Lesson 02 Updating Loans

Prerequisite
Lesson 01

The daily update procedure is run daily by the operator. This procedure is the key to the operation of the system. This procedure performs these functions:

       Calculate late charges due
       Calculate accrued interest
       Calculate interest due and unpaid
       Calculate principal due
       Calculate escrow payment due
       Calculate amortization of origination fees
       Calculate amortization of credit insurance premiums
       Calculate amortization of purchase discount
       Calculate amortization of
       Calculate days past due
       Calculate date next due
       Calculate number of payments matured
       Calculate number of payments paid
       Calculate Interest paid YTD
       Calculate Late Charges Paid YTD
       Calculate accrual rate for variable rate loans
       Calculate number days 10,30,60,90,120 days past due
       Calculate default date
       Recalculate payment amount for credit card billings
       Check for final maturity

To access the daily loan update function, select "Administration / Daily Loan Update". Only the system supervisor can access this function.

These calculations are done for every calendar day of the year including Sundays and holidays.

You do not have to run the program every day to accomplish this result. When the update cycle is run, it detects if days have been skipped. If they have, it catches up automatically. The daily update is a manual process. The System Administrator must run this process manually from the menu.

Running the Daily Loan Update

Assuming you have already done the earlier lessons on finding loans, locate Craig Bell's loan number 11042.

Update_11042_01

With loan no 11042 highlighted, click on the Status tab. You will see the following screen:

Update_11042_02.png

The status tab displays information about the current status of the loan. This loan is currently nine days past due. If you remember from a prior screen it gets a late charge at day 11 so thie loan is only two days away from a late charge.

Also note that no late charge is currently due and that $75.00 in late charges has been paid since the loan was funded.

Next, Hist tab. You will see the following screen:

Loan No: 11042	Cust No: 20080	Loan Name: Bell, Craig

| Find | Cust | Loan | Dates | Terms | Status | Misc 1 | Misc 2 | Hist | Trans | Comment | Pri |

Servicing Officer	EM	Past Due 10 Days	5
Principal Due	245.69	Past Due 30 Days	1
Interest Due	103.81	Past Due 60 Days	
Capital Expenses		Past Due 90 Days	
Collection Expenses		Past Due 120 Days	
Legal Expense		Late Charge At Day	11.00
Scheduled Bal	5.916.51	Late Charge Due	0.00
Pmt Due For	08/23/2005	Late Charge Paid	75.00
Date Default	08/24/2005	Late Charge YTD	75.00
Date Statute Expires	/ /	Late Chg No Assd	5
No Pmts Matured	7	Collection priority	1
No Pmts Paid	5.79	Delinquent Rate Index	

Update_11042_03

Notice that Craig has been ten days past due - five time. He has been past due 30 days once. The terms of his loan call for a 10 day grace period, so he gets a late charge at day 11. Also note that he has had 5 late charges assessed.

This screen displays a significant amount of information relating to the timeliness of the payments on the loan.

Click on the Dates tab:

Loan No: 11042	Cust No: 20080	Loan Name: Bell, Craig

Find	Cust	Loan	Dates	Terms	Status	Misc 1	Misc 2	Hist	Trans	Comment	Print

|			
Date Note	01/11/2005	Date Update	09/01/2005
First Payment Due	02/20/2005	No Int Before	01/11/2005
Final Maturity	01/23/2008	Date Default	08/24/2005
Last Transaction	08/18/2005	Date Statute	/ /
Next Payment Due	09/22/2005	Date Ins Expires	/ /
Payment Due For	08/23/2005	Next Past Due Notice	09/02/2005
Previous Maturity Date	08/23/2005	Deferral Ends	/ /
Last Payment	08/18/2005	Date Last Bill	/ /
		Date Next Bill	/ /
		Date Last Pst Notice	/ /

Update_11042_04.png

Not in the upper right corner, the date update is 09/01/YY. This means that September first was the last time this loan was updated.

Close the Loan Session window by clicking on the Quit button. Then from the main menu, select Administration, then Daily Loan Update.

Note that the Date Loans Last Updated was 09/01/YY and that the system is assuming you want to update one day - through 09/02/YY. In this case we want to update two days because we want to see the late charge appear on this loan.

Change the Update Through This Date to 09/03/YY
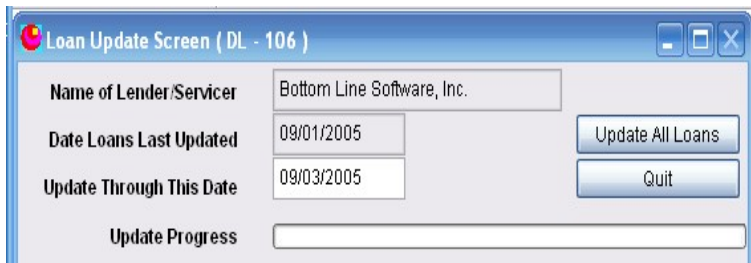
Update_11042_05.png

Click on the Update All Loans button. Note the time required to complete the update. On a 1.6 GH Pentium 4 it takes less than 20 seconds. That is 1150 daily loan updates - two each for 575 loans. For greater perspective refer back to the list of that happens during the daily update. It is at the top of this lesson.

Close the Daily Update dialog and return to the Status tab for the Craig Bell Loan 11042. It should look like this:

Loan No: 11042   Cust No: 20080   Loan Name: Bell, Craig

| Find | Cust | Loan | Dates | Terms | Status | Misc 1 | Misc 2 | Hist | Trans | Comment | Print |

Balance	6.242.87
Interest Accrued	158.37
Interest Due	103.81
Principal Due	245.69
Interest YTD	1.070.17
Interest paid	1.070.17
Interest Deferred	
Late Charge Due	15.00
Late Charges Paid	75.00
Late Charges YTD	75.00
Escrow Due, Unpaid	0.00
Escrow Balance	0.00

Date Update	09/03/2005
Scheduled Balance	5.916.51
Payment Due For	08/23/2005
Date Last Tran	08/18/2005
Current Interest Rate	29.0000
Servicing Officer	EM
Unapplied Credits	0.00
Penalty Due, Unpaid	
Penalty Paid	
Penalty Paid YTD	
Partial Payment Due	59.93
Days Past Due	11

Status Report

Update_11042_06.png

Note the changes. The loan is now 11 days past due instead of 9 and a $15.00 late charge is due.

Note the interest carefully. This one is confusing for new users.

Interest Accrued has changed from $148.45 to $158.37.
Interest due has not changed. It is still $103.81.

There is a significant distinction between interest due and interest accrued. When you think about interest on a loan, you usually think about interest accrued. How much interest has accrued through today. In the above case, it is 158.37. That is the total amount of interest the loan has earned since it was funded - MINUS the total amount of interest the borrower has already paid..

Interest due is a different concept. Think of an amortization schedule. If you were looking at an amortization schedule, it would show an amount of interest AS-OF the most recent payment date. That would be the amount of "interest due" as of that most recent payment date. It would be the amount of interest the borrower would be expected to pay on the most recent payment date - assuming - all prior payments were paid on time. LoanMaster is designed to keep up

with loans where the payments are NOT paid on time. Interest due then, is the amount of interest the borrower would have been expected to pay on the most recent payment date - assuming - he paid the payment on that date.

Interest due is calculated like this:

On the payment date, all interest accrued is due. The amount in the interest due field is replaced by the amount in the interest accrued field. It sets there waiting for a payment to be made. If an interest payment is paid, it is subtracted from interest accrued and from interest due. If a payment is made on the due date, interest due will be zero.

Interest due in summary is the amount of interest accrued as of the most recent payment date minus any interest payments since that date. It will start over on each payment date.

Interest accrued is calculated one day at a time and has no relation to individual payment dates.

Interest Calculation

You can't see it on the status tab, but before the update, the interest accrued on this loan is $148.4510. Accrued interest is calculated to .01 cents or .0001 dollars. You can see this number on the loan status report. The loan status report is accessible by clicking on the "Status Report" button on the Status tab.

Look on the Terms tab for the loan 11042. You will see that the interest rate "Interest Rate Current" is 29.00% and the Interest Basis is 365.

Interest on this loan is calculated like this:

Per diem = $6242.87 * 0.2900 / 365 = 4.9609$

Two days = 9.920176

Beginning interest due	148.4510
Per diem	4.960088
Interim Total	153.4111
Second per diem	4.960088
Ending accrual	158.371188
Rounds to	158.3712
Status report says	158.3712