

Lesson 21 Creating New Loans 101

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

Prerequisite Lesson 1

Loans are created from the loans menu. From the main menu, select Loan, then select New Loan Simple.

The Add New Loan - Simple Options dialog is displayed.

There are three tabs on this dialog. Loan ID, Loan Terms, and System Options. Only two of these is used to create a normal loan. The system options tab is used only when you want to do something unusual.

The screenshot shows a software dialog box titled "Add New Loan - Simple Options (NL-001)". It features three tabs: "Loan ID", "Loan Terms", and "System Options". The "Loan ID" tab is active. Below the tabs is a section labeled "Loan Identification:" containing the following fields:

- Portfolio: A
- CustomerNo
- Loan No
- Loan Name
- Comment1
- Comment2
- Collateral

At the bottom right of the dialog are "Save" and "Cancel" buttons.

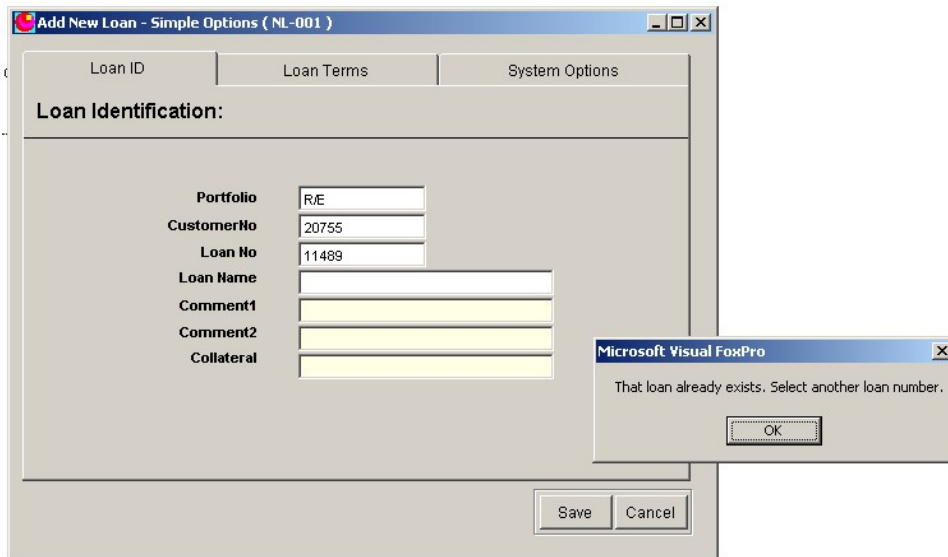
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Fill in the Loan ID tab partially. Like this:

Portfolio R/E
Customer No 20755
Loan No 11489

As soon as you enter the Loan Number and attempt to navigate to the Loan name Field, you will get a pop-up error message that informs you this loan number already exists in the system.

Reply to the error message by clicking on the OK button or by pressing the enter key.



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Now enter the correct number - 11492 and finish the data on the Loan ID dialog. Notice that some of the fields have white backgrounds and others are yellow. The white fields are required and the yellow fields are optional.

| Loan ID | Loan Terms | System Options |
|---|------------------|----------------|
| Loan Identification: | | |
| Portfolio | R/E | |
| CustomerNo | 20755 | |
| Loan No | 11492 | |
| Loan Name | Lewyn, Jim | |
| Comment1 | Optional Comment | |
| Comment2 | Another comment | |
| Collateral | Auto | |
| <input type="button" value="Save"/> <input type="button" value="Cancel"/> | | |

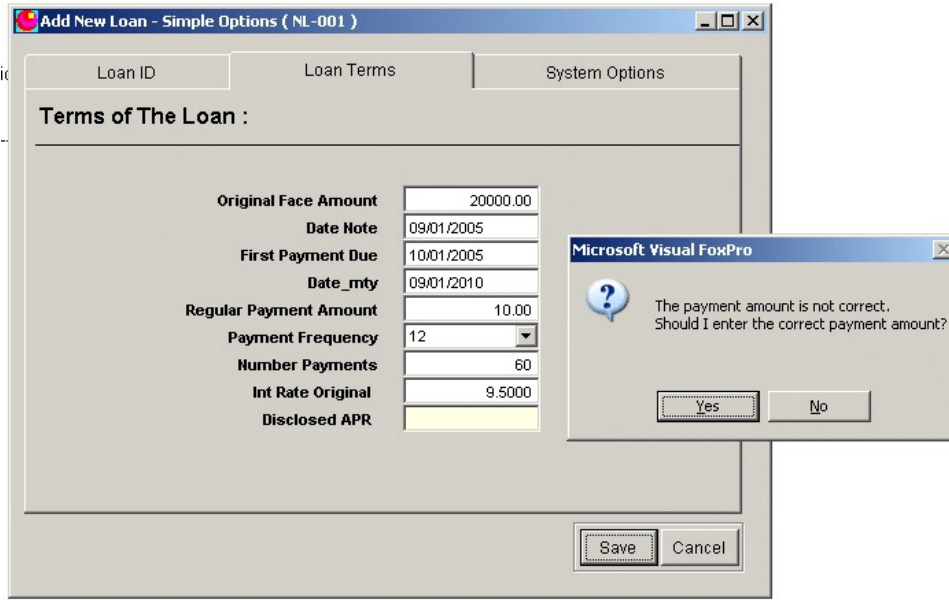
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After finishing with the Loan ID tab, click on the Loan Terms tab and enter the data as displayed below. You will immediately notice that the loan payment amount of 10.00 is not correct but enter it only. It is part of the lesson.

| Loan ID | Loan Terms | System Options |
|---|------------|----------------|
| Terms of The Loan : | | |
| Original Face Amount | 20000.00 | |
| Date Note | 09/01/2005 | |
| First Payment Due | 10/01/2005 | |
| Date_mty | 09/01/2010 | |
| Regular Payment Amount | 10.00 | |
| Payment Frequency | 12 | |
| Number Payments | 60 | |
| Int Rate Original | 9.5000 | |
| Disclosed APR | | |
| <input type="button" value="Save"/> <input type="button" value="Cancel"/> | | |

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When the Loan Terms Tab is completed, click on the Save tab.



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Since the payment is not correct, you are warned. Notice the exact question. "Should I enter the correct payment amount"

If you answer "Yes", the program will calculate the correct payment amount and replace the amount you entered. If you answer "No", it will accept what ever payment amount you entered.

If you accidentally answer incorrectly, you can change the payment amount later on the View Edit Post screen.

In this case, click on Yes.

Loan Session (L5-309)

Loan No: 11492 Cust No: 20755 Loan Name: Lewyn, Jim

| Find | Cust | Loan | Dates | Terms | Status | Misc 1 | Misc 2 | Hist | Trans | Comment | Print |
|------------------------|------|----------|-------|-------------------------|--------|--------|--------|------|-------|---------|-------|
| Original Face Amount | | 20000.00 | | Int Rate Original | | 9.5000 | | | | | |
| Origination Fee | | | | Int Rate Current | | 9.5000 | | | | | |
| Original Advance | | 20000.00 | | Interest Basis | | 365 | | | | | |
| Regular Payment Amount | | 420.04 | | Purpose of Loan | | | | | | | |
| Final Payment Amount | | 420.04 | | Adjustable Rate Index | | | | | | | |
| Payment Frequency | | 12 | | Floating Rate Index | | | | | | | |
| Escrow Total Pmt | | | | Int Rate Differential | | | | | | | |
| Late Charge Rate | | 0.0500 | | Official Fees | | | | | | | |
| Payment Type | | 1 | | Number Payments | | 60 | | | | | |
| Collateral | | Auto | | Int Only Pmts Remaining | | | | | | | |

| | | | | | |
|------------|--------------|--------------|--------------|-------------|---------------|
| Print Stmt | Enable Edits | Post Payment | Post Trans | Loan Search | Payoff Screen |
| Collateral | New Customer | Reverse Pmt | Reverse Tran | Unlock | Quit |

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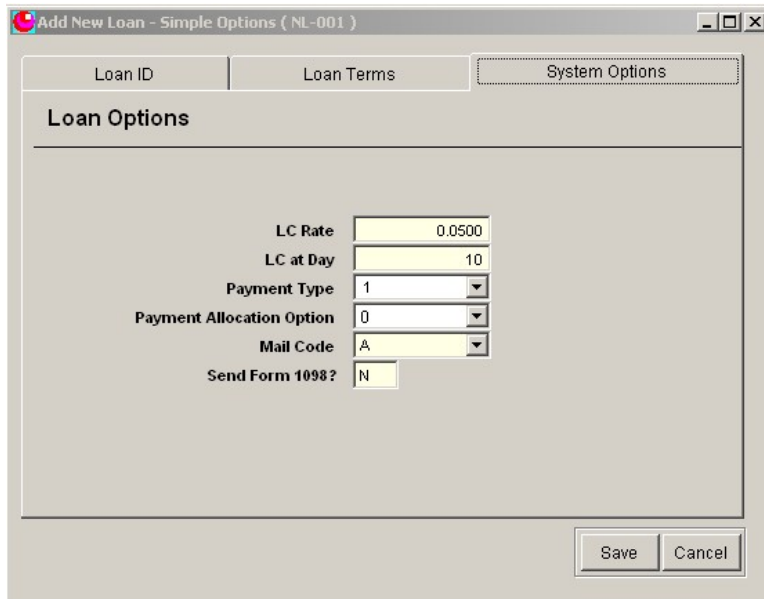
As soon as you click on Yes, the loan is saved and the Add New Loan - Simple Options dialog is closed.

Now, from the main menu, select Loan / View-Edit-Post. Select the loan 11492 and click on the Terms tab. Note that the setup screen calculated the correct payment amount, \$420.04 and replaced your 10.00 entry.

A word about the final payment amount. This may or may not be a balloon payment amount. The point is that the final payment is never determinable at the time the loan is created. It is always a guess based on the unlikely assumption that every payment due on this loan is paid in the correct amount and on the exact due date. When the final payment date, maturity date, arrives, the system will pay no attention to this number. It will mature the entire amount due.

The System Options Tab

We did not use this tab in setting up the loan. In normal usage you will rarely use this tab but you need to be aware of it. Go back to the main menu and again select Loan, then select New Loan Simple.



The screenshot shows a software window titled "Add New Loan - Simple Options (NL-001)". It has three tabs: "Loan ID", "Loan Terms", and "System Options". The "System Options" tab is active, displaying a section titled "Loan Options". This section contains several input fields:

- LC Rate: 0.0500
- LC at Day: 10
- Payment Type: 1 (dropdown menu)
- Payment Allocation Option: 0 (dropdown menu)
- Mail Code: A (dropdown menu)
- Send Form 1098?: N

At the bottom right of the window, there are two buttons: "Save" and "Cancel".

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This tab allows you to adjust some of the system assigned defaults. This is setup information the loan requires but that the system remembers and fills in for you. In rare cases you might want to do something slightly different than normal.

The items on this screen are called loan defaults. (lesson 41).

Normally your late charge rate is 5% of the payment amount but occasionally you might want a fixed dollar amount.

If most of your loans are consumer loans, you will have the Send Form 1098 setting set to "N" but occasionally you might finance a property that requires a 1098. On this tab, you can change these settings and the changes made here will apply only to the loan currently being created.

