FusionBanking Loan IQ - Non Performing Loans

Patricia GOLDEN (Tricia)
Product Owner – Billing and Payments
Welcome to the Misys Topic Of the Month!

Format
- 45 min presentation by Misys experts
- 15 min Questions and Answers

Objectives
- Present product features and/or market requirements new / little known / under spotlight
- Share views and help us understanding client requirements

Frequency
Cross-product program.
For Loan IQ, on average every 2 months.
Agenda published on the Client Portal, and invitations sent 2 weeks in advance
Topics suggested by clients (can use Survey)
Non-Performing Loans

Misys and our evolution of Non-Performing functionality:

• Non-performing loans can be difficult for banks to administer, so we are trying to ease the pain.
• These requirements are becoming more important due to the economic climate and expansion of Loan IQ towards commercial lending; non performing loans being more common
• We have therefore evolved our initial features (e.g. penalty spread) and added more sophisticated, flexible features (Past Due functionalities)
Administering your Non-Performing Outstandings.

Misys has different methods available which would assist the administration of Non-Performing Loans:

**Penalty Spreads / Default Rate** — allows a User to define a Penalty Spread which is added to all Loans under a Facility, when any payment under the Facility remains unpaid after a specified Grace Period. The User has the choice (at Facility Level) that the penalty spread should be applied to all Loans or only to Floating Rate Loans.

**Late Charges** — functionality which will automatically assess and bill late charges for past due amounts using a predetermined template.

**Unpaid Functionality** (available only with Export Credit Module) — Creates an Unpaid Transaction against uncompleted Borrower cashflows.

**Non-Accrual** — Reclasses the loan principal and interest, and discontinues fee accrual.

**Past Due Functionality** — Creates a separate outstanding for each Past Due Repayment.
Penalty Spreads

Deal Level

- Allowed Pricing Options
  - Drill down to update
  - Option
    - Base Rate Option
    - Deposit Option
    - Escrow Deposit
    - Litor Option
    - SBLC

- Consolidation Type: UNCONSOLIDATED
- Autocharge to Non Performing Status
- Circle Settlement: Actual
- Reserve Adjusted Rates
- Past Due Based on Billed
- Grace Period: 0
- Autocharge Prepayment Penalty Fees
- Include in XML Bill
- Do Not Print
- Do Not Mail
- Bill Care-Of-Contact
- Autoapply Penalty Spread when Past Due
- History
- Penalty Spread Application based on Past Due Grace Days
Penalty Spreads

Facility Level

Modify Ongoing Fees

Modify Interest Pricing

Penalty Spread

Rate: 0.000000%
Status: OFF
Fast Due Grace Days: 3
Earliest Fast Due Date: All Loans

© Misys 18 May, 2016
Penalty Spreads

Outstanding Level
Penalty Spreads – Upcoming additional functionality

Outstanding Level

In the upcoming Loan IQ Release 7.4 a new Enhancement (Apply Penalty Spread when Past Due) allows to defined a penalty spread (or default interest rate) when a loan becomes past due. The application of the penalty spread is automatic:

● when a loan is past due, the penalty spread automatically turns on
● when a loan is no more past due, the penalty spread automatically turns off.

As previously discussed, existing Loan IQ functionality allows the application of the penalty spread at the facility level, which then flows down to the loan level.

However, as per the new functionality, Loan IQ allows the application of the penalty spread at individual loan level.
1. Multiple variations of Rules for the calculation of the Late Charge, via the Late Charge Rule system table. For each Rule, the users can specify quite a lot of different parameters:
   - It is possible to setup a number of rules
     - the Charge Amount or Percentage;
     - the Base Amount on which the Percentage is applied (Principal and/or Interest and/or Fees);
     - the Past Due Floor Amount (minimum Past Due amount to trigger the Charge);
     - the Charge Minimum and Maximum Amounts;
     - the Charge Currency (if this should be different from the Loan Currency).

The Late Charge Balance Type table allows for even more parameterisation of the Charge calculation.
Late Charges – Template created in Table Maintenance

1. Once Late Charge Rules exist they can become available for selection
2. Late Charge Rules are set at Outstanding Level
Late Charges

1. Late Charges can be Autogenerated
2. Late Charges are accessible via the Loan Notebook “options” Drop Down Menu
3. A Late Charge, once assessed, can be billed, paid or waived.
The performing status can be updated at Deal, Facility and / or Outstanding Level. This action will move assets and receivables to separate accounts. Interest accruals will continue but to memorandum accounts – while Accruals and amortisation of fees are discontinued.

When a repayment on a non-performing loan does take place, currently Loan IQ first moves back the amounts repaid from the ‘non-performing’ accounts to the ordinary ones, and then posts the repayment as normal.
Unpaid Functionality

As part of the Export Credit functionality, it is possible to set specific cashflows to an Unpaid status, and to then define the Penalty Interest that the Borrower must pay on the unpaid amounts.

The Penalty Interest is charged on the Unpaid amounts for the period which goes from the movement of the cashflow to the Unpaid status until the actual payment is received.

With the additional Enhancement 2961 (Automatic Management of Unpaid Amounts), it is possible to automatically move to Unpaid any Cashflow which has not been marked as received within the Grace Period defined at Facility level.
Past Due Outstanding Functionality

3162 - Past Due Interest and Fees
Past Due Accruals
- Batch generated Past Due Outstandings
- Past Due Interest Accruals with Daily GL postings

3654 - Accounting For Past Due & Repricing functionality
- Reclass of Past Due Items
- Quick Loan Repricings
Past Due Outstanding Functionality

3685 – Past Due Phase 2

- Ability to manually trigger an item as “Past Due”
- Default Accrual Interest Cycle
- Default Past Due Pricing
- Defaulted “Past Due Applies” in an Outstanding
3162: Past Due Outstandings

Past Due Setup at Deal Level
3162: Past Due Outstandings
Past Due Setup at Facility Level

[Image of a software interface showing past due pricing options, including past due, LIBOR + spread, etc.]
3162: Past Due Outstandings
Past Due Setup at Facility Level

Flat Rate Fee
• Assessed as a Rate, never an amount
• Defined at Facility, and then over-rideable at Outstanding level
• Calculated on the past due balance; principal, interest or both.
• Calculated using a Fixed Rate or Formula Based
• GL’s only generated on payment of Past Due Flat amount
3162: Past Due Outstandings

Past Due Setup at OST Level

Past Due Pricing

- Pricing Option: Past due
- Rate Basis: Actual/360
- Spread Rate Basis: Actual/360
- Accounting Rate Basis: Actual/360

Past Due Items

<table>
<thead>
<tr>
<th>Description</th>
<th>Effective Date</th>
<th>Original Amount</th>
<th>Current Amount</th>
<th>Status</th>
</tr>
</thead>
</table>

Notebook in Inquiry Mode - F7 — Loan Notebook
### 3162: Past Due Outstandings

**Past Due OST Drawdown**

<table>
<thead>
<tr>
<th>Facility</th>
<th>TERM A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrower</td>
<td>BORROWER 1</td>
</tr>
</tbody>
</table>

**Processing Area**: Commercial Loan Division

**Pricing Option**: PDUB

**Effective Date**: 30 Apr 2013

**Accrual Effective Date**: 30 Apr 2013

**Payment Mode**: Pay In Arrears

**Int. Cycle Fixed**: Monthly

**Actual Due Date**: 30 May 2013

**Adjusted Due Date**: 30 May 2013

**Accrual End Date**: 30 May 2013

- **Actual Amt.**: 473.33
- **Actual CCY. EUR**: 473.33

**Past Due Grace Days**: 0

**Performing Status**: Annual

**Repayment Schedule Sync**: [ ]

**Synchronize Billing**: [ ]

© Misys 18 May, 2016
3162: Past Due Outstandings
Past Due OST Notebook

[Image of a computer screen showing a financial software interface with various fields and values filled in, such as Facility, Borrower, Payment Modes, and Accrual End Date.]

© Misys 18 May, 2016
### Past Due OST Accruals

#### Accrual Cycle 22-Apr-2013 - 28-Apr-2013 with adjusted due date 29-Apr-2013 / Past Due LIBOR Past Due (BORROWER 100136) /

<table>
<thead>
<tr>
<th>Cycle</th>
<th>Start Date</th>
<th>End Date</th>
<th>Due Date</th>
<th>Cycle Due</th>
<th>Accrued t</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>30-Apr-2013</td>
<td>29-May-2013</td>
<td>30-May-2013</td>
<td>0.08</td>
<td>0.08</td>
</tr>
<tr>
<td>2</td>
<td>30-May-2013</td>
<td>29-Jun-2013</td>
<td>30-Jun-2013</td>
<td>0.08</td>
<td>0.08</td>
</tr>
<tr>
<td>3</td>
<td>30-Jun-2013</td>
<td>29-Jul-2013</td>
<td>30-Jul-2013</td>
<td>0.04</td>
<td>0.04</td>
</tr>
</tbody>
</table>

**TOTAL:** 0.20 0.20 0.00 0.00
### 3654: Reclass of Past Due Items

**GL Entries passed which reclass the interest and/or principal as “Past Due”**

If an Interest Payment is either not made or reversed and the Batch creates a Past Due Outstanding the following GL’s will be required to be created and posted:

| DR | Past Due Interest Receivable | CR | Accrued Interest Receivable |

The Past Due Outstanding will calculate Past Due Interest on the unpaid Interest Payment amount which posts daily:

| DR | Past Due Penalty Interest Receivable | CR | Past Due Penalty Interest Income (Unrealised) |

If a Scheduled Principal Payment is not made / reversed and the Batch creates a Past Due Outstanding the following GL’s will be required to be created and posted:

| DR | Past Due Principal Loan Account | CR | Principal Loan Account |

The Past Due Outstanding will calculate Past Due Interest on the unpaid Principal Payment amount which posts daily via the Batch:

| DR | Past Due Penalty Interest Receivable | CR | Past Due Penalty Interest Income (Unrealised) |
### 3654: Reclass of Past Due Items

#### Examples of reclass GL’s from Past Due Drawdown

**GL Entries For POLIB Past Due Initial Drawdown**

<table>
<thead>
<tr>
<th>Branch</th>
<th>CCY</th>
<th>Customer/Portfolio</th>
<th>Short Name</th>
<th>Debit Amt</th>
<th>Credit Amt</th>
<th>Posted</th>
<th>Method</th>
<th>GL Account</th>
<th>On Bl</th>
</tr>
</thead>
<tbody>
<tr>
<td>21-May-2013</td>
<td>EUR</td>
<td>000002/hold for investment/000001</td>
<td>Past Due Accrued Interest Receivable</td>
<td>47.33</td>
<td></td>
<td></td>
<td>PDIRC</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>000002</td>
<td>EUR</td>
<td>000002/hold for investment/000001</td>
<td>Accrued Interest Rec.</td>
<td>47.33</td>
<td>47.33</td>
<td></td>
<td>INTRC</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>Total For: 000002</td>
<td>EUR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**GL Entries For POLIB Past Due Initial Drawdown**

<table>
<thead>
<tr>
<th>Branch</th>
<th>CCY</th>
<th>Customer/Portfolio</th>
<th>Short Name</th>
<th>Debit Amt</th>
<th>Credit Amt</th>
<th>Posted</th>
<th>Method</th>
<th>GL Account</th>
<th>On Bal SI</th>
</tr>
</thead>
<tbody>
<tr>
<td>25-Apr-2015</td>
<td>EUR</td>
<td>000002/hold for investment/000001</td>
<td>Past Due Principal Loan Account</td>
<td>100,000.00</td>
<td></td>
<td></td>
<td>POPRI</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>000002</td>
<td>EUR</td>
<td>000002/hold for investment/000001</td>
<td>Principal Loan Account</td>
<td>100,000.00</td>
<td>100,000.00</td>
<td></td>
<td>PRINC</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>Total For: 000002</td>
<td>EUR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
3654: Ability to Quick Loan Reprice a Past Due Outstanding
Can be Manually or Auto generated
3685: Ability to Manually Trigger a Past Due Outstanding Item can then be rate set, set COF’s, update interest accrual
3685: Default Settings and System Parameters

- Default Past Due Interest Cycle
- Default Past Due Interest Spread
- Default Past Due Pricing Option
- Default Past Due Principal Spread
- Default Past Due Base Rate

<table>
<thead>
<tr>
<th>Code</th>
<th>Value</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>DCSN</td>
<td>N</td>
<td>Default Change to Settle Date</td>
</tr>
<tr>
<td>DCPDR</td>
<td>Y</td>
<td>Default Change Transaction Required</td>
</tr>
<tr>
<td>DLQID</td>
<td>Y</td>
<td>Default Interest Past Due Base Rate</td>
</tr>
<tr>
<td>DLEDA</td>
<td>N</td>
<td>Default Link For External Document Attachment</td>
</tr>
<tr>
<td>DRAGN</td>
<td>N</td>
<td>Default Main Servicing Group for Facilities in Host Bank Non-Agent</td>
</tr>
<tr>
<td>DODMTF</td>
<td>N</td>
<td>Default Maturity Code For New Outstandings</td>
</tr>
<tr>
<td>DPOCC</td>
<td>XQA</td>
<td>Default Past Due Interest Cycle Frequency</td>
</tr>
<tr>
<td>DPODP</td>
<td>2%</td>
<td>Default Past Due Interest Spread</td>
</tr>
<tr>
<td>DPOSM</td>
<td>0.00%</td>
<td>Default Past Due Base Rate</td>
</tr>
<tr>
<td>DPOSR</td>
<td>0.26%</td>
<td>Default Past Due Principal Spread</td>
</tr>
<tr>
<td>DPOSR</td>
<td>1.44444444%</td>
<td>Default Past Due Base Rate for Qualified Buyer</td>
</tr>
<tr>
<td>DQDID</td>
<td>N</td>
<td>Default QDR Actual Due Date To Next Repaying Date</td>
</tr>
<tr>
<td>DQDIE</td>
<td>N</td>
<td>Document Required If Funding Error</td>
</tr>
<tr>
<td>DQAMCO</td>
<td>N</td>
<td>Default Selection to Active Customers Only</td>
</tr>
</tbody>
</table>
Next steps

• Questions and Answers

• Presentation PDF
  • Link to Webex recording

• State your organisation’s interest in features presented
  • Rate this session
  • Suggest topics for future session

• lorenzo.cerutti@misys.com
• In one minute > Questions and Answers
• In one hour > Survey
• Anytime: just email me (lorenzo.cerutti@misys.com)