Recreate borrower payment history

This document will guide you through the process of recreating history for an imported loan.

For additional information and/or questions please feel free to contact our support group at support@loanservicingsoft.com or 1-800-993-1839 x2.

Borrower/loan payment history can be recreated using two techniques: balance forward and fully recreating past history. For each of these two techniques it is very important to know the loan import date and all accounting data for the loan as of this import date.

LOAN SERVICING SOFT will begin accruing interest and preforming calculations starting with next day after this import date. Users have full control when entering history transactions (on or before loan import date). LOAN SERVICING SOFT won't do any estimate of the due amounts for these history transactions. When recreating history the most important item is **only last payment** added on or before the loan import date because only data of this payment will be used by LOAN SERVICING SOFT when the accrual process starts. This means:

- New principal balance of the first due transaction added after import date will be taken from this last transaction added before or on the import date
- Unpaid amounts (interest, principal, fees, late fee, escrow) entered in the last transaction will become past due amounts for the first due transaction
- The due date of the last transaction will be used to calculate the due date of the first due transaction
- The "Interest Paid As Of" date set for last transaction will be the first day for which interest is accrued
- First Due Transaction after import will have number equal to last transaction before import date plus one (If last history transaction will have number set to 10.3 then next due transaction will have number set to 11.0)

The user will be asked before saving a past transaction if they want to also generate lender distribution records. If they choose Yes when asked, LOAN SERVICING SOFT

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will generate distribution records which can be used to cut lender (or investor) checks. If they select No, the system won't. This is useful for when Lender checks have already been cut.

<u>Prerequisites</u>

1. Static loan data is already imported (static data means borrower info, loan terms, lenders, etc..).
2. Each imported loan will need an Import Date set prior to the history recreation process.

A. Full payments history recreation

All past payments are added to the system in the same order they were received. The user has full control of the payment distribution.

Here are the steps involved to enter history transactions one by one:

Let's consider we have a loan originated on 01/01/2011, loan amount is $150,000 and first payment date is on 02/01/2011.

The static loan data has already been added and the import date was set to 05/01/2011. As of this import date, principal balance due is $127,420.03.The unpaid interest amount is $264.11 and from all received payments before the import date checks were cut to investors (this means we should not allow the lender distribution

records to be created when asked – because we don't want new checks to be cut so we should select No when asked).

If a loan is marked as imported, when entered (when using the "Import from another system" option), the system will let you set an old account number (take this from your old loan system) and import date. Both can be seen in the bottom right side of the loan screen. Also, you can change the import date (do this with care because if history or regular transactions are already added, then errors can happen because accrued interest was already calculated using the old import date).

As a sample, see the picture below of the first history payment received on 02/03/2011. Full due amount of $7,061.02 was paid, no other fees or late fees were charged:

The operation order is:
- Start by setting effective date
- Set deposit date
- Set hold to date
- Set interest paid to date (if the loan is Regular Periodic then it should be same as payment due date. For Simple Interest loans this usually it is the same as effective date).
- Set payment due (set this last, after all other dates are set)
- Set major and minor number of this payment (set this after all dates are set)
- Enter Payment Method, Reference #, and Notes.
- Enter Amount Received
- Enter the amounts in the distribution buckets (Principal, Interest, Fees and Late Fees). Please note that the total distributed amount must be equal to Amount Received.
- On the left group box named "Next Due Date" you can set due amounts for next payment. This field group is very important for the balance forward method or when entering the last history transaction because all future payments will depend on the data of the last payment entered on or before loan import date.

The same process will repeat until all history transactions are entered and the import date is reached.

Shortcut: When there are loans with very old history, the user can also shortcut the history recreation and combine history transactions into one big yearly transaction for each past year. This means, they should first know yearly totals (total principal and total interest - and all other distribution buckets) received for each history year. When using this combined yearly approach, yearly payment numbers could be set like this: for the first year payment the number could be set to 1.12 (meaning this payment combines payments 1 to 12 made in the first year). The next year payments will have the payment number set to 13.24 (meaning it combines payments 13 to 24 made in the second year) and so on until the import date is reached. **We advise users to always enter the last payment as a separate payment to be able to control each individual field on this payment.**
Using this summary approach, system reports can be generated back in time.

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B. Balance forward method

All past transactions will be entered as a single payment transaction.
This special payment will usually have the effective date set on loan import date.
And then the first due transaction added after the import date will be based on this
history transaction data. The same process must be used when entering the last
payment for the other method, "Full payments history recreation".

Here are the steps:

- Start by setting Effective Date
- Set Deposit Date

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- Set Hold To Date (This is important if you need to cut checks out to investors. The check printing process will use this date when determining when to print checks, after holding period)
- Set "Interest Paid To" date (this is very important for simple interest loans because interest accrual will start from this date).
- Set payment due (set this last, after all other dates are set)
- Set the major and minor number of this payment (set this after all dates are set). The major number is important because the next payment major number will be this major number plus one (if last history transaction number is 135.2 then first due transaction number will be 136.0)
- Enter Payment Method, Reference #, and Notes
- Enter Amount Received. Because the balance forward method uses this, the amount received will be equal to all history payments (interest, principal, fees, late fees and escrow)
- Distribute the amount received to each bucket (the total of all buckets must equal Amount Received)
- The "Next Due Data" section is very important because these numbers will be used as the starting point for the next due payment. Enter Principal Balance (this is used to calculate interest for next due payment), enter unpaid amounts (this will become past due data for next due payment)
- Before posting this transaction LOAN SERVICING SOFT will ask if you want to create lender distribution records. Just like in the previous method select Yes if you want to cut a check/checks out to the Lender/Lenders. Select No if you don't

Before starting to post payments (and after the full history is added):

A. Use report "Borrower Payments History" to verify total posted amounts by each bucket (Interest, Principal, Fees, Late Fee & Escrow)
B. Use report "Imported Loans Report" to verify due amounts as of "Import Date" and also next due amounts and next due payment number

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