

# Lesson 23 Creating Loans 401

Loan Master Loan Servicing Software  
([www.loansoftware.com](http://www.loansoftware.com))

## Prerequisites

Lesson 1

Lesson 21

Lesson 22

## Related

Lesson 27

Lesson 31

LoanMaster allows a great number of options when creating a loan record. No loan will use them all. Some are mutually exclusive, others are for special interests.

This lesson will cover the creation of a relatively complex loan.

Mr. Branson is purchasing another foreclosed property but this time it is not from us and there will be no deferred gain for us to keep up with. The property was bought at the foreclosure sale by Mr Branson. For a small sum. He paid cash because the property was in bad shape and there were few bidders.

Since the property was severely neglected, it will need some significant improvement.  
Approximately 200,000.00

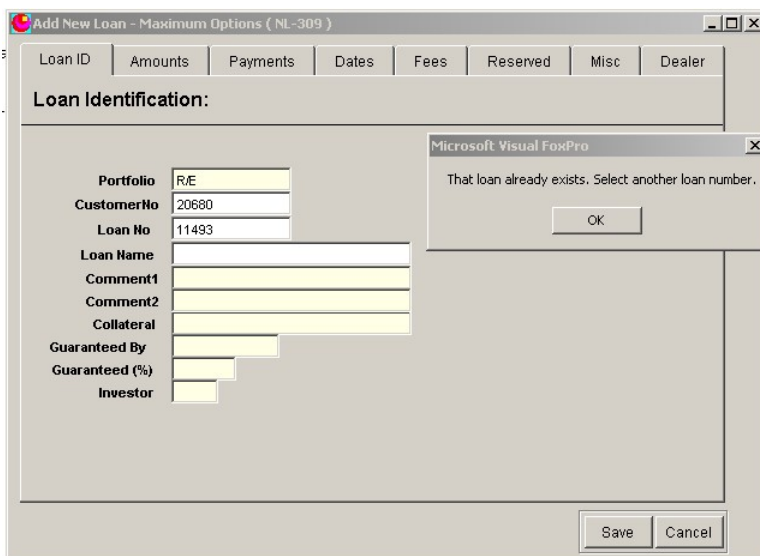
From the Main menu, select Loan, then New Loan - All Options.

Enter the portfolio R/E. Remember that portfolios are defined by you. R/E is the name of the realstate portfolio in the demo data. You can call yours anything you like. ( Lesson 44, Creating New Portfolios )

Enter Mr Branson's customer number, 20680

Enter the loan number 11493.

The system will immediately complain that the number you entered has already been used. Click on OK and change the loan number to 11494



create\_11494\_1.png

Continue with the information on the Loan ID tab. To be consistent with future examples and lessons, it is a good idea to enter the description exactly like shown because many example loans will be used in other lessons.

The screenshot shows a software window titled "Add New Loan - Maximum Options (NL-309)". At the top, there is a tabbed interface with the following tabs: "Loan ID", "Amounts", "Payments", "Dates", "Fees", "Reserved", "Misc", and "Dealer". The "Loan ID" tab is currently selected. Below the tabs, the section "Loan Identification:" contains a form with the following fields and values:

Portfolio	R/E
CustomerNo	20680
Loan No	11494
Loan Name	Vaughter Prop Rehab 1
Comment1	Rehab of 3465 Hampton
Comment2	( Smith Foreclosure )
Collateral	RE
Guaranteed By	
Guaranteed (%)	
Investor	

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

create\_11494\_2.png

Continue to the Amounts Tab.

Enter the following data:

Loan ID	Amounts	Payments	Dates	Fees	Reserved	Misc	Dealer
<b>Terms of The Loan :</b>							
Original Face Amount	200000.00	Adjustable Rate Index					
Original Advance		Floating Rate Index	6				
Balance		Int Rate Differential	2.0000				
Int Rate Current	8.5000	LC Rate	50.0000				
Int Rate Original	0.0000	LC at Day	10				
Disclosed APR							
Int Basis	365						

create\_11494\_3.png

This is a floating rate construction loan. We don't know what the final amount will be, just that it can't exceed 200,000.00. We will not advance actual funds until after work has been done and inspected so the original balance is zero.

The rate is New York Prime as reported in the Wall Street Journal plus 2.00%. The current value of prime is 6.50 so the initial rate is 8.5%. You can check the floating rate indexes by selecting Administration, System Data Maintenance , Variable Rate indexes. You cannot do it now however. It will not be available while the new loan is being created. We will not cover indexes in this lesson. They are covered in detail in the manual.

Set the Floating Rate index to 6.

Since this is not a regular consumer type installment loan and the payment amount is indeterminate at this time, we will set a flat fee late charge of \$50.00 at day10.

## Continue to the Payments Tab

Field	Value
Regular Payment Amount	1.00
Final Payment Amount	1.00
Escrow Total Pmt	200.00
Payment Frequency	12
Payment Type	4
Payment Allocation Option	23
Late Charge Method	0
Maximum Late Charge	0.00
Minimum Late Charge	5.00
Number Payments	24
No Payments Int Only	

create\_11494\_4.png

This loan will be interest only until maturity. Since we don't know what the balance will be or for that matter what the interest rate will be, we can't have any idea at this time what the payment amount will be. Enter 1.00 since the field is a required field.

We do need to be sure the taxes are paid on the property and we are allowing two years for the improvement phase so we will require an escrow payment of 200.00 per month.

Payments are interest only, monthly. Set the Payment frequency to 12 and the payment type to 4. When you open these combo boxes, you will see a description of what the codes mean. Set the payment allocation option to 23 - all interest accrued to the posting date. Payment allocation code 21 is also interest due but it collects interest as of the payment due date. Which to use is a policy issue. Either is fine. If you don't use 23, any future lessons using this example will not agree with what your system shows.

Continue to the Dates Tab and enter the following dates:

Loan ID	Amounts	Payments	Dates	Fees	Reserved	Misc	Dealer
<b>Loan Dates :</b>							
Date Note	09/01/2005	No Int Before	//				
First Payment Due	10/01/2005	Date Ins Expires	09/01/2006				
Date_mty	09/01/2007	Escrow Analysis Date	11/25/1999				
		Rate Adjusts	//				

create\_11494\_5.png

The Escrow analysis date is a system default that you can change or not as you like. The system does not use it. It is there for your reference only. Since this is only a two year loan, you will probably never do an escrow analysis.

Continue to the Fees Tab and enter the Official Fees.

Loan ID	Amounts	Payments	Dates	Fees	Reserved	Misc	Dealer
<b>Loan Fees :</b>							
Origination Fee		Expense Capital					
Org Fees Unamortized		Expense Collection					
FSB Net Remaining Value		Expense Legal					
FSB Yield to Maturity							
FSB Capitalized Costs							
Official Fees	650.00						

create\_11494\_6.png

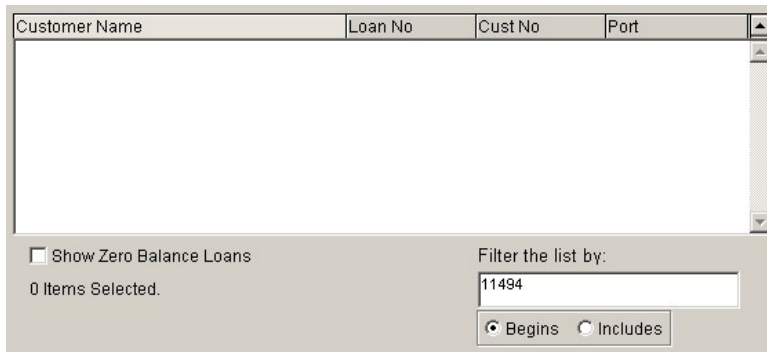
This amount represents amounts you charged to the borrower but which you did not keep. Every cent of this money was paid out to another entity and is not included in the finance charge. Examples would be

Title company fees for  
Title Policy  
Document preparation  
Recording Fees

Nothing on the remaining tabs pertains to this loan so we will skip them.

Click on Save. Return to the Find tab and enter the loan number 11494 into the filter box.

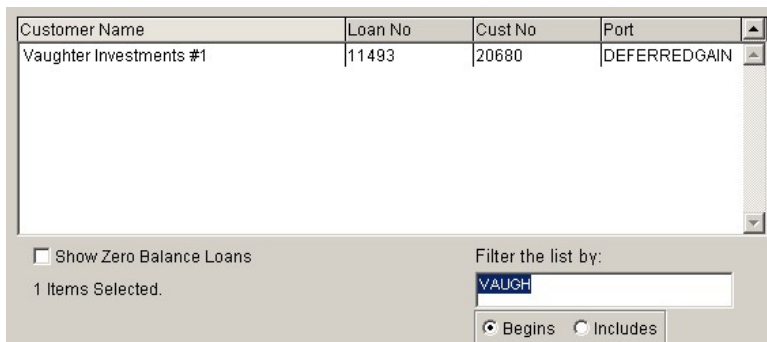
Ooops. Where is it. You know you saved it but it isn't there



A screenshot of a software interface for searching loans. It features a table with columns: Customer Name, Loan No, Cust No, and Port. The table is currently empty. Below the table, there is a checkbox labeled "Show Zero Balance Loans" which is unchecked, and a status indicator that says "0 Items Selected.". To the right, there is a "Filter the list by:" section with a text input field containing "11494" and two radio buttons: "Begins" (which is selected) and "Includes".

create\_11494\_7.png

Enter the first few characters of the loan name into the filter box - "Vaugh".  
The borrower is there, but the only loan visible is loan number 11493. That was lesson 22.

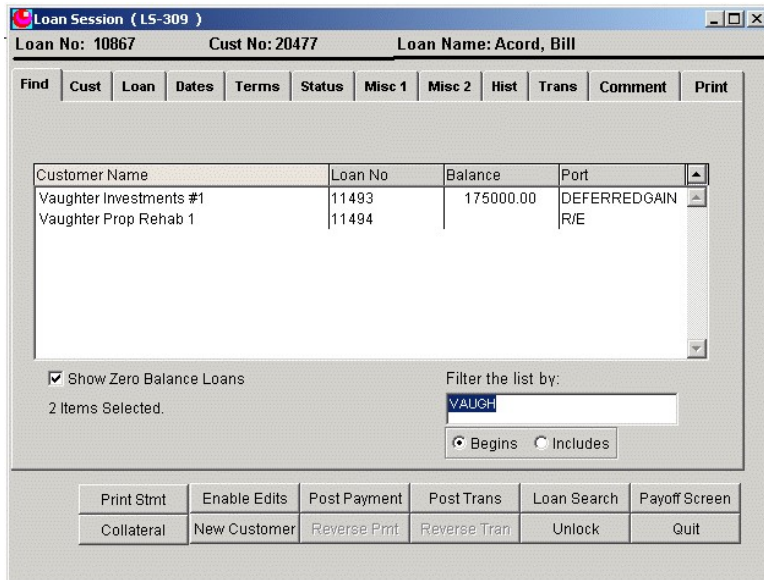


A screenshot of the same software interface. The table now contains one row with the following data: Customer Name: "Vaughter Investments #1", Loan No: "11493", Cust No: "20680", and Port: "DEFERREDGAIN". Below the table, the "Show Zero Balance Loans" checkbox remains unchecked, but the status indicator now says "1 Items Selected.". The "Filter the list by:" section has a text input field containing "VAUGH" (highlighted in blue) and the "Begins" radio button is still selected.

create\_11494\_8.png

Do you remember that we did not enter a beginning balance for this loan? We did not and this loan has a zero balance. Since we are normally not interested in loans with zero balances because they are paid off, the system ignores them and does not display them.

Check the check box Show Zero Balance Loans and the new loan 11494 will appear in the list. Now you can select it.



create\_11494\_9.png



Select the new loan 11494 and display the Status tab

Loan Session (LS-309)  
 Loan No: 11494    Cust No: 20680    Loan Name: Vaughter Prop Rehab 1

Find	Cust	Loan	Dates	Terms	Status	Misc 1	Misc 2	Hist	Trans	Comment	Print
Balance									Date Update	09/01/2005	
Interest Accrued									Scheduled Balance	200,000.00	
Interest Due									Payment Due For	10/01/2005	
Principal Due									Date Last Tran	09/01/2005	
Interest YTD									Current Interest Rate	8.5000	
Interest paid									Servicing Officer		
Interest Deferred									Unapplied Credits		
Late Charge Due									Penalty Due, Unpaid		
Late Charges Paid									Penalty Paid		
Late Charges YTD									Penalty Paid YTD		
Escrow Due, Unpaid									Partial Payment Due	0	
Escrow Balance									Days Past Due	0	

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

create\_11494\_10.png

Note the balance due is zero.

Next click on the Trans Tab

Loan Session (LS-309)  
 Loan No: 11494    Cust No: 20680    Loan Name: Vaughter Prop Rehab 1

TranDate	TCode	Tran Amt	Comment	PostDate
09/01/2005	11	0.00	Initial setup balance.	09/23/2005 02:44:10 PM

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

create\_11494\_11.png

The tran code 11 for the initial setup balance is there but the amount is zero. This transaction is stored for future reference to show that you set it up like that deliberately

Click on the Post Trans button.

This is really lesson 31 but just in case you skip it we will cover setting up the initial advance here.

The screenshot shows a software window titled "Loan Session (LS-309)" with a menu bar containing "Find", "Cust", "Loan", "Dates", "Terms", "Status", "Misc 1", "Misc 2", "Hist", "Trans", "Comment", and "Print". Below the menu bar, there are fields for "Loan No: 11494", "Cust No: 20680", and "Loan Name: Vaughter Prop Rehab 1". A list of financial items is visible on the left, including Balance, Interest Accrued, Interest Due, Principal Due, Interest YTD, Interest paid, Interest Deferred, Late Charge Due, Late Charges Paid, Late Charges YTD, Escrow Due, Unpaid, and Escrow Balance. A "Date Update" field is set to "09/01/2005".

Overlaid on this is a "Post Transaction (PT-309)" dialog box. It contains the following fields and options:

- Customer No: 20680
- Loan No: 11494
- Loan Name: Vaughter Prop Rehab 1
- Transaction Date: 09/01/2005
- Transaction Code: 11 (with a dropdown arrow and "Principal advance" text to the right)
- Transaction Amount: 10,000.00
- Comment: First Draw
- Cash Payment

At the bottom of the dialog box are "Post" and "Cancel" buttons.

create\_11494\_13.png

Enter the transaction date. This date should be the current system date. In the example data, the system date is 09/01/YY so set the transaction date to 09/01/YY. In real life this would be a few weeks after the loan date but the system date would have been advanced by daily system updates.

Select tran code 11 from the Transaction Code combo box. When you open the combo box list, you will see descriptions of the codes so you don't have to memorize them.

Enter the advance amount. In this case 10,000

Enter a comment - optional.

Note the Cash Payment check box. In this case, you are actually advancing cash so this box should be checked.

Click on Post

Return to the status ab and note that the balance is now 10,000.00

Loan Session (LS-309)  
 Loan No: 11494    Cust No: 20680    Loan Name: Vaughter Prop Rehab 1

Find	Cust	Loan	Dates	Terms	Status	Misc 1	Misc 2	Hist	Trans	Comment	Print
Balance										10,000.00	
Interest Accrued											
Interest Due											
Principal Due											
Interest YTD											
Interest paid											
Interest Deferred											
Late Charge Due											
Late Charges Paid											
Late Charges YTD											
Escrow Due, Unpaid											
Escrow Balance											
Date Update										09/01/2005	
Scheduled Balance										200,000.00	
Payment Due For										10/01/2005	
Date Last Tran										09/01/2005	
Current Interest Rate										8.5000	
Servicing Officer											
Unapplied Credits											
Penalty Due, Unpaid											
Penalty Paid											
Penalty Paid YTD											
Partial Payment Due										0	
Days Past Due										0	

Status Report

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

create\_11494\_14.png

Select the Trans tab and notice the first advance transaction.

Loan Session (LS-309)  
 Loan No: 11494    Cust No: 20680    Loan Name: Vaughter Prop Rehab 1

Find	Cust	Loan	Dates	Terms	Status	Misc 1	Misc 2	Hist	Trans	Comment	Print
TranDate	TCode	Tran Amt	Comment	PostDate							
09/01/2005	11	0.00	Initial setup balance.	09/23/2005 02:44:10 PM							
09/01/2005	11	10,000.00	First Draw	09/23/2005 02:51:27 PM							

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

create\_11494\_15.png