

Lesson 22 Creating Loans 201

Prerequisite
Lesson 1

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

IRS Installment Sale

Prerequisite
Lesson 1
Lesson 21

Related
Lesson 27

Lesson 21 covers creating a new loan with the simplest features and fewest possible options. This lesson will cover a slightly more complex loan situation with more features and data to enter. This is a loan to finance the sale of a piece of real estate we foreclosed on from a previous borrower and we now own it.

Mr. Branson is purchasing the property by giving us a down payment and a mortgage for the balance of the purchase price.

From the Main Menu, select Loan, New Loan - Installment Sale

This dialog has three tabs. They are similar to the New Loan - Simple dialog but considerably more detailed.

Note that some fields are White and others are yellow. The white fields are required fields. You cannot save a loan with an empty white field. The yellow fields are optional.

Loan ID Amounts Terms

Portfolio A

CustomerNo

Loan No

Loan Name

Comment1

Comment2

Collateral

Alpha1

Alpha2

Mail Code A

Send Form 1098? N

Save Cancel

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Begin the new loan setup on the Loan ID tab.

Loan ID Amounts Terms

Portfolio DEFERREDGAIN

CustomerNo 20680

Loan No 11493

Loan Name Vaughter Investments #1

Comment1 Purchased Foreclosure

Comment2

Collateral

Alpha1

Alpha2

Mail Code A

Send Form 1098? N

Save Cancel

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Enter:

Portfolio	DEFERREDGAIN
Customer No	20680
Loan Name	Vaughter Investments #1
Comment 1	Purchased Foreclosure

Note that the customer, No 20680, is David Branson. His company name is Vaughter Investments

You may if you like experiment by entering other optional comments in the yellow fields.

When finished with the Loan ID tab, click on the Amounts tab. This tab is a new setup experience. Notice that it has three colors. Fields are white, grey, and yellow. You know by now what white and yellow mean. Grey means that the data is calculated by the system and displayed only. You cannot enter it or change it.

Loan ID	Amounts	Terms	
Sales Price	200000.00	Int Rate Original	8.5000
Down Payment	25000.00	Disclosed APR	0.5800
Original Face Amount	175000.00	Interest Basis	365
Cost Basis	170000.00	LC Rate	0.0500
Percent Deferred Gain	15.0000	LC at Day	10
Total Gain	30000.00		
Deferred Gain	26250.00		

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Begin by entering the sale price - 200,000.00. Never, by the way enter the "\$" or the ",", commas. The system will enter them for you. It is OK to enter the decimal point.

When you press the enter key after entering the sale price, the | (insertion point) moves to the down payment field. Enter the down payment amount - 25,000.00.

When you press the enter key after entering the down payment, the grey field Original Face Amount displays the amount \$175,000.00 and the insertion point jumps over it to the next field - Cost Basis.

After the foreclosure, your basis in this property was 170,000. Enter that in the Cost Basis field and press enter. The remaining fields in the left hand column will display the calculated results:

Percent Total Gain	15%
Total Gain	30,000.00
Deferred Gain	26,250.00

Since this is a tutorial on loan setups and not IRS tax code, we will not detail how the numbers are calculated in this lesson.

In the right hand column, enter the remaining data like the display above.

Click on the Terms tab.

Loan ID	Amounts	Terms
	Regular Payment Amount	Date Note
	13,460.00	09/01/2005
	Balloon Payment Amount	First Payment Due
	13,460.00	/ /
	Payment Frequency	Maturity Date
	12	10/01/2005
	Payment Type	No Int Before
	1	/ /
	Number Payments	Date Ins Expires
	360	/ /
	No Payments Int Only	Payment Allocation Option
		3
	Maximum Late Charge	
	0.00	
	Minimum Late Charge	
	5.00	

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Enter the data as per the display above. NOTE that we deliberately left the First Payment Due date blank (part of the lesson)

Click on Save.

You will see the following error message. Note that the missing field background has turned red to help you find it.

Loan ID	Amounts	Terms
	Regular Payment Amount	Date Note
	13,460.00	09/01/2005
	Balloon Payment Amount	First Payment Due
	13,460.00	/ /
	Payment Frequency	Maturity Date
	12	10/01/2005
	Payment Type	No Int Before
	1	/ /
	Number Payments	Date Ins Expires
	360	/ /
	No Payments Int Only	Payment Allocation Option
		3
	Maximum Late Charge	
	0.00	
	Minimum Late Charge	
	5.00	

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Close the error message, enter the first payment date 10/01/YY. The example is 2005, you may be using a later year.

Click on save again.

Return to the Find tab and find the loan 11493

Customer Name	Loan No	Cust No	Port
Vaughter Investments #1	11493	20680	DEFERREDGAIN

Show Zero Balance Loans
1 Items Selected.

Filter the list by:

 Begins Includes

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Click on the Customer tab and review the data.

Loan Session (LS-309)

Loan No: 11493 Cust No: 20680 Loan Name: Vaughter Investments #1

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

Customer No	<input type="text" value="20680"/>	Taxpayer ID	<input type="text" value="977-95-2755"/>
Last Name	<input type="text" value="Branson"/>	Customer Type	<input type="text"/>
First Name	<input type="text" value="David"/>	Credit Rating	<input type="text" value="B"/>
Middle Initial	<input type="text"/>	Cr Lim Sec	<input type="text"/>
Company Name	<input type="text" value="Vaughter Investment Property"/>	Cr Limit Unsec	<input type="text"/>
Address	<input type="text" value="1813 Balboa Place, Suite 204"/>	Home Phone	<input type="text" value="605-973-8190"/>
Address	<input type="text"/>	Work Phone	<input type="text" value="827-248-5254"/>
City	<input type="text" value="Dallas"/>	Cell Phone	<input type="text" value="510-805-0482"/>
State	<input type="text" value="TX"/>	Zip	<input type="text" value="75224"/>
		FAX Phone	<input type="text" value="594-512-7880"/>

Customer Comment

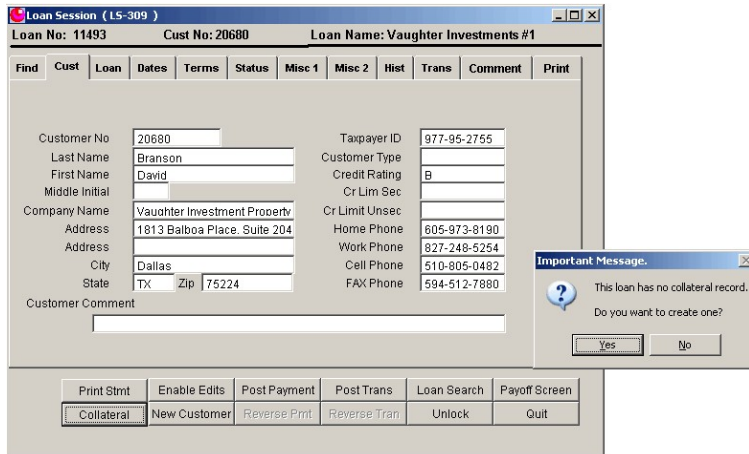
Print Stmt	Enable Edits	Post Payment	Post Trans	Loan Search	Payoff Screen
Collateral	New Customer	Reverse Pmt	Reverse Tran	Unlock	Quit

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create_11493_10.png

The system has created two entries for this loan. The first is the tran code 11 entry for the original setup balance. The second is the deferred gain realized on the down payment.

Since this is a real estate loan you need a collateral record. Click on the Collateral tab. You are informed that no collateral record exists for this loan and asked if you want to create one. Normally you would answer Yes but that would make the lesson too long. If you want to continue with the collateral record, see lesson 27. It is not for this loan but it will teach you how to do it.



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