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)

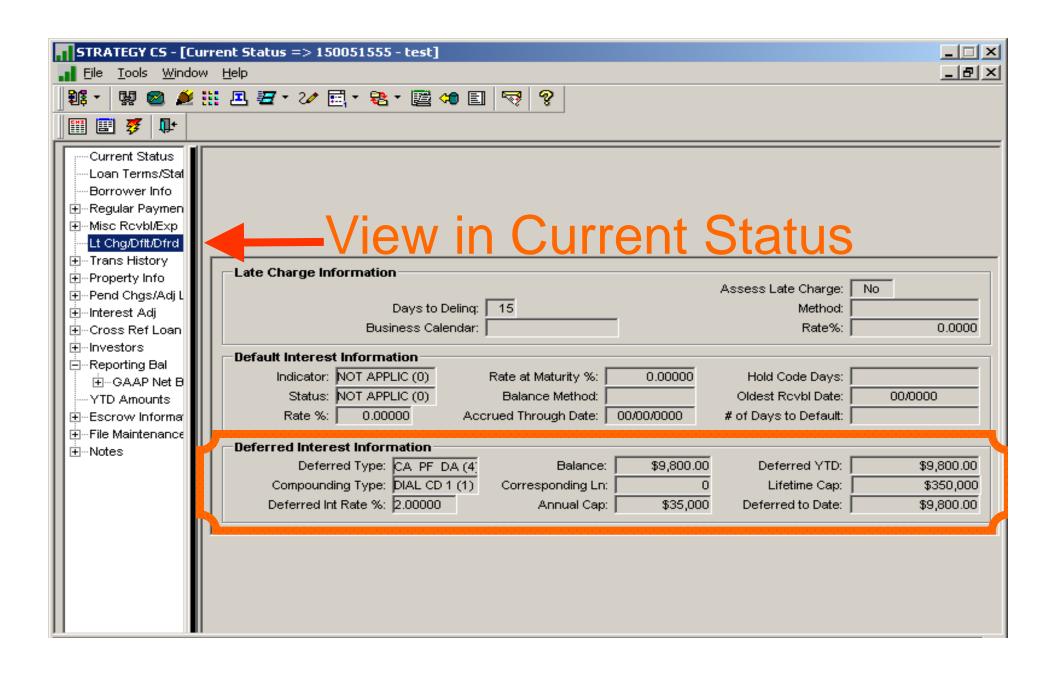
What about cash flow terms?

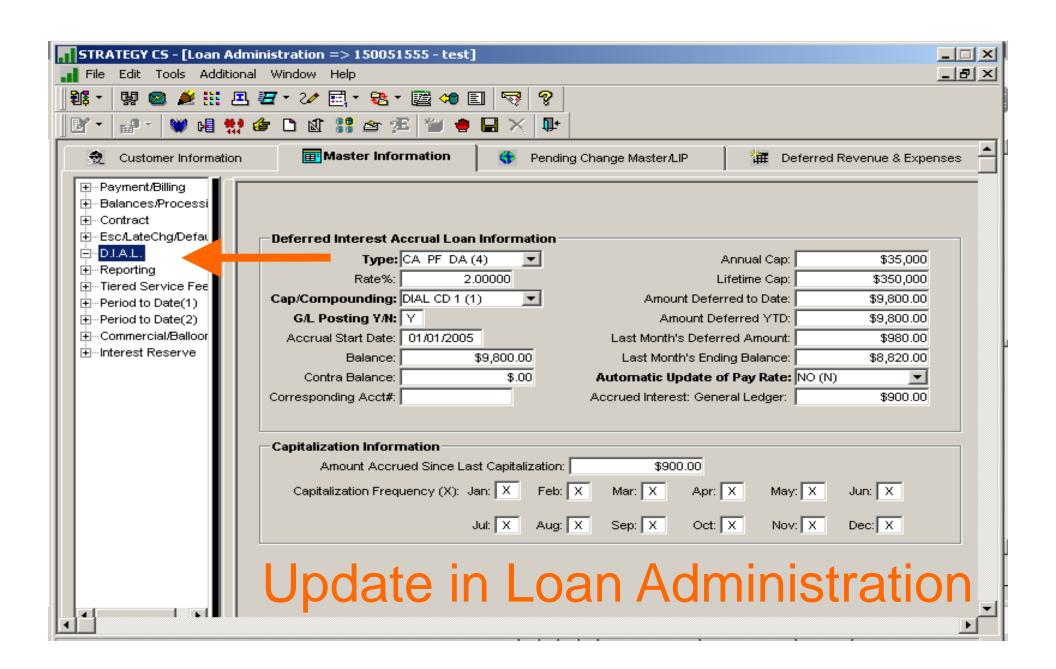
Modified Payment Schedule

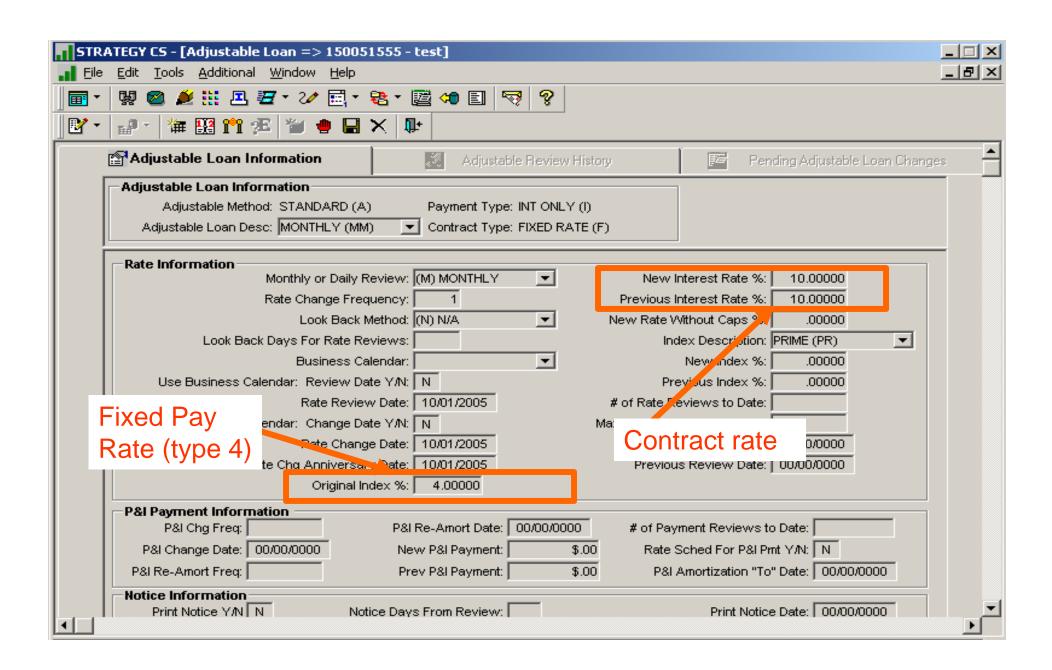
- Used for cash flow loans
- For current month to post to the general ledger, MPS record has to be set up in advance
 - Used with monthly interest accrual posting only
 - Doesn't have to be DIAL loan

Where is DIAL information?

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







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 deferredYTD
 - Accrued Interest g/l
 - Amount accrued since last capitalization
- Investor Balances updated

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

- 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

• MPS interest is calculated

• Difference between MPS interest due and receivable interest is posted to interest receivable

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

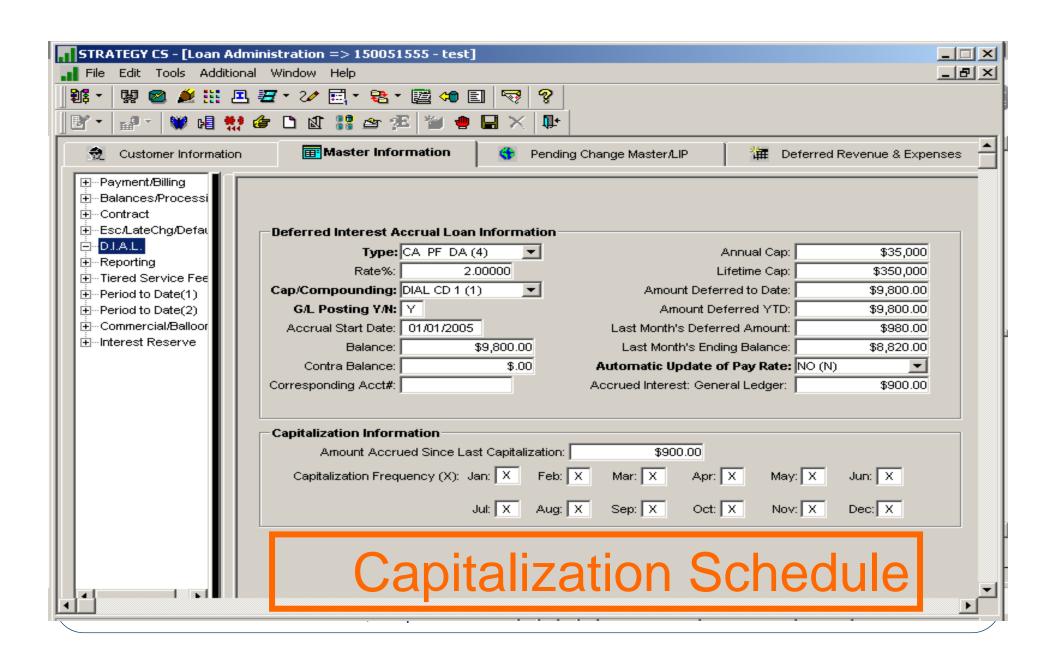
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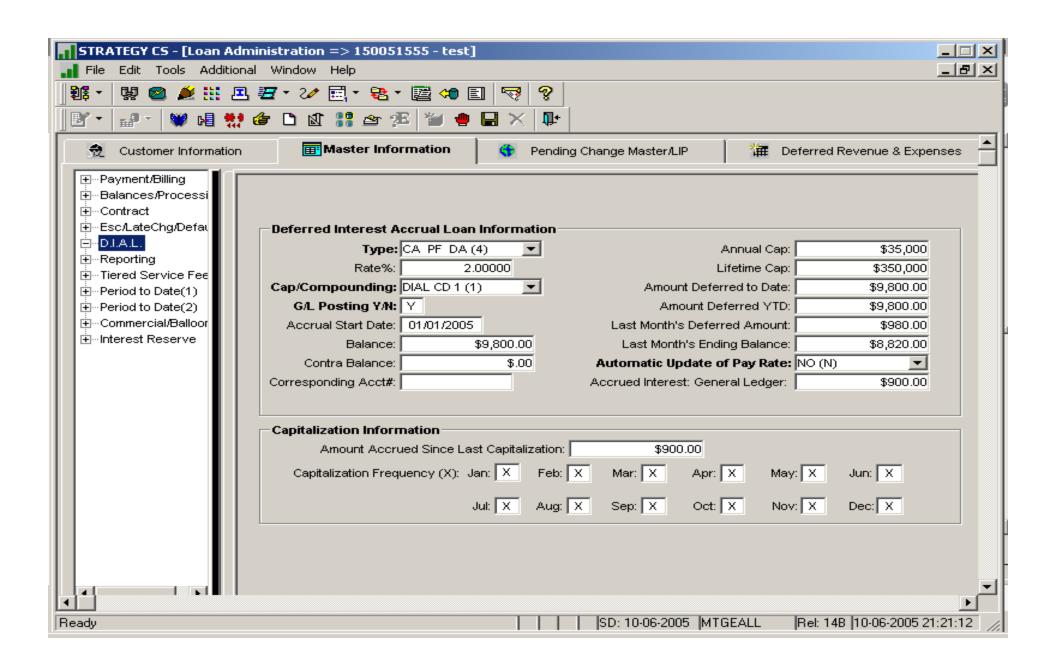
Exceptions

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





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

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

- 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
 - o DIAL Balance
 - o Amount deferredYTD
 - o Amount deferred to date
 - o Amount accrued since last capitalization
 - Reduces Balance in Investor Record

- 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

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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