exception reports. Key information includes: collateral description, property address, value, date of pricing, and

CUSIP number for securities. Additional detail for real estate collateral can also be defined. Up to 99 pieces of collateral can be recorded for each note. To reduce portfolio risk, your lending officers and auditors can closely monitor and control all loan collateral. Also, since collateral can be created at the customer level, the risk of over pledging one piece of collateral is eliminated.

### **Participations**

You can establish up to 99 participations for each "parent" loan. Participations have processing controls, such as investor reporting, participation accruals, service fees, and payment schedules that function independently from the associated parent loan. The processing information for participations is stored in "groups."

Each group may contain an unlimited number of participations. You assign each group to an "investor," which is defined as any entity that you sell loans to or buy loans from. The investor information on the system provides appropriate name and address information for investors. You can also use several user-defined codes to further classify investors and groups for your institution.

### **Fannie Mae and Freddie Mac Reporting**

CBS Fannie Mae and Freddie Mac Reporting products provide you with the ability to automate the extraction of the data necessary to produce required reports. These extractions are at the loan level. The data may be printed and/or downloaded to a PC for use with Freddie Mac's MIDANET or Fannie Mae's MORNET software packages.

### **Loan Packaging and Reporting**

The CBS Loan Packaging Product is designed to assist you in selecting loans for sale in the secondary market or for pledging loans to another organization. The user defined selection criteria allows you to choose loans that meet your specifications as well as create what-if

reports to add in determining the selection criteria. The CBS Loan Packaging Product allows you to create loan packages and to model new packages after existing ones. Loans are automatically packaged by the system if they meet the user defined selection criteria. A test run may be performed prior to the 'live' packaging run. You can change the warehouse information for all loans in a loan package by making the change once at the loan package level.

### **Loan Memos**

Each loan can have up to nine memos. Separate from the CIF memos established at the customer level, these memos appear solely on the Loan Module inquiries. A common use for this memo capability might be to alert operation personnel to request that a customer stop by the loan department to sign a renewal. If a memo exists on a loan, a flashing indicator appears on the on-line loan inquiry screens.

### **Deduction Processing**

Each loan may have up to nine rebatable deductions and nine non-rebatable deductions, as defined in the Common File. During the Add New Loan function, the deductions default to the account level, where they may be overridden. In addition, rebatable deductions can be added after the loan is disbursed. All processing and transactions are generated by the system.

### **Fee Processing**

Fees can be recurring, such as an annual fee on a line of credit, charged on a specific frequency or date, or charged when activities occur such as advances, dishonored checks, or loan payoff. Fees may be calculated as a flat amount or percentage of the total line, the current balance, the average balance, the unused balance or an advance amount.

### **Late Fee Processing**

Late fees assessed by the Loan Module are based on a percentage of the outstanding balance or a percentage of the payment. Late fee

parameters are defined for the loan product type in the Common File, but can be overridden on individual loans.

Each loan has minimum and maximum controls on late fee assessment plus a maximum assessment for the life of the loan. The Loan Module accumulates unpaid late fees and prints the accumulated amount on all customer billings and late fee notices.

A late fee first/last code allows you to force collection of late fees first on each payment or to collect late fees last, only after all principal, interest, miscellaneous fees, etc., are collected.

Individual late fee assessments appear on the note history, providing a complete audit trail both on-line and on the printed Note History/Collection Card.

The Loan Module complies with UCCC on all loan types.

### **Coupon Processing**

The Loan Module generates coupons automatically as a result of "live" escrow analysis or payment/term review, if the billing code for the loan being processed bills via coupons. The billing code is defined for the loan product type in the Common File, but can be overridden on individual loans through account-level maintenance.

Coupons that are automatically generated reflect all pending payment changes, including escrow analysis changes and principal and interest changes resulting from payment review.

### **Assumption Processing**

The Loan Module enables you to process up to nine assumptions per loan and to defer the fees and costs associated with assumptions using FASB 91. The system creates an assumption record that is used for year-end reporting and credit information. Year-end interest reporting is generated for both the seller and buyer.

## Dealer Processing

The Loan Module supports two types of dealer processing arrangements:

**1) Indirect loans** - Simple interest or add-on interest loans that are originated by a dealer, retailer, or other seller of goods and services to finance the purchase of goods and services, and which are, in turn, purchased and serviced by a financial institution.

The dealer is compensated for the work involved in originating the loan with a percentage of the interest on the loan. This interest may be prepaid to the dealer or it may be paid over time either as it is earned, or as interest is collected from the borrower. Within CBS, an institution has the ability to "holdback" a portion of the amount paid to the dealer to protect against future losses on paper purchased from the dealer. This holdback can be part based on a percentage of the dealer's portfolio, or it can be fixed amounts per portfolio or account.

To support this type of arrangement, the Loan Module allows you to establish, within the Common File, up to 99,999 dealer records which contain the processing parameters, reporting options, and general ledger accounts associated with a particular dealer. As loans are booked (through the Add New Loan function), they are tied to the originating dealer. The dealer's portion of the interest is then tracked using various dealer-level, general ledger accounts.

Dealer reports providing information about new, paid-off, delinquent, non-accrual, and charged-off loans are produced automatically at month end and are also available on request as a function list selection.

**2) Floor Plan loans** made by your financial institution to a dealer to acquire inventory  
-Individual floor plan loans made to acquire units of inventory can be tied to one dealer by assigning them a common Dealer Floor Plan

number when adding them to the system (using the Add New Loan function).

The Dealer Floor Plan Payment Application function enables your organization to accept a single payment from a dealer which automatically generates separate payments (which post during the nightly run) for his individual floor plan loans. This function also enables you to generate the Dealer Floor Plan Payments to be Generated report. This report helps you to reconcile the payment amount displayed in the function with the amount of the check you received from the dealer and with the amounts displayed on the Floor Plan Interest Billing Proof report.