

DIAL



What is DIAL?

Deferred

Interest

Accrual

Loan

What is DIAL used for?

To defer or delay payment of all or a portion
of interest that is contractually due

What happens to the interest that is deferred?

- Accumulate the deferred interest (Code 0)
 - Can later capitalize
 - Can recapture
- Capitalize interest to the actual and scheduled balances (Code 1)

What happens to the interest that is deferred?

- Capitalize interest to the scheduled balance only
(Code 2)
 - No effect on book balance
- Compound deferred interest (Code 3)
 - Interest will be charged on the deferred interest balance

What happens to the interest that is deferred?

- Capitalize to both balances (Type 4)
 - Doesn't allow recapture
- Capitalize to another loan balance
 - Use cap\compounding (Code 1)

What happens to the interest that is deferred?

- Limit the deferred amount \$\$\$\$
 - Annual cap or Lifetime cap
 - Automatic update of pay rate when the cap amount is reached
 - Pay Rate interest rate is increased to contract rate
 - No longer deferring interest

What happens to the interest that is deferred?

- Capitalize to another loan balance
 - Use cap/compounding Code 1
 - No effect on DIAL loan balance
 - Allows different terms for the deferred interest

How is the interest deferred?

- Strategy interest rates
- Modified Payment Schedule

What are the Interest Rates?

- **Contract Rate (a/k/a note rate):** Pay Rate + Deferred Rate
 - Calculated field - not a stored rate
 - DIAL type 3 & 4 stores contract rate in ARM record New Interest Rate field
 - DIAL Type 4 required fixed pay rate in ARM Original Index field
- **Pay Rate:** Used to calculate the interest the borrower will pay
 - Interest rate in master file
 - Calculates interest due in accrual record
 - Receivable interest due

What are the Interest Rates?

- **Deferred Rate:** Used to calculate the amount of interest that will be deferred
 - The amount the borrower won't be paying at this time

What are the Rate terms?

DIAL Type

- 1: Contract rate, pay rate and deferred rate are fixed
- 2: Contract rate is fixed, pay and deferred rates are adjustable
- 3: Contract and pay rates are adjustable and deferred rate is fixed
- 4: Contract and deferred rates are adjustable and pay rate is fixed
- 5: Modified Payment Schedule (MPS)

What about cash flow terms?

Modified Payment Schedule

- Used for cash flow loans
- For current month to post to the general ledger, MPS record has to be set up in advance
 - Used with monthly interest accrual posting only
 - Doesn't have to be DIAL loan

Where is DIAL information?

- DIAL fields are stored in many files:
 - Receivables\Billing
 - Daily Balance and Rates File (DBNR)
 - Accrual
 - ARM

STRATEGY CS - [Current Status => 150051555 - test]

File Tools Window Help

Current Status
 Loan Terms/Stat
 Borrower Info
 + Regular Payment
 + Misc Rcvbl/Exp
 Lt Chg/Dflt/Dfrd
 + Trans History
 + Property Info
 + Pend Chgs/Adj L
 + Interest Adj
 + Cross Ref Loan
 + Investors
 - Reporting Bal
 + GAAP Net B
 YTD Amounts
 + Escrow Informa
 + File Maintenance
 + Notes

View in Current Status

Late Charge Information

Days to Delinq: 15
 Business Calendar:

Assess Late Charge: No
 Method:
 Rate%: 0.0000

Default Interest Information

Indicator: NOT APPLIC (0) Rate at Maturity %: 0.00000
 Status: NOT APPLIC (0) Balance Method:
 Rate %: 0.00000 Accrued Through Date: 00/00/0000 Hold Code Days:
 Oldest Rcvbl Date: 00/0000

Deferred Interest Information

Deferred Type: CA PF DA (4) Balance: \$9,800.00 Deferred YTD: \$9,800.00
 Compounding Type: DIAL CD 1 (1) Corresponding Ln: 0 Lifetime Cap: \$350,000
 Deferred Int Rate %: 2.00000 Annual Cap: \$35,000 Deferred to Date: \$9,800.00

STRATEGY CS - [Loan Administration => 150051555 - test]

File Edit Tools Additional Window Help

Customer Information **Master Information** Pending Change Master/LIP Deferred Revenue & Expenses

- Payment/Billing
- Balances/Processi
- Contract
- Esc/LateChg/Defau
- D.I.A.L.**
- Reporting
- Tiered Service Fee
- Period to Date(1)
- Period to Date(2)
- Commercial/Balloor
- Interest Reserve

Deferred Interest Accrual Loan Information

Type: CA PF DA (4) Annual Cap: \$35,000
 Rate%: 2.00000 Lifetime Cap: \$350,000
 Cap/Compounding: DIAL CD 1 (1) Amount Deferred to Date: \$9,800.00
 G/L Posting Y/N: Y Amount Deferred YTD: \$9,800.00
 Accrual Start Date: 01/01/2005 Last Month's Deferred Amount: \$980.00
 Balance: \$9,800.00 Last Month's Ending Balance: \$8,820.00
 Contra Balance: \$0.00 Automatic Update of Pay Rate: NO (N)
 Corresponding Acct#: Accrued Interest: General Ledger: \$900.00

Capitalization Information

Amount Accrued Since Last Capitalization: \$900.00

Capitalization Frequency (X): Jan: Feb: Mar: Apr: May: Jun:
 Jul: Aug: Sep: Oct: Nov: Dec:

Update in Loan Administration

STRATEGY CS - [Adjustable Loan => 150051555 - test]

File Edit Tools Additional Window Help

Adjustable Loan Information Adjustable Review History Pending Adjustable Loan Changes

Adjustable Loan Information

Adjustable Method: STANDARD (A) Payment Type: INT ONLY (I)
 Adjustable Loan Desc: MONTHLY (MM) Contract Type: FIXED RATE (F)

Rate Information

Monthly or Daily Review: (M) MONTHLY
 Rate Change Frequency: 1
 Look Back Method: (N) N/A
 Look Back Days For Rate Reviews:
 Business Calendar:
 Use Business Calendar: Review Date Y/N: N
 Rate Review Date: 10/01/2005
 Calendar: Change Date Y/N: N
 Rate Change Date: 10/01/2005
 Rate Chg Anniversary Date: 10/01/2005

New Interest Rate %: 10.00000
 Previous Interest Rate %: 10.00000
 New Rate Without Caps %: .00000
 Index Description: PRIME (PR)
 New Index %: .00000
 Previous Index %: .00000
 # of Rate Reviews to Date:
 Ma: 0.00000
 Previous Review Date: 00/00/0000

Original Index %: 4.00000

P&I Payment Information

P&I Chg Freq: P&I Re-Amort Date: 00/00/0000 # of Payment Reviews to Date:
 P&I Change Date: 00/00/0000 New P&I Payment: \$.00 Rate Sched For P&I Pmt Y/N: N
 P&I Re-Amort Freq: Prev P&I Payment: \$.00 P&I Amortization "To" Date: 00/00/0000

Notice Information

Print Notice Y/N: N Notice Days From Review: Print Notice Date: 00/00/0000

Fixed Pay Rate (type 4)

Contract rate

What happens when?

- Daily
- Month end
- Payment Anniversary Date
- ARM reviews
- Other activity
- Billing

What happens daily?

DIAL Interest is Calculated

*Scheduled balance x
deferred rate \ interest
basis code*

What happens daily?

DIAL is Accrued

- Master balances updated:
 - DIAL Balance
 - Amount deferred to date
 - Amount deferred YTD
 - Accrued Interest g/l
 - Amount accrued since last capitalization
- Investor Balances updated

What happens monthly?

- Deferred interest is posted to general ledger
- MPS deferred interest is calculated
- Interest is Compounded

What happens monthly?

- DIAL interest posted to general ledger
 - Nothing is calculated
 - Posts DIAL g/l balance from master to associated g/l number
 - Transaction code A3
 - Master DIAL g/l balance is reduced to 0.00

What happens monthly?

- MPS interest is calculated
- Difference between MPS interest due and receivable interest is posted to interest receivable

What happens monthly?

Interest is compounded

Last month Ending DIAL
Balance x contract
rate \ interest basis code

What happens to the compounded interest?

- DIAL cap \compounding code 3 only
 - Increase to Master DIAL Balance
 - Increase to Master Accrued since Last Capitalization
 - No transaction record for compounded interest

What are the Month End Reports?

MB410d.2

Amount of posting, plus details all amounts and rates for each loan

MB410d.1

Exceptions

What happens on the payment anniversary date?

Capitalization to principal occurs when...

- ✓ System control specifies
- ✓ Dayend jobstream includes program
- ✓ Defined in monthly schedule in Loan Administration

STRATEGY CS - [Loan Administration => 150051555 - test]

File Edit Tools Additional Window Help

Customer Information **Master Information** Pending Change Master/LIP Deferred Revenue & Expenses

- Payment/Billing
- Balances/Processi
- Contract
- Esc/LateChg/Defau
- D.I.A.L.**
- Reporting
- Tiered Service Fee
- Period to Date(1)
- Period to Date(2)
- Commercial/Balloor
- Interest Reserve

Deferred Interest Accrual Loan Information

| | | | |
|----------------------|---------------|-----------------------------------|------------|
| Type: | CA PF DA (4) | Annual Cap: | \$35,000 |
| Rate%: | 2.00000 | Lifetime Cap: | \$350,000 |
| Cap/Compounding: | DIAL CD 1 (1) | Amount Deferred to Date: | \$9,800.00 |
| G/L Posting Y/M: | Y | Amount Deferred YTD: | \$9,800.00 |
| Accrual Start Date: | 01/01/2005 | Last Month's Deferred Amount: | \$980.00 |
| Balance: | \$9,800.00 | Last Month's Ending Balance: | \$8,820.00 |
| Contra Balance: | \$0.00 | Automatic Update of Pay Rate: | NO (N) |
| Corresponding Acct#: | | Accrued Interest: General Ledger: | \$900.00 |

Capitalization Information

Amount Accrued Since Last Capitalization: \$900.00

Capitalization Frequency (X): Jan: Feb: Mar: Apr: May: Jun:

Jul: Aug: Sep: Oct: Nov: Dec:

Capitalization Schedule

STRATEGY CS - [Loan Administration => 150051555 - test]

File Edit Tools Additional Window Help

Customer Information **Master Information** Pending Change Master/LIP Deferred Revenue & Expenses

- +-- Payment/Billing
- +-- Balances/Processi
- +-- Contract
- +-- Esc/LateChg/Defau
- D.I.A.L.**
- +-- Reporting
- +-- Tiered Service Fee
- +-- Period to Date(1)
- +-- Period to Date(2)
- +-- Commercial/Balloon
- +-- Interest Reserve

Deferred Interest Accrual Loan Information

| | | | |
|----------------------|---------------|--------------------------------------|------------|
| Type: | CA PF DA (4) | Annual Cap: | \$35,000 |
| Rate%: | 2.00000 | Lifetime Cap: | \$350,000 |
| Cap/Compounding: | DIAL CD 1 (1) | Amount Deferred to Date: | \$9,800.00 |
| G/L Posting Y/M: | Y | Amount Deferred YTD: | \$9,800.00 |
| Accrual Start Date: | 01/01/2005 | Last Month's Deferred Amount: | \$980.00 |
| Balance: | \$9,800.00 | Last Month's Ending Balance: | \$8,820.00 |
| Contra Balance: | \$0.00 | Automatic Update of Pay Rate: | NO (N) |
| Corresponding Acct#: | | Accrued Interest: General Ledger: | \$900.00 |

Capitalization Information

Amount Accrued Since Last Capitalization: \$900.00

Capitalization Frequency (X): Jan: Feb: Mar: Apr: May: Jun:

Jul: Aug: Sep: Oct: Nov: Dec:

Ready | SD: 10-06-2005 | MTGEALL | Rel: 148 | 10-06-2005 21:21:12

What happens on the payment anniversary date?

- Master file Amount Accrued Since last Capitalization is reduced to 0.00
- Creates Y1 Transaction
- Principal Balance increases if cap/compounding code permits

What happens on the payment anniversary date?

Option to Capitalize to a different loan

- Corresponding Loan number
 - Loan Advance transaction is processed
 - No DIAL fields are updated
- DIAL Loan
 - Amount accrued since last capitalization is reduced to 0.00
 - No capitalization transaction (Y1)

Are there Dayend Reports?

MB410e.2

Capitalization for Payments Due

- Details amounts for each loan

What happens with ARM loans?

Standard ARM review occurs

At least one rate is adjustable

DIAL type 2,3 or 4

Applicable rates are calculated

DIAL rate can become negative when in recapture mode

Exception is type 4 – recapture isn't allowed

How are other DIAL changes made?

- Payments
- Interest Adjustments
- Rate Change

What are the common DIAL payments?

- Recapture DIAL interest that was previously capitalized to principal
 - a/k/a Cap DIAL recapture

What are the common DIAL payments?

- Recapture DIAL interest that wasn't capitalized
- A/k/a Non-cap DIAL Recapture
 - Transaction screen code 52
 - Transaction code 72 (ptrans file)
 - Credit to DIAL interest receivable
 - Refer to Appendix C for detail non-accrual g/l activities
 - Reduces Master
 - DIAL Balance
 - Amount deferred YTD
 - Amount deferred to date
 - Amount accrued since last capitalization
 - Reduces Balance in Investor Record

What are the common DIAL payments?

- DIAL Recapture
 - Transaction screen code 18
 - Tran code 71 (ptrans file)
 - Reduces principal balance (asset)
 - Refer to Appendix C for detail non-accrual g/l activities

What are the common DIAL payments?

- Recapture DIAL interest that wasn't capitalized
- A/k/a Non-cap DIAL Recapture
 - Transaction screen code 52
 - Transaction code 72 (ptrans file)
 - Credit to DIAL interest receivable
 - Refer to Appendix C for detail non-accrual g/l activities
 - Reduces Master
 - DIAL Balance
 - Amount deferred YTD
 - Amount deferred to date
 - Amount accrued since last capitalization
 - Reduces Balance in Investor Record

Payment strings can also
determine when DIAL
amounts are paid

How is interest adjusted?

- Manual Interest Adjustment will increase or decrease DIAL balance
 - Off set can reduce or increase pay rate interest receivable
 - Example:
 - Work out loan terms are retroactive or mid- month

How is interest adjusted?

- Type A - reduces all DIAL balances in master file (credit)
- Type B -increases all DIAL balances in master file (debit)
- Type 4 -reduces master DIAL balance and g/l Balance
- Type 8 -Increases master DIAL balance and g/l Balance

How are the interest rates changed?

- Modifications and Amendments
 - Backdated Rate Changes
 - Future Changes
 - Scheduled step rates

Is there a bill for DIAL?

System Control Setting - Servicing

- Billing Program MB471I
 - Includes DIAL balances and rates on monthly bill

Adjustments to Existing Loans



Items to consider..

- When should DIAL start?
 - Consider current due date and past receivables
 - Scheduled Principal Balance
- Will all interest be deferred?
 - Payment type and payment amount
 - Changing from P&I to interest only
 - Due date will need to be rolled manually when receivables have zero due
 - Bills to Borrower

Items to consider..

- What happens to past due interest?
 - Interest adjustments for DIAL and Accrual
- Will payments to deferred be received?
 - Cap/Compounding code that allows recapture

- When loan is severely delinquent, be prepared to manually calculate
- Call Support Center for assistance
 - Most scenarios are different but understanding what to consider is most important