

Business Requirements Investor Transfer

DRAFT

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1 Purpose of Project

1.1 Background

The current Investor Transfer Module is used to transfer internally owned loans (loans owned by an internal investor that reports to General Ledger) to another Internal Investor or to an External Investor. Release 17 Update 7 introduced enhancements to Investor Transfer to support individual Investor Transfers from Internal Investors (Program ID D2) to External Investors with specific emphasis on the Agency Loans for FannieMae(Program ID C5), FreddieMac (Program ID A2), and GinnieMae (Program ID G1) for 100% of the loan balance or for a partial transfer of the loan balance.

The enhancements introduced with Release 17 Update 7 provided:

- a. A history of all investors tied to a loan since the inception of the loan via Investor Master Records;
- b. Update of the Selling Investor's Investor Master Records, Remittance Records, Adjustment of GL Balances, Escrow Balances, and history of previous investor remittances.
- c. Creation of the Purchasing Investor Master Records and Investor Remittance Records (PIREM) and Ginnie Mae pool records where applicable.
- d. Update of GL Matrix and Investor Sold Flag in PMASTR.

Customers requested additional enhancements to support their business process for Internal Investor to External Investor and Internal Investor to Internal Investor transfers and to allow transfers of individual loans from External to Internal Investors as well as External to External Investors. The existing Bulk transfer process for selling groups of loans also needs to be addressed and modified to support group transfers for Internal to Internal, Internal to External, External to External, and External to Internal Investors. The details of these additional enhancements will be addressed in Section 3 – Functional Requirements.

1.2 Goals

The objective of this project is to provide all the functionality required within the Investor Transfer Module to support the transfer of loans in groups (Bulk Processing) or individually from the Selling Investor to the Purchasing Investor for all scenarios:

- a. Internal to Internal
- b. Internal to External
- c. External to Internal
- d. External to External

2 Glossary

2.1 Naming Conventions and Definitions

2.1.1 Internal Investor Loan

A loan where a portion or all of the principal balance outstanding is owned by an Affiliated Company to the servicer (e.g. servicer is the owner, or a Parent, Sister, or Subsidiary company to the Servicer). An Internal Investor reports to its GL Accounts.

2.1.2 External Investor Loan

A loan where the principal balance is owned by an outside investor (e.g. an investor that is not affiliated to the servicing company). An External Investor requires custodial accounting only.

2.1.3 Book Value Transfer

Transfers can be based on the Book Value of the loans being transferred. The Book Value is the actual value of an asset plus or minus the outstanding deferred revenue

2.1.4 Market Value Transfer

Transfers can be based on the Market value of the loans being transferred. The Market Value is based on the highest price that a Buyer and the lowest price that a Seller would accept.

In cases where the Market Value generates a Capital Gain or Capital Loss, it is recognized by the buyer and can be recognized by the seller at the time of the transfer. The Gain or Loss can also be treated as Deferred Revenue, where revenue generated prior to the transfer can be transferred to the Buyer, remain with the Seller, or automatically be immediately recognized upon completion of the transfer when dealing with an external investor.

2.1.5 Balance Purchase Date

The date that the Balance was or will be purchased by the new investor(s).

2.1.6 Interest Purchase Date

The date that the Interest was or will be purchased by the new investors(s).

2.1.7 Transfer Date

The date that the funds from the Loan should be transferred from the Selling to the Buying Investor.

2.1.8 Participation %

Percentage of the Principal Balance of the Loan owned by the investor.

2.2 Relevant Facts and Assumptions

2.2.1 Facts

2.2.2 Assumptions

When proceeding with these enhancements, it is assumed that all of the functionality within Release 17 Update 7 together with bug fixes within Release 17 Update 8 would have been thoroughly vetted (tested) by all customers. The results of that testing should be an integral part of any design for enhancements resulting from this document. Any 'open issues' previously reported to the Support Center regarding investor transfer module should be addressed during this project.

All file maintenance activity during the transfer process will be recorded and stored in File Maintenance History.

3 Functional Requirements

3.1 Scope of the Work

At a high level, the additional enhancements required for the Investor Transfer module include

- a. Ability to transfer a percent of the principal balance to one or to multiple investors
- b. Ability to maintain old investor transaction history (PIREM), original investor owned name, sold, and purchase dates
- c. Ability to book interest and principal GL entries based on the purchase dates and properly account for all effective dates that are after or before a payment due date or where payment has been received.
- d. Allow the ability to use the Current Day's balance for the 'Outstanding Principal Balance' and the Current Day's date for the 'Balance Date' in the Transfer Module. (Currently, the previous day's balance and date (the processed through date) are used as Strategy has only accrued through the previous day and does not recognize the current day's balance.)
- e. Ability to build the new Investor PIREM record for the first payment due to the purchasing investor correctly.
 - i. Remittance Amounts – ensure receivable for all amounts populated
 - ii. Populate Scheduled Balances
 - iii. Populate Reserves
- f. Modify the Investor Transfer Wizard functionality
 - i. Strategy needs to ask question 'Copy Data from Investor Master Y/N?'
 - If Y, users should be able to edit data
 - If N, users will be able to edit data (like Investor Master Wizard process).
 - Investor Defaults should be pulled in
 - Include Cutoff Freq and Cutoff Freq Method.

3.2 Business Use Cases

3.2.1 Use Case #1:

An internal loan is sold to an External Investor.

3.2.2 Use Case #2:

A loan owned by an External Investor is sold to an Internal Investor (repurchase of a loan).

3.2.3 Use Case #3:

Internal to Internal

3.2.4 Use Case #4:

External to External

3.2.5 Use Case #5:

Bulk

3.2.6 Use Case #6:

Same month pooling Loans

3.2.7 Use Case #7:

GNMA Construction Loans

3.2.8 Use Case #8:

Non-Accrual

3.2.9 Use Case #9:

External to External (Custom to Prudential)

3.3 Functional Requirements

3.3.1 Use Case #1 – Scenario 1, 2 & 4 – An internal loan is sold to an external investor.

Applies in the following Scenarios:

- An internal loan is sold to an external investor either in whole (100%) (Scenario 1)
 - A portion of an internal investors ownership is sold to an external investor (Scenario 2), or
 - A group or pool of loans is sold from an internal investor to an external investor (Scenario 4).
1. Transfer moves it from selling investor to purchasing investor
 2. Accrued interest receivable is reduced on the GL of the selling entity for the # of days from the interest purchase date to transfer date - also calculating odd sell dates outside of the due date.

Example: loan next due date is 9/1 and paid thru 8/1. Sale occurs on 8/15 and the interest purchase date is 8/15. In this case the internal investor retains 14 days on the books and the external investor payment is from 8/15 thru 8/31. Remittance records reflect this adjustment in the remittance records.

3. Principal balance is reduced on the GL for selling Investor, based on the purchasing investor %.
4. Participation % of both investors are recalculated based on the pro rata share, after transfer
5. Ability to view old history before the sell
6. D2 – F1 only works currently Need it for all program IDs
7. Movement of escrow – custodial accounting
 - a. GL to DDA – ACH movement from one investor to another.
8. GSE Programs priority
 - a. Freddie
 - b. Fannie
 - c. FHA/GNMA
 - (i) Pool record creation.

3.3.2 Use Case #2 - Scenario #3 – An External investor is sold to an internal investor (repurchase of a loan)

1. Like Scenario 1 but in reverse Schedule vs Actual – needs further review
 - a. GNMA IRR's – Pool records
 - (i) Recalculate Pro Rata Share

-
- b. Reverse of Internal to External
 - (i) Need to be able to pick the GL Matrix
 - (ii) Asset hits the GL
 - (iii) Fees hits – **Question: is this investor level service fee or income fee?**

3.3.3 Use Case #3 - Scenario #6 – Internal to Internal Enhancements

- 1. Transfer wizard recognizes the new Investor as internal and doesn't allow updates to NEW investor master.
- 2. Should allow all updates / give the user a choice
- 3. Interest accrual - fix how it is flowing (already reported)
 - a. Month end accrual issue depending on payment timing
 - b. Should use the interest purchase date

3.3.4 Use Case #4 - Scenario #7 – External to External

- 1. Similar to Internal to External
 - a. All programs
 - (i) Still need GL matrix change.
 - Current functionality there
 - (ii) Asset will all be custodial
 - b. CME to CMBS
- 2. No GL impact

3.3.5 Use Case #5 - Scenario #9 – Bulk

- 1. For all scenarios
 - a. Internal to Internal
 - b. Internal to External
 - c. External to Internal
 - d. External to External
- 2. Pool Group - 3rd Party warehouse and internal going to external securitization
 - a. Selection screen of loans
 - i. Option to create spreadsheet with selected pools or groups
 - Spreadsheet to include information from Investor Master defaults
 - Once data is in Excel, users would like to be able to edit it
 - b. Once edited be able to import the data back into Strategy.
 - c. Add the following fields to the Investor Master wizard
 - i. Cutoff Freq. (external to internal)
 - ii. Cutoff Freq Method. (external to internal)
 - iii. Include fields outlined in the Investor Transfer–bulktransfer Jan 17.xlsx available from the McCracken MAC website (Bulk Transfer Fields – As of Jan.17, 2017).
 - d. Reporting Balances
 - i. For Internal to External – make sure moves all the funds
 - e. CME review for delete and recreate

3.3.6 Use Case #6 - Scenario #10 – Same Month Pooling Loans

- 1. Interest purchase date cannot be prior to Original Loan date

- a. Cannot transfer using the actual Interest Purchase Date of the Buying Investor since it is generally prior to the actual Original Loan Date in Same Month Pooling Scenarios. (Ex. Loan closed 09/03/2015; purchased on 09/28/2015 with an Interest Purchase Date of 09/01/2015 - a full month of interest is due the Buying Investor even though a full month has not been collected; corporate must fund interest)
- 2. Tends to be GSE loans

3.3.7 Use Case #7 - Scenario #12 - Non-Accrual

- 1. Prudential (Rick) will review and provide details, Non-critical for first requirements phase.

3.3.8 Use Case #8 - Scenario #13 - External to External

- 1. Prudential (Rick) - Custom piece, not core for customer. Not required for first requirements phase.

3.3.9 Use Case #9 - Scenario #11 - GNMA Construction Loans

- 1. Requirements handled under GNMA BRD.

3.4 Data Elements

If there are new data requirements for this project, record what those requirements are in the table below.

Bulk Transfer Fields needed should include those fields defined in the spreadsheet available on the McCracken – MAC Webpage.

Investor Transfer–bulktransfer Jan 17.xlsx available from the McCracken MAC website (Bulk Transfer Fields – As of Jan.17, 2017)



Investor Transfer - bulktransfer Jan 17.xls

Data	Min	A/N	Description
Description of the field of data required (could possibly be the new field name)	Min size requirements	Alpha Numeric Date, etc.	Detailed description and any other helpful information needed for this data field.

4 Nonfunctional Requirements

4.1 Additional Requirements

4.2 Security Requirements

4.2.1 Investor Transfer module Security Requirements

- Security to the Investor Transfer Module will be required to READ, WRITE, PRINT, and DELETE.
- Security will also be required to the INVESTOR DBNR screen.

5 Project Issues

5.1 Open Issues

5.1.1

5.2 Considerations

5.2.1 Day End Placement of Investor Transfer Programs

The correct placement of the Investor Transfer Programs (CMB360L) in the Day end Jobstream is critical to the success of this project. For example, depending on the timing of the transfer, Ginnie Mae pool records would not be created by CMB616 during the day end process on the day of transfer as expected and would be created during the subsequent day end.

6 Future Requirements