Lesson 05 Reversing Transactions

Loan Master Loan Servicing Software
(www.loansoftware.com)

Prerequisites
Lesson 1

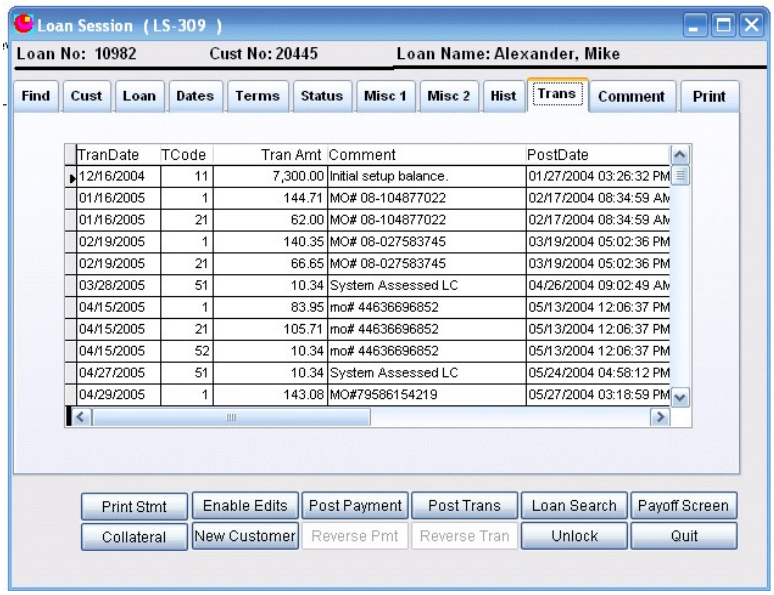
Select Loan No 10982, Mike Alexander.

Select the Status tab and make a note of the late charges paid and the current balance.

Late Charges Paid: 20.68
Balance: 6138.37

Select the Trans Tab

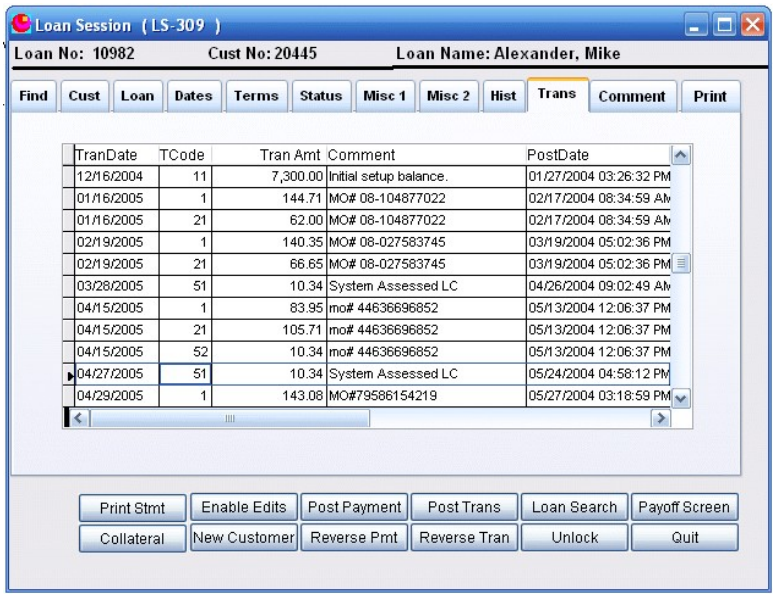
Notice that the transactions are listed by date and by transaction code within each date.



Reverse_10982_1.png

This is the list of transactions. Note that no transaction has been selected and the “Reverse Pmt” and the “Reverse Tran” buttons are disabled

We have discovered we made an error and posted his April payment late. It was our fault and he should not have been charged a late charge. On April 27, the system assessed a late charge of 10.34. The late charge assessment transaction is indicated by the small triangle marker on the left side of the following display.

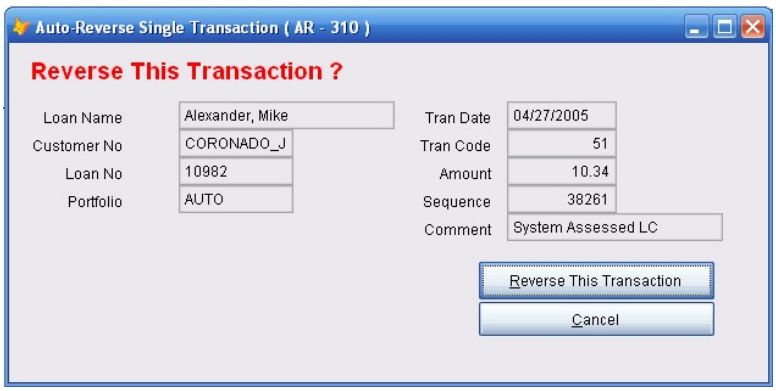


Reverse_10982_2.png

Click anywhere on the line containing the transaction to be deleted. IN the case we clicked on the 51 in the Tcode column. The triangle moves to the selected row and the two “Reverse Buttons” become active.

In this case we only want to reverse the late charge assessment and the late charge payment, not the entire payment. With the transaction 51 for 04/27 selected, click on the “Reverse Tran” button.

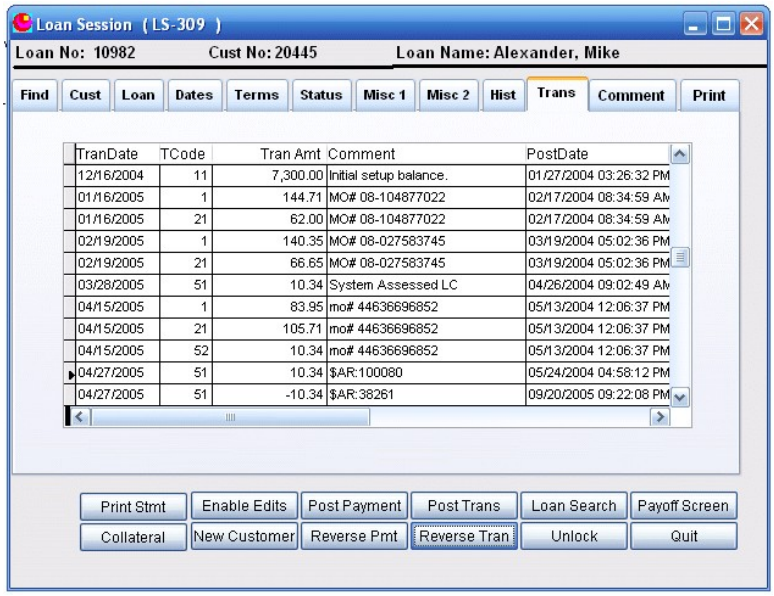
This screen will appear.



Reverse_10982_3.png

This screen displays all the details stored by the system relating to this transaction. This is for information and identification only. You cannot change anything. If you accidentally select the wrong transaction, click on the “Cancel” button. In this case we have selected the correct transaction. Click on the “Reverse this Transaction” button.

When the above screen closes, you will see the following:

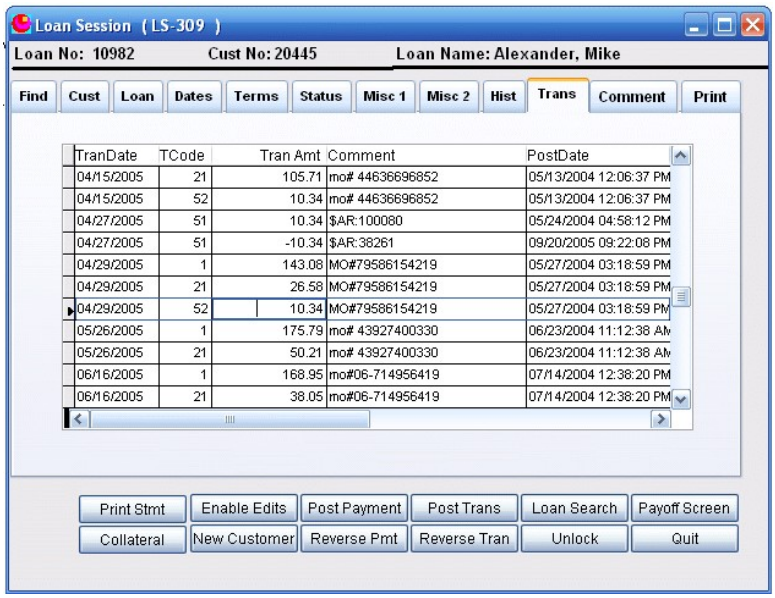


Reverse_10982_4.png

Note that the transaction is still there but the comment has been changed ro $AR: followed by a number. That number is assigned to the system and is unique to each transaction. Each comment contains the sequence number of the other transaction so if necessary, you can trace which reversal reversed which transaction.

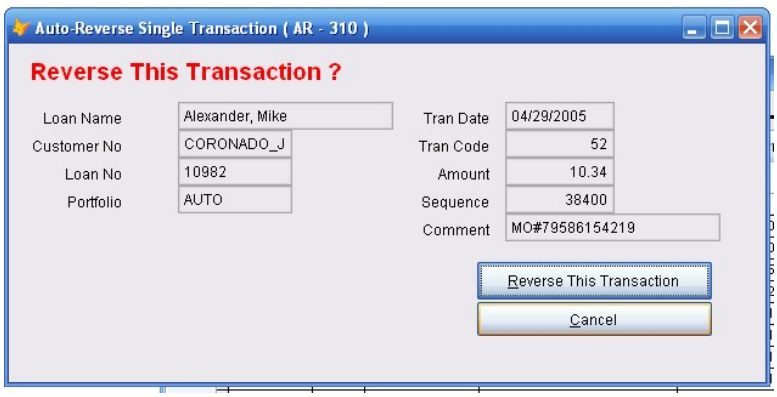
Next select the transaction with the Tcode 52 for April 29. This is the actual late charge. Remember, the late charge was assessed on the 27th but the payment was not posted until the 29th.

Repeat the above procedure.



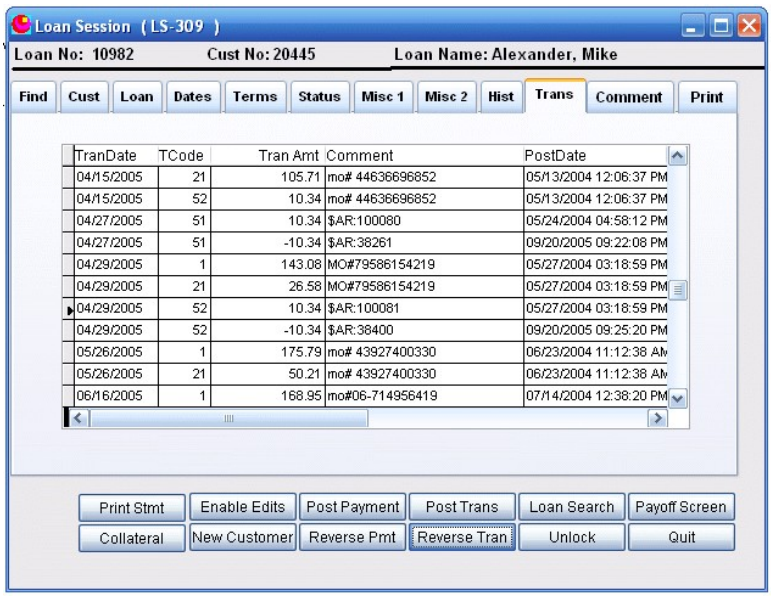
Reverse_10982_5.png

Click on “Reverse Tran”.
Review the following screen to verify that you have the transaction you thought you had.



Reverse_10982_6.png

Click again on “Reverse this Transaction”
When the reversal screen closes you will see the transaction listing again. Note that the same thing has happened to the 04/29 late charge transaction. This is the transaction with Tcode 52.



Reverse_10982_7.png

While this screen is displayed (Or any time later, if you like). Click on the button labeled “Print Stmt”. Select the “Print Preview” check box and then click “Print”

the screen preview will look like this:

Mike Alexander
First City Bank Orange
1 WEBB CIR
RENO, NV 89506

Ending Date: 09/20/05

Date	Transaction	Comment	Amount	Balance
12/16/04	11P Adv	Initial setup balance.	7,300.00	7,300.00
01/16/05	1P Pmt	MO# 08-104877022	144.71	7,155.29
01/16/05	21I Pmt	MO# 08-104877022	62.00	7,155.29
02/19/05	1P Pmt	MO# 08-027583745	140.35	7,014.94
02/19/05	21I Pmt	MO# 08-027583745	66.65	7,014.94
03/28/05	51L Acd	System Assessed LC	10.34	7,014.94
04/15/05	1P Pmt	mo# 44636696852	83.95	6,930.99
04/15/05	21I Pmt	mo# 44636696852	105.71	6,930.99
04/15/05	52LC Pmt	mo# 44636696852	10.34	6,930.99
04/29/05	1P Pmt	MO#79586154219	143.08	6,787.91
04/29/05	21I Pmt	MO#79586154219	26.58	6,787.91
05/26/05	1P Pmt	mo# 43927400330	175.79	6,612.12
05/26/05	21I Pmt	mo# 43927400330	50.21	6,612.12
06/16/05	1P Pmt	mo#06-714956419	168.95	6,443.17
06/16/05	21I Pmt	mo#06-714956419	38.05	6,443.17
07/27/05	1P Pmt	MO# 08-110427842	137.63	6,305.54
07/27/05	21I Pmt	MO# 08-110427842	72.37	6,305.54
08/26/05	1P Pmt	mo# 08-094242674	167.17	6,138.37
08/26/05	21I Pmt	mo# 08-094242674	51.83	6,138.37

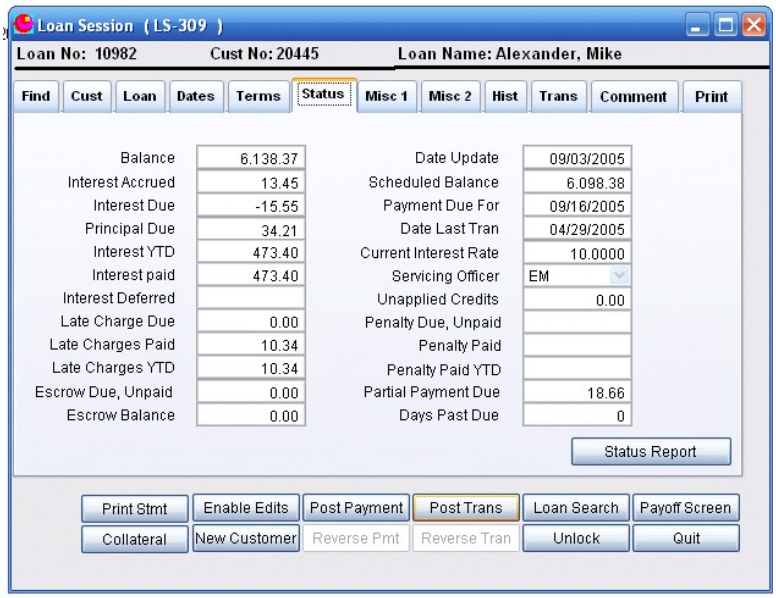
Reverse_10982_9.png

Note that the late charge assessment of 04/27 and the late charge payment of 04/29 are not there.

No go back to the Status tab. Notice two things:

First, the late charges paid has been reduced to 10.34. That is 10.34 less than the notation you made at the beginning of this lesson.

Second: The interest and balance numbers have not changed. We have removed the late charge from his record but we have not yet given him credit for it.



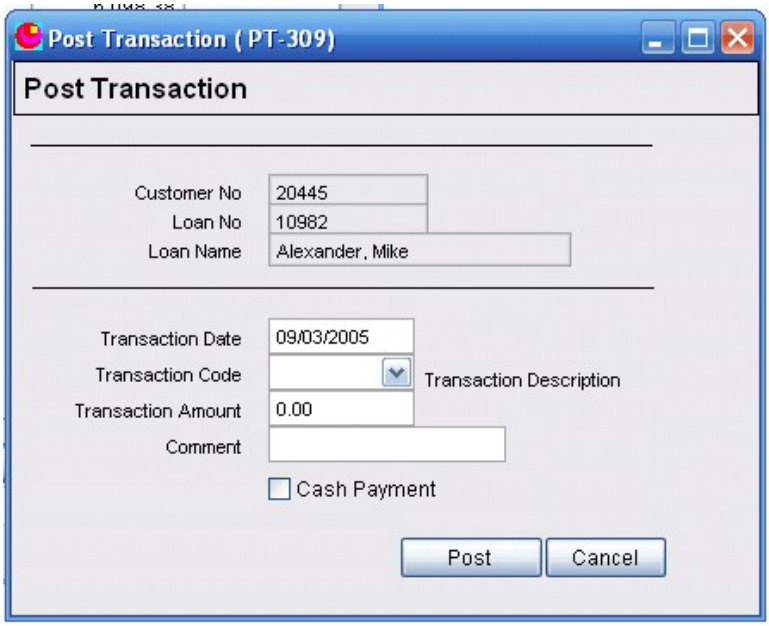
Reverse_10982_10.png

The system does not automatically post a credit for the late charge refunded because it cannot know how you want to apply the credit. You could apply it to:

Interest
Principal
Escrow
Unapplied credits
Penalty or returned check charges due
Collection expenses

IN this case we are going to credit it to the principal paid. (This is really another lesson so it will not be covered here in great detail)

Click on the “Post Trans Button”

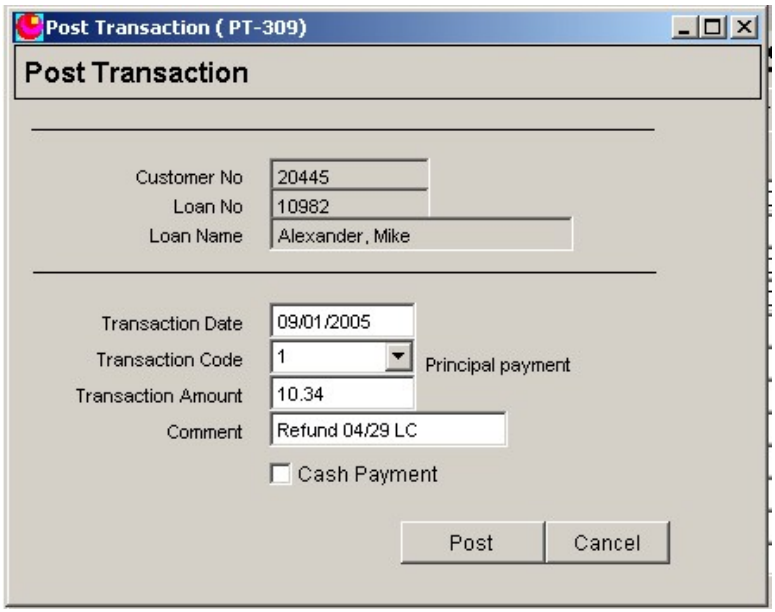

Post Transaction (PT-309)
Post Transaction
Customer No
20445
Loan No
10982
Loan Name
Alexander, Mike
Transaction Date
09/03/2005
Transaction Code
Transaction Description
Transaction Amount
0.00
Comment
Cash Payment
Post
Cancel

Reverse_10982_11.png

Select Transaction Code 1 from the pull down list. Windows calls this a Combo Box. Enter the amount in the Transaction Amount field. Enter a comment in the comment field.

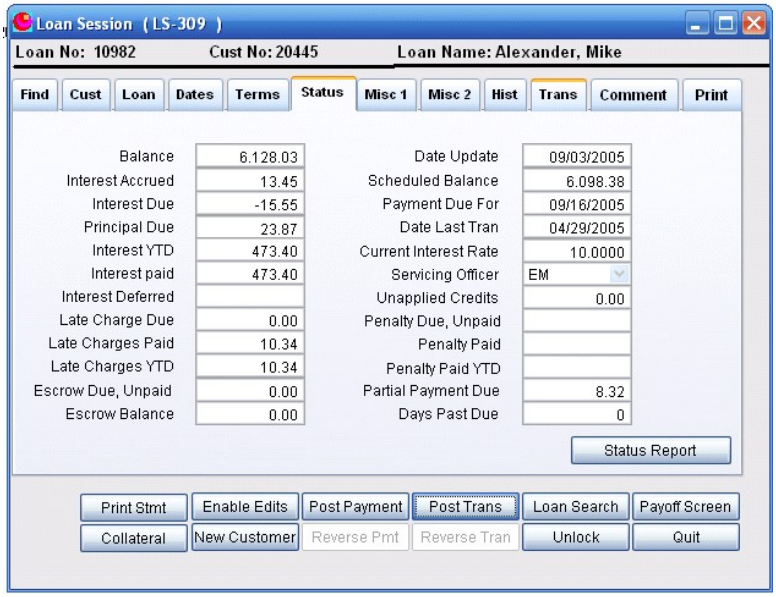
Next - NOTICE THE CASH PAYMENT CHECK BOX.

Normally a principal payment would be a cash payment. In this case it is not. We are not receiving cash for this principal payment. Uncheck the Cash Payment checkbox or the $10.34 will be added to todays cash receipts and your cash receipts report will not balance with your actual receipts.



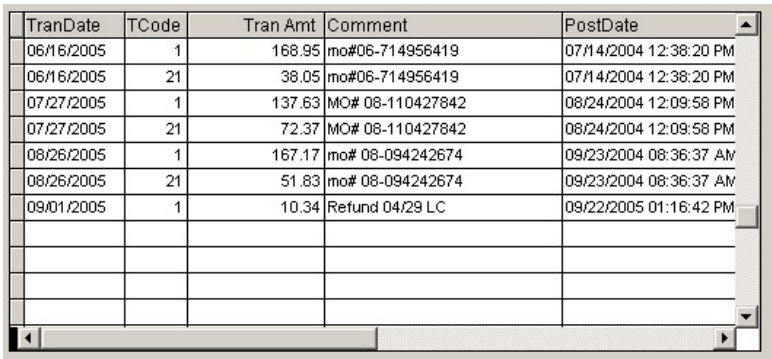
Reverse_10982_12.png

Click on Post and then return to the status tab. Note that the balance has been reduced by 10.24 to 6,128.03



Reverse_10982_13.png

Next check the Trans tab. You will have to scroll down to the bottom of the transaction list. Notice the final transaction will be the correction you just posted.



TranDate	TCode	Tran Amt	Comment	PostDate
06/16/2005	1	168.95	mo#06-714956419	07/14/2004 12:38:20 PM
06/16/2005	21	38.05	mo#06-714956419	07/14/2004 12:38:20 PM
07/27/2005	1	137.63	MO# 08-110427842	08/24/2004 12:09:58 PM
07/27/2005	21	72.37	MO# 08-110427842	08/24/2004 12:09:58 PM
08/26/2005	1	167.17	mo# 08-094242674	09/23/2004 08:36:37 AM
08/26/2005	21	51.83	mo# 08-094242674	09/23/2004 08:36:37 AM
09/01/2005	1	10.34	Refund 04/29 LC	09/22/2005 01:16:42 PM

Reverse_10982_14.png

One more thing. You have removed the late charge assessment. You have removed the late charge payment and given the borrower credit on his principal balance for the amount of his late charge but you are not competed yet.

You owe the borrower interest on $10.34 for two days. This is a ten percent loan with a 365 day basis. In this case that comes out to $0.00566. That is about 1/20th of one cent. In This case you would probably just ignore it. (you couldn't fix it anyway because you can't make an entry that small.)

What if the late charge had been $50.00 and you discovered it nine months later? That would amount to $3.75. Would you correct it? Or Ignore it? That is a policy decision and if you want to correct it that is another lesson.