



Adjustable Loans

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Adjustable Loan Overview

An adjustable rate loan (ARM) is a loan where the loan documents call for periodic adjustments to the interest rate and or payment. There are a number of ways to calculate the new interest rate, the most common method being the addition of a Margin to an Index. Less common adjustable methods call for calculating the percentage change to an index and adding that change to the current rate, or scheduling predefined increases (“steps”) in the interest rate.

Principal and Interest Constants for adjustable rate loans may or may not change in accordance with interest rates. Some loan types impose limits on the amount a payment constant may change in one period or over the life of a loan or the loan may be subject to a set number of Interest Rate or P&I Payment changes allowed over the life of the loan. Loan parameters may define the floors, ceilings, increase, and decrease caps as a percentage or as a dollar amount.

STRATEGY’s Adjustable Loan Module capabilities are robust enough to automate the review and changes necessary for most adjustable loans. System capabilities include providing automated borrower notices, a complete historical view of all rate reviews and adjustments, and functionality to automate future changes to key adjustable loan parameters.

STRATEGY’s Adjustable Loan Processing module allows you to:

Define how the loan will review and change interest rates and payments:

- When boarding a new loan, enter Adjustable Loan information via Loan Setup using the Adjustable Loan Wizard.
- If a loan is active in the servicing system (production), you can change a fixed rate loan to an adjustable loan from the Adjustable Loan Module by
 1. changing the Contract Type in the Master file, and
 2. adding a new record on the Adjustable Loan Information Tab.

Maintaining the Adjustable Loan:

- Use the Adjustable Loan information tab to update or change adjustable loan information.
- Use the Adjustable Review History tab to view past reviews
- Use the Pending Adjustable Loan Changes to add or modify pending change records for future changes to adjustable loan parameters.

Additional Adjustable Loan Features allow you to:

- Enter and update Index Values by Effective Date
- Enter and update business calendars
- Create Payment schedules
- Print Adjustable Loan Notices on demand (rather than during dayend)

Day End Processing Considerations:

- There are a variety of dayend programs performing required activities on the review date, the print notice date, and the rate change date.

STRATEGY's Adjustable Loan Processing

How to adjust the Interest Rate and P&I Payment, and when to adjust the Interest Rate and P&I Payment are the backbone of successful processing for Adjustable Rate loans.

When involves several important dates in the system, and **How** involves a number of parameters including the Adjustable Rate Method, Index, and Constants and Constraints.

Adjustable Dates

Like most servicing tasks, timing is everything when it comes to processing Rate and Payment reviews and adjustments. The following dates play an important part in Adjustable Loan Processing.

Field Label	File/Field	Window	Importance of field
Rate Review Date	ABRDAT/PARM	Adjustable Loan Info tab	<ul style="list-style-type: none"> Adjustable Loan Processing for a review frequency begins on the Rate Review Date in dayend. STRATEGY calculates the Rate Review Date using the Rate Change Anniversary Date and the values of Lookback Method and Lookback Days, and any non-Business Days if applicable for the loan..
Index Effective Date	IXEFF/PINDEX	Adjustable Loan Index Rates (Toolbar)	<ul style="list-style-type: none"> STRATEGY uses the Index Rate with the most recent Effective Date when selecting the Index to calculate the new Interest Rate.
Rate Change Date	ABECDT/PARM	Adjustable Loan Info tab	<ul style="list-style-type: none"> STRATEGY calculates the Rate Change Date based on the Rate Change Anniversary Date, and a Business Calendar if applicable. Rate Change Date is the date that the New Interest Rate % goes into effect on the loan. (For a monthly loan, if the rate change is to be in effect for 12/1, the Rate Change Date should be 11/1. The 12/1 payment is collecting interest from 11/1 to 11/30.) Rate Change Date is the date that STRATEGY updates the Master file with new Rate Information. If payment is re-amortizing, STRATEGY calculates the remaining amortization period using the Rate Change Date as the beginning of the amortization period.
P&I Amortization To Date	ABPITD/PARM	Adjustable Loan Info tab – Update Wizard	<ul style="list-style-type: none"> End date for Amortization when calculating a new P&I Payment Amount. Enter the Amortization Date in this field for Balloon Loans. If STRATEGY is calculating a new P&I Payment and the P&I Amortization To Date is left blank, STRATEGY will use the Maturity Date in the PMASTR file as the Amortization To Date.

Maturity Date	CMMATD/PMASSTR	Loan Administration>Master Info>Payment/Billing	<ul style="list-style-type: none"> If no P&I Amortization To Date is supplied, the Maturity Date is used as the date to end amortization when calculating a new P&I Payment.
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Adjustable Rate Methods

STRATEGY's Adjustable Rate Methods determine **How** STRATEGY calculates the interest rates using the provided parameters, constants, and constraints. STRATEGY offers several options.

Standard Methods

- A** Margin is added to the new Index Rate; this is the most widely used method. This code impacts the calculation of Investor Net Yield when there is a floating net yield on the investor.
- J** Margin is added to the index with periodic caps.
- K** Index is multiplied by the margin to represent a % of the Index
- P** Allows you to use up to two margins and two user-defined arithmetic operators (add/subtract/multiply or divide). With Adjustable method P, the Margin #1 and Operator #1 are required entries used to calculate the new rate. Margin #2 and Operator #2 are optional fields; if they are not used, then the new rate will be the result of Margin #1 and Operator #1 only. If there is a value in the Margin #2 and Operator #2 fields, an additional calculation is performed with these values.

Exception Loans

- E** Loan is an exception and must be handled manually. Exception loans must be monthly reviewable; daily reviewable loans cannot use this method.

Federal Home Loan Bank (FHLB) Methods

- B** Uses previous index and current rate, then rounds change in rate.
- F** Uses previous index and current rate and rounds rate.
- L** Uses original index and original rate and rounds change in rate.
- M** Uses original index and original rate and rounds the rate.

Step Rate Methods

- C** Rate is adjusted up or down based upon a set percentage.
- D** Rate is adjusted and converted to a fixed rate.

Growing Equity Loan Methods; not valid for Payment Type F, I, R, or Q

- G** P&I Payment increase only, based upon a %.
- H** P&I Payment increase only, based on a \$.

The Adjustable Rate Processing Cycle

The following provides a high level overview of how STRATEGY processes Adjustable Rate Loans. This process repeats unless the **#of Rate Reviews to Date** equals the **Maximum # of Rate Reviews**.

Any Month

S	M	T	W	T	F	S
30	31	1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30 Rate Review Date	31	1 Rate Change Date	2

The screenshot shows the 'Adjustable Loan Information' screen in the STRATEGY CS application. Key fields include:

- Adjustable Method:** STANDARD (A)
- Payment Type:** REG AMORT (P)
- Adjustable Loan Desc:** LIBOR30DAY (LD)
- Contract Type:** ARM (A)
- Rate Information:**
 - Monthly or Daily Review: (M) MONTHLY
 - Rate Change Frequency: 1
 - Look Back Method: (B) BACK
 - Look Back Days For Rate Reviews: 2
 - Business Calendar: (B) B360
 - Use Business Calendar: (Y) YES
 - Rate Review Date: 12/30/2019
 - Use Business Calendar: (Y) YES
 - Business Calendar Options: (N) NO
 - Rate Change Date: 01/01/2020
 - Rate Chg Anniversary Date: 01/01/2020
 - Original Index %: .000000000000
- New Interest Rate %:** 5.880000000000
- Previous Interest Rate %:** .000000000000
- New Rate Without Caps %:** .000000000000
- Index Description:** LIBOR 30 D (T1)
- New Index %:** .000000000000
- Previous Index %:** .000000000000
- # of Rate Reviews to Date:** 0
- Maximum # of Rate Reviews:** 0
- Option Date:** 00/00/0000
- Previous Review Date:** 00/00/0000
- P&I Payment Information:**
 - P&I Chg Freq: 00/00/0000
 - P&I Re-Amort Date: 00/00/0000
 - P&I Change Date: 00/00/0000
 - P&I Re-Amort Freq: 00/00/0000
 - New P&I Payment: .00
 - Prev P&I Payment: .00
 - # of Payment Reviews to Date: 0
 - Rate Sched For P&I Print: (N) NO
 - P&I Amortization 'To' Date: 00/00/0000
- Notice Information:**
 - Print Notice: (N) NO
 - Notice Days From Review: 00/00/0000
 - Print Notice Date: 00/00/0000

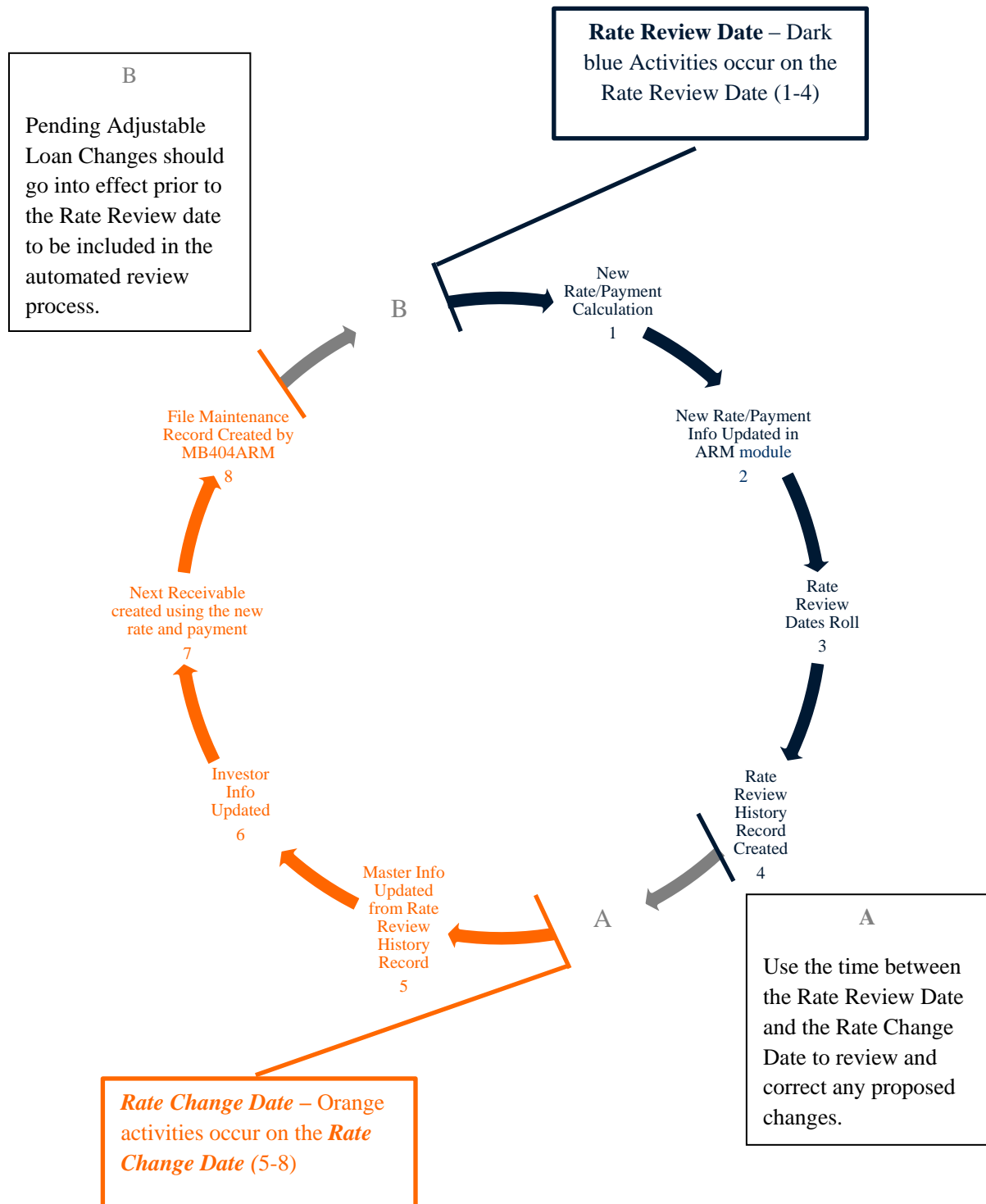
1 The Beginning:

Day-end on the **Rate Review Date**. STRATEGY calculates the Rate Review Date based on whether Look Back Days and Business Calendars are applied to the loan.

- STRATEGY uses the **Index Description** field found on Adjustable Loan Information screen to determine the current Index Rate.
 - STRATEGY takes the most recent value from the Index Table for the Index identified for the loan on the Rate Review date.
- Using the **Adjustable Method**, available **Index Values**, Margins, Operations, and Rounding parameters, STRATEGY calculates a preliminary rate.
- STRATEGY then looks at any caps identified in the Constants and Constraints to finalize the new rate.
- If the P&I Constant changes with the Interest Rate, STRATEGY will use the Projected Unpaid Principal Balance as of the **Rate Change Date**, the **New Interest Rate**, and the remaining months to amortize the loan to calculate the new P&I Constant.
 - STRATEGY calculates the remaining months to amortize from the Rate Change Date to the P&I Amortization 'To' Date. If there is no **P&I Amortization 'To' Date** entered, STRATEGY uses the **Maturity Date** in the Master file to determine the end of the amortization period.
 - # of Rate Reviews to Date** is increased by 1.

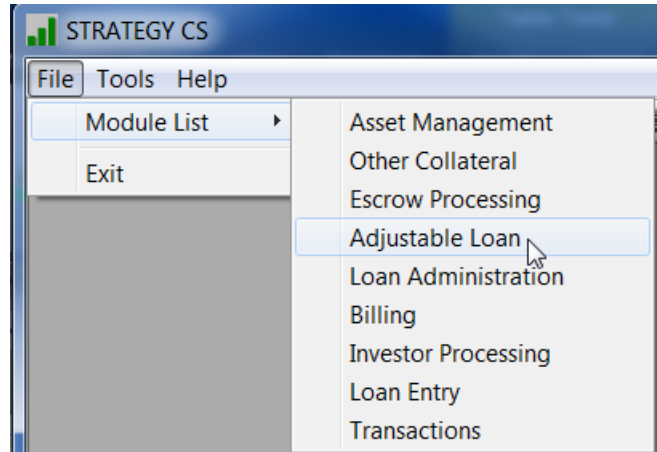
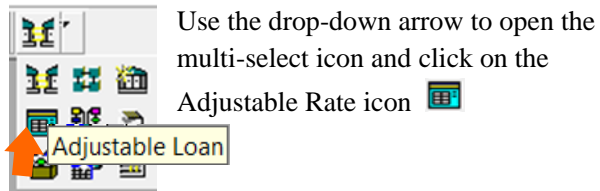
2	<ul style="list-style-type: none"> At the end of processing on the Rate Review Date the following information is updated: <ul style="list-style-type: none"> On the Adjustable Loan Information tab <ul style="list-style-type: none"> Rate Review Date increased by the Rate Change Frequency and Look back logic (Method and # of Days) Rate Change Anniversary Date is increased by the Rate Change Frequency and Look back logic (Method and # of Days) Rate Change Date P&I Change Date, if appropriate
3	<ul style="list-style-type: none"> <i>STRATEGY</i> creates a Rate Review History record found on the Adjustable Review History tab.
A	<p>The Middle:</p> <p>Between the Rate Review Date and the Rate Change Date: After the 30th and before the 1st in the example above.</p> <ul style="list-style-type: none"> The Rate Review History record is available on the Adjustable Review History tab showing the New Interest Rate%, new P&I Payment etc. <i>STRATEGY</i> uses the information in the history record to update the Loan Administration, Master Info Interest Rate and Payment <u>on the Rate Change Date</u> (the 1st in the example above). <ul style="list-style-type: none"> Users with appropriate authority can adjust the Index Rate, Interest Rate, or P & I Payment in the History record. File Maintenance will record the changes made to the history record. Changes made <u>prior to the Rate Change Date</u> will be used to update Master Info. Changes made after the Rate Change Date will not affect Master Info, it will be informational only.
5	<p>The End:</p> <p>During day end on the Rate Change Date, the 1st in the example above.</p> <ul style="list-style-type: none"> <i>STRATEGY</i> updates the values in the system with the New Interest Rate % and New P&I Payment, if changing. <ul style="list-style-type: none"> In Loan Administration, Master Info <ul style="list-style-type: none"> Interest Rate % from New Interest Rate % Annual Percentage Rate %

	<ul style="list-style-type: none"> ○ P&I Constant from New P&I Payment, if the payment will change ○ Rate Review History record is updated to show that the Master File has been updated.
6	<ul style="list-style-type: none"> ○ In Investor Processing <ul style="list-style-type: none"> ▪ Investor Net Yield % if the record is set for Investor Updates
7	<ul style="list-style-type: none"> ○ In Receivables <ul style="list-style-type: none"> ▪ A new billing receivable record is created using the new rate and payment
8	<ul style="list-style-type: none"> • File Maintenance History record is created to document Master file changes (MB404ARM).
B	<p>Pending Adjustable Loan Changes should go into effect prior to the Rate Review Date to be included in the automated review process.</p>



How to Navigate to the Adjustable Loan Module

STRATEGY provides users the option to use icons or menus to navigate through the system.



Select the following menu options from the Menu Bar.

- File
- Module List
- Adjustable Loan

Adjustable Loan Module Default Screen Display

When the Adjustable Loan Module opens, the default view is on the Adjustable Loan Information tab. This screen presents basic interest rate and payment adjustment details for the ARM loan displayed in the title bar in a Read Only presentation.

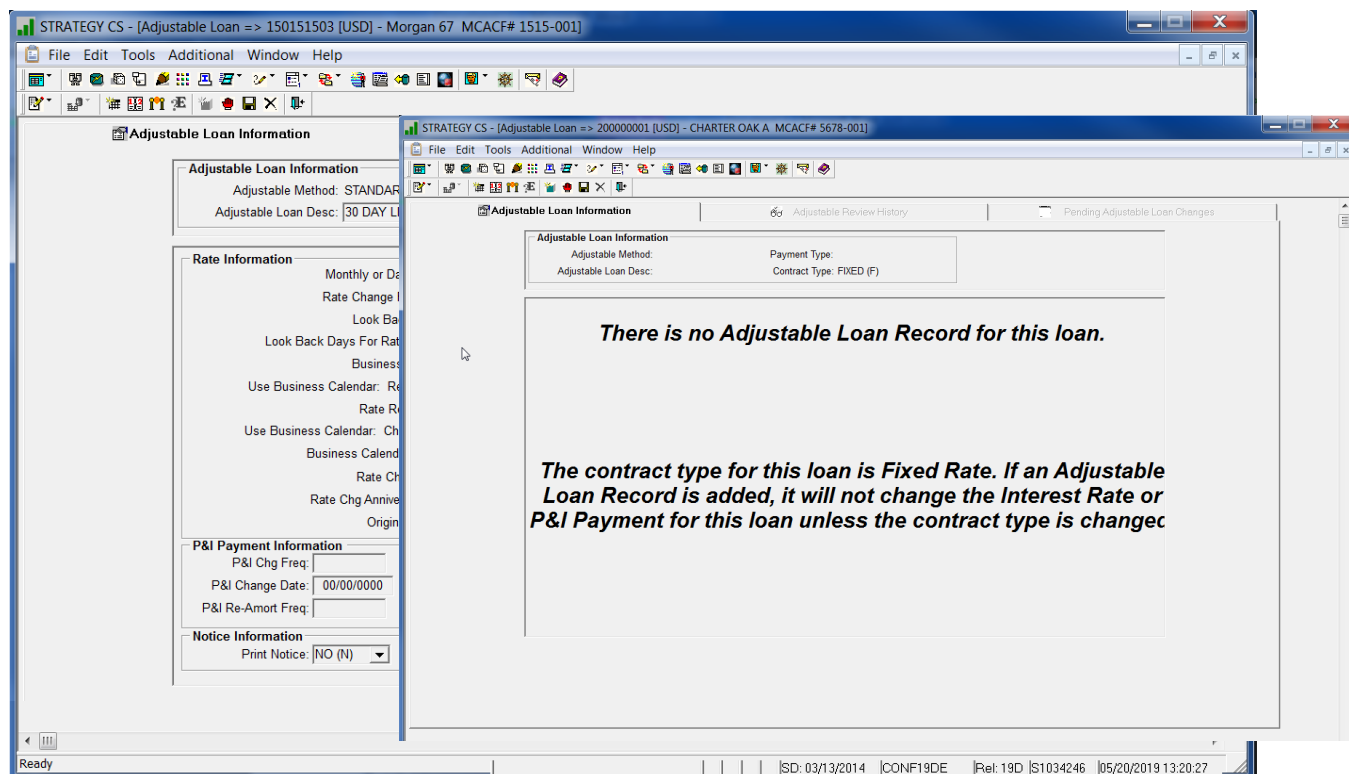


FIGURE 1-DEFAULT VIEWS FOR THE ADJUSTABLE LOAN MODULE.

Note:

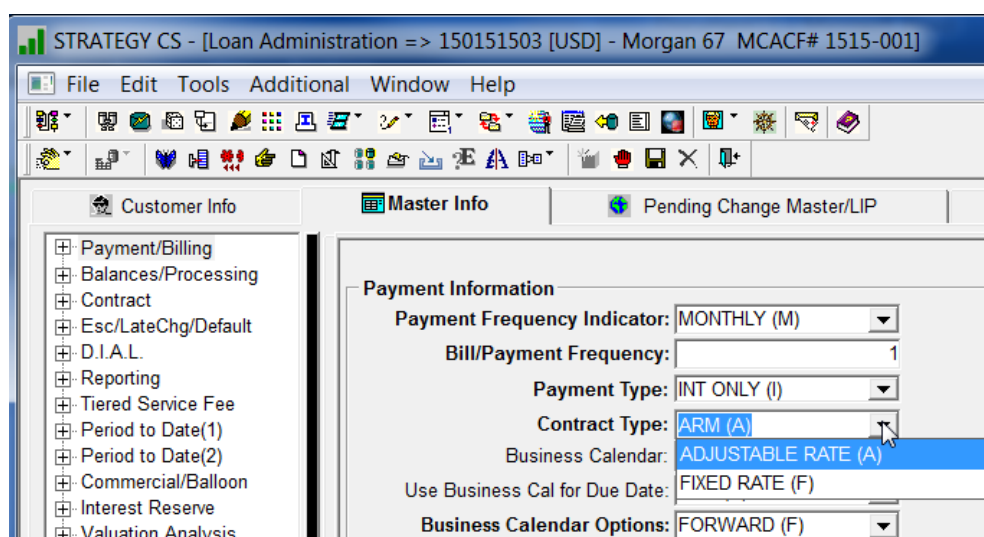


FIGURE 2-CONTRACT TYPE AND PAYMENT TYPES FOUND ON THE MASTER INFO TAB, PAYMENT/BILLING PANEL DETERMINE THE DEFAULT VIEW FOR THE ADJUSTABLE LOAN MODULE.

Prior to opening the module, *STRATEGY* checks to insure that there is a record in the PARM file for the requested loan. If no record exists, the system will display a message saying “There is no adjustable Loan Record for this loan.”

Additional messages will display based on the Contract Type and Payment Types defined on the Master Info tab in Loan Administration and Adjustable Loan Record. See the troubleshooting section of this book for more information.

Adjustable Loan Module Tabs

Adjustable Loan information is organized logically into three tabs:

- Adjustable Loan Information – The tab prefills with the results from the most recent review. If the loan is not an adjustable loan, the tab shows “There is no adjustable loan record for this loan”.
 - Right mouse options available on the Adjustable Loan Information window include:
 - Update Info – detailed settings for the calculation of the interest rate and payment changes are available for update for users with appropriate security.
 - Review Constants and Constraints – reflects values entered when the loan was created to calculate the interest rate and P & I Payment.
 - Rate Schedule for P&I Payments - allows you to set up a rate schedule for calculation of a new P&I payment. This option is limited to monthly reviewable loans with Payment Types that allow negative amortization (Payment Types: Date of Payment to Date of Payment with Neg Amortization (B) & Negative Amortization Allowed (G)) and a **P&I Chg Freq** greater than zero.
 - User-Defined Fields – displays the User Defined fields for the loan tied to the ARM module. User defined fields display values entered for the active loan.
 - Notes – displays the Notes for the loan. Window defaults to Notes with a **Note Type Adjustable Loan (AL)**.
- Adjustable Review History – The middle tab on the screen, the Adjustable Review History tab displays a history of all rate reviews. Users can use the radio buttons provided to *Display all Review History* or *Only Display Review History with Rate or P&I Change*.
 - Right mouse options available from the Adjustable Review History tab include:
 - Review History Detail – displays the Rate, P&I Payment & Notice Information for the selected history record.
 - Find/Filter Options
 - Notes
- Pending Adjustable Loan Changes – This tab is to enter pending or future adjustments to the adjustable loan parameters used to calculate the rate.
 - Right mouse options available from the Pending Adjustable Loan Changes
 - Multiple Record Setup – allows you to recreate multiple change records with different effective dates.

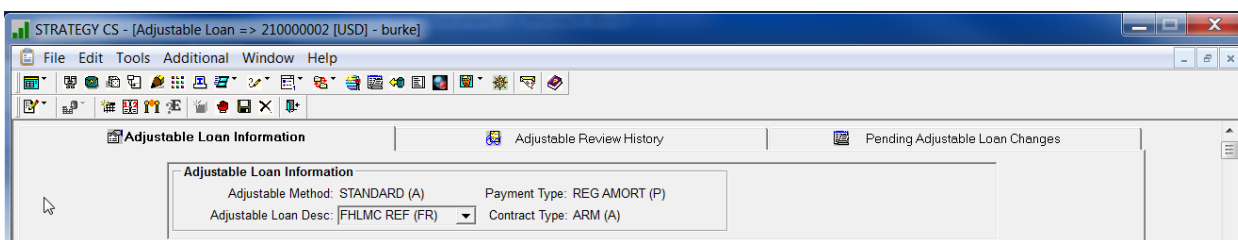






FIGURE 3-THE ADJUSTABLE LOAN MODULE IS MADE UP OF 3 TABS, ADJUSTABLE LOAN INFORMATION, ADJUSTABLE REVIEW HISTORY, AND PENDING ADJUSTABLE LOAN CHANGES

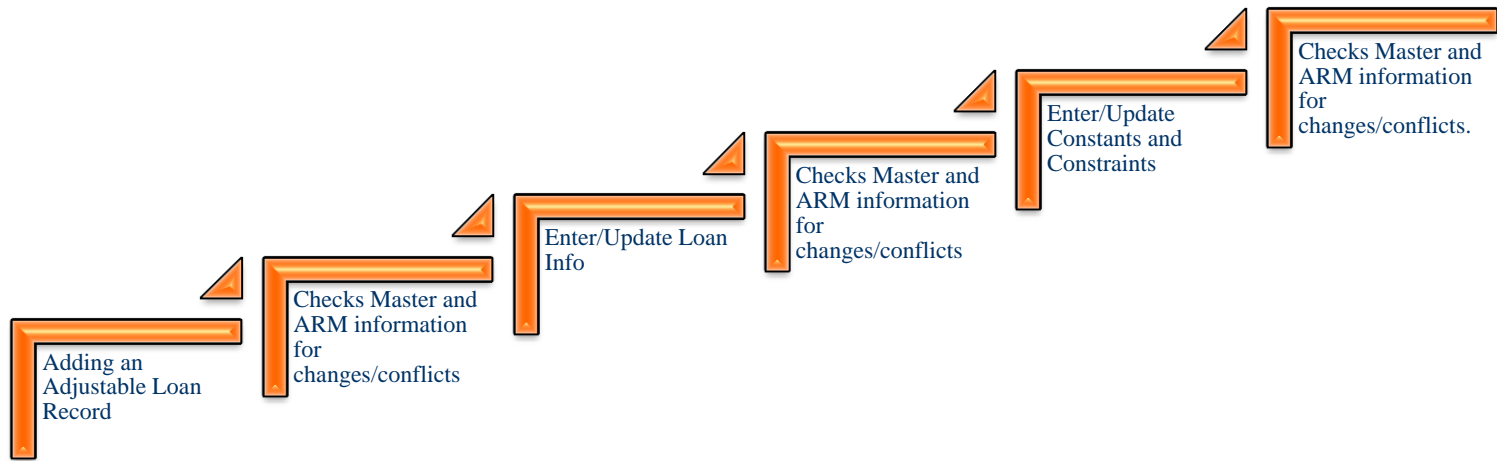
Module Specific Toolbar Options for the Adjustable Loan Module



The Adjustable Loan Module-Specific Toolbar provides access to features specific to the Adjustable Loan module. This includes:

Icon	Feature	Use
	Indices – tracks Index Rate % by Effective Date	Update Index Rate values using this feature.
	Business Calendars – allows the addition of holiday dates for exclusion from processing	Create and update Business Calendars.
	Rate Changes – allows the processing of Individual or Global Rate changes	Allows you to backdate rate changes for one loan or all loans tied to a specific Index Rate.
	Pending Change Errors -	Review errors for pending rate changes.

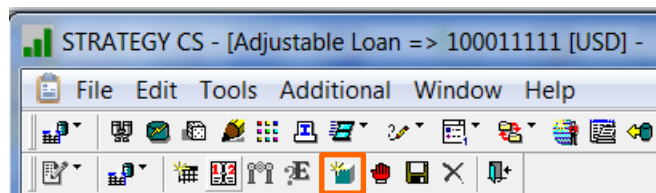
Adjustable Loan Wizard -



The Adjustable Loan Wizard

STRATEGY uses the Adjustable Loan wizard to create or update an Adjustable Loan record. After each screen, system edits are run to check for conflicts in the information entered or updated.

FIGURE 4-ADDING AN ADJUSTABLE LOAN RECORD WINDOW APPEARS WHEN NEW (OR CTRL + N) IS CLICKED FROM THE ADJUSTABLE LOAN INFORMATION MODULE SPECIFIC TOOLBAR.



Payment Type and **Contract Type** from Loan Administration, Master Info (PMASTR) as display only fields.

The **Adjustable Loan Desc:** is a required field. – The drop-down values presented come from System Information Table ID 10. Each company may define their own Adjustable Loan Descriptions.

Clicking OK presents the Adjustable Loan Wizard.

The Adjustable Loan Wizard – Enter Adjustable Method Panel

The wizard presents as a series of windows accessed from the left hand menu. As each step in the wizard is completed, *STRATEGY* checks for conflicts in the information entered before displaying the next window.

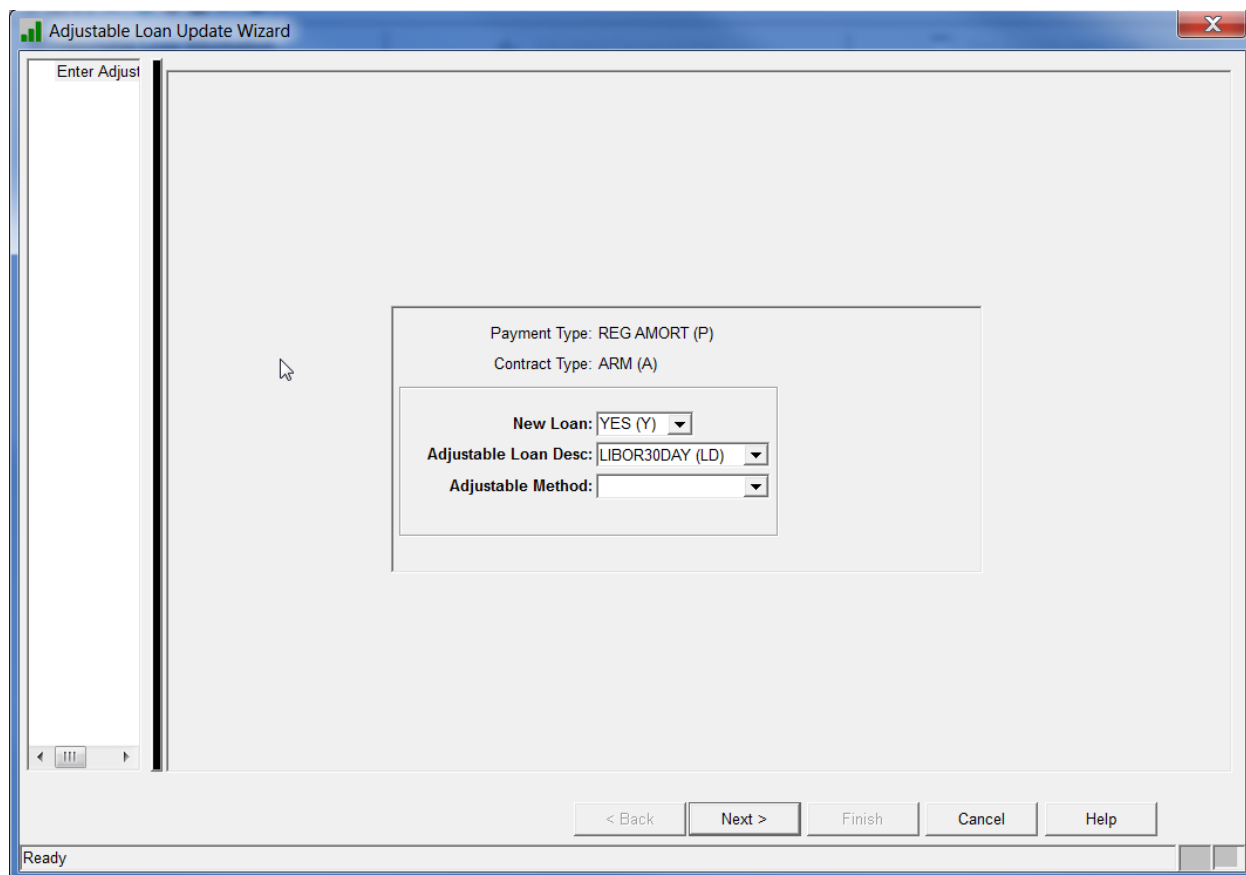


FIGURE 5-ADJUSTABLE LOAN WIZARD – WINDOW 1 - ENTER ADJUSTABLE METHOD.

Buttons	Action
< Back	Exits the current panel and displays the prior panel. This button is not active on the Enter Adjustable Info panel.
Next >	Proceeds to the Loan Info panel in the wizard; system edits run to insure all values entered are correct before moving forward.
Finish	Runs edits over information, closes the wizard, and adds or updates the Adjustable Loan record for the loan. This button is inactive on the Enter Adjustable Method panel.
Cancel	Closes the wizard without saving changes.

System Edits

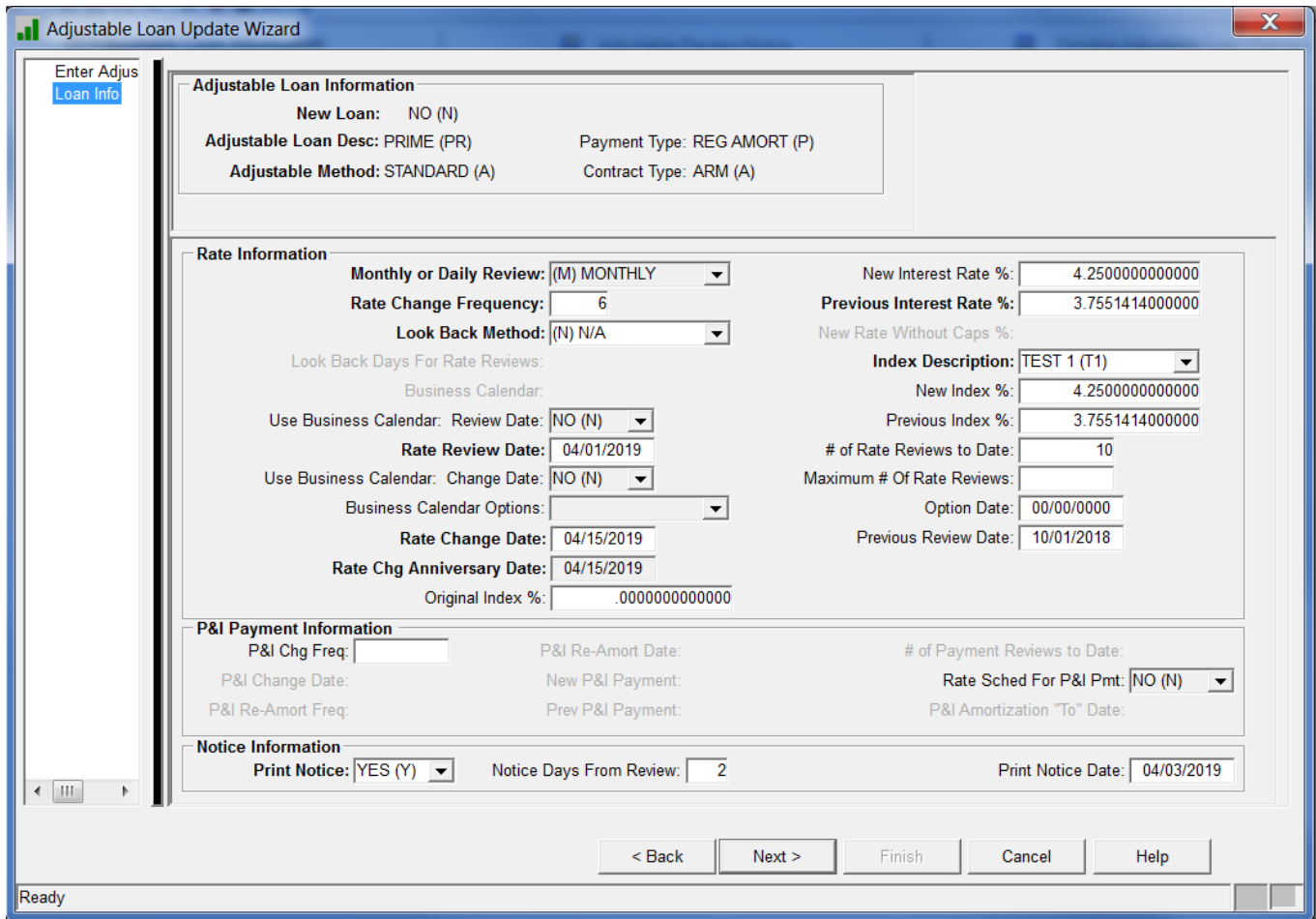
The Payment Type and Contract Type from the Master Info>Payment/Billing panel display for information purposes. *STRATEGY* uses these values to determine if the Payment Type in the Master File has changed since the last update of the Adjustable Loan Information. A change in the Master File may cause conflicts with parameters for rate and payment change reviews in the Adjustable Rate file. If a conflict exists, *STRATEGY* presents messages outlining the

potential conflict and are prompted for processing options. See the Payment Type conflicts section later in this book for more information.

The Adjustable Loan Wizard – Loan Info Panel

The next panel in the Adjustable Loan wizard is the Loan Info panel.

The Loan Info panel in the Adjustable Loan wizard is the same as Adjustable Loan Information tab in the Adjustable Loan module.



Adjustable Loan Update Wizard

Enter Adjus
Loan Info

Adjustable Loan Information

New Loan: NO (N)
Adjustable Loan Desc: PRIME (PR) Payment Type: REG AMORT (P)
Adjustable Method: STANDARD (A) Contract Type: ARM (A)

Rate Information

Monthly or Daily Review: (M) MONTHLY
Rate Change Frequency: 6
Look Back Method: (N) N/A
Look Back Days For Rate Reviews:
Business Calendar:
Use Business Calendar: Review Date: NO (N)
Rate Review Date: 04/01/2019
Use Business Calendar: Change Date: NO (N)
Business Calendar Options:
Rate Change Date: 04/15/2019
Rate Chg Anniversary Date: 04/15/2019
Original Index %: .00000000000000

New Interest Rate %: 4.25000000000000
Previous Interest Rate %: 3.75514140000000
New Rate Without Caps %:
Index Description: TEST 1 (T1)
New Index %: 4.25000000000000
Previous Index %: 3.75514140000000
of Rate Reviews to Date: 10
Maximum # Of Rate Reviews:
Option Date: 00/00/0000
Previous Review Date: 10/01/2018

P&I Payment Information

P&I Chg Freq:
P&I Change Date:
P&I Re-Amort Freq:
P&I Re-Amort Date:
New P&I Payment:
Prev P&I Payment:
of Payment Reviews to Date:
Rate Sched For P&I Pmt: NO (N)
P&I Amortization "To" Date:

Notice Information

Print Notice: YES (Y) Notice Days From Review: 2 Print Notice Date: 04/03/2019

< Back Next > Finish Cancel Help

Ready

FIGURE 6-ADJUSTABLE LOAN WIZARD – WINDOW #2 - LOAN INFORMATION PANEL

There are 4 sections on the Loan Information Panel

- The top of the Loan Information Panel displays 5 fields: **New Loan, Adjustable Loan Desc, Adjustable Method, Payment Type, and Contract Type**. These fields are considered the Adjustable Loan Profile, they govern the fields displayed and available for entry in the wizard and determine how the adjustable loan processes.
- The “Rate Information” section contains entries that determine how and when the rate is calculated. Values in this section update on the **Rate Review Date**.
- The “P&I Payment Information” section captures P&I payment amounts and corresponding dates.
- The “Notice Information” section indicates if, and when notices are generated.

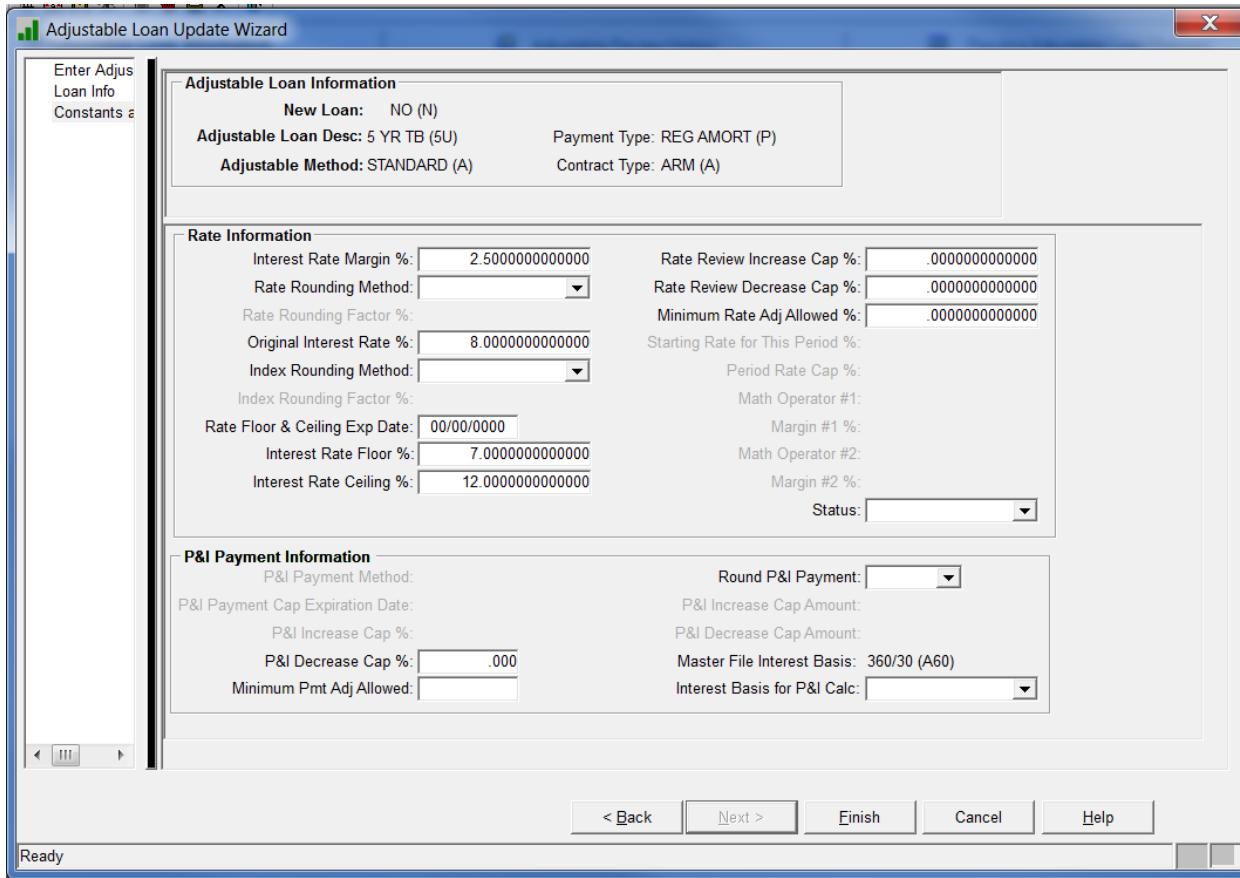
The Adjustable Loan wizard presents information based on a number of field values. As data is entered and updated, other fields may become write-enabled. For example, if *Back (B)* is entered in the **Lookback Method** field, the **Lookback Days for Rate Review** field becomes write-enabled. If *N/A (N)* is selected as the **Lookback Method**, the **Lookback Days for Rate Review** field is greyed out.

Buttons	Action
< Back	Exits the Loan Info panel and returns the user to the Enter Adjustable Info panel. System edits run to check for conflicts.
Next >	Proceeds to the Constants and Constraints panel in the wizard; system edits run to insure all values entered are correct before moving forward.
Finish	Inactive on the Loan Info panel.
Cancel	Closes the wizard without saving changes.

As each screen in the wizard is completed, *STRATEGY* checks the information entered. If entries made could cause a conflict, a *STRATEGY* displays a message and the user can not move on to the next window until the conflict is resolved, for example, the **P&I Chg Freq** is not valid for *Daily Review Loans* or for *Interest Only Loans*, or if the **Monthly or Daily Review** field is set to *(D) Daily*, a **P&I Freq** cannot be entered. Specific field dependencies and conflicts are covered under the Entering an Adjustable Loan section.

The Adjustable Loan Wizard –Constants and Constraints Panel

The third window in the Adjustable Loan Wizard is the Constants and Constraints panel. This panel defines the parameters used to calculate the new interest rates and payments. Define Margins, Rounding Methods and Factors, Rate Floor and Ceilings, and Caps on this panel. The Adjustable Method selected on the first wizard screen determines the fields enabled and available for entry on the Constants and Constraints panel.



The screenshot shows the 'Adjustable Loan Update Wizard' window. On the left is a sidebar with 'Enter Adjust Loan Info' and 'Constants & Constraints'. The main panel is titled 'Adjustable Loan Information' and contains the following fields:

- Adjustable Loan Information:**
 - New Loan: NO (N)
 - Adjustable Loan Desc: 5 YR TB (5U)
 - Adjustable Method: STANDARD (A)
 - Payment Type: REG AMORT (P)
 - Contract Type: ARM (A)
- Rate Information:**
 - Interest Rate Margin %: 2.500000000000
 - Rate Rounding Method: (dropdown)
 - Rate Rounding Factor %: (empty)
 - Original Interest Rate %: 8.000000000000
 - Index Rounding Method: (dropdown)
 - Index Rounding Factor %: (empty)
 - Rate Floor & Ceiling Exp Date: 00/00/0000
 - Interest Rate Floor %: 7.000000000000
 - Interest Rate Ceiling %: 12.000000000000
 - Rate Review Increase Cap %: .000000000000
 - Rate Review Decrease Cap %: .000000000000
 - Minimum Rate Adj Allowed %: .000000000000
 - Starting Rate for This Period %: (empty)
 - Period Rate Cap %: (empty)
 - Math Operator #1: (empty)
 - Margin #1 %: (empty)
 - Math Operator #2: (empty)
 - Margin #2 %: (empty)
 - Status: (dropdown)
- P&I Payment Information:**
 - P&I Payment Method: (empty)
 - P&I Payment Cap Expiration Date: (empty)
 - P&I Increase Cap %: (empty)
 - P&I Decrease Cap %: .000
 - Minimum Pmt Adj Allowed: (empty)
 - Round P&I Payment: (dropdown)
 - P&I Increase Cap Amount: (empty)
 - P&I Decrease Cap Amount: (empty)
 - Master File Interest Basis: 360/30 (A60)
 - Interest Basis for P&I Calc: (dropdown)

At the bottom are buttons: < Back, Next >, Finish, Cancel, and Help. The status bar at the bottom left says 'Ready'.

When entry on the Constants and Constraints panel is complete, *STRATEGY* makes one final check for conflicts. The Finish button saves the changes and closes the Adjustable Loan Wizard.

Buttons	Action
< Back	Exits the Constants and Constraints panel and returns the user to the Loan Info panel. System edits run to check for conflicts.
Next >	Inactive on the Constants and Constraints panel in the wizard.
Finish	Runs edits over information, closes the wizard, and adds or updates the Adjustable Loan record for the loan.
Cancel	Closes the wizard without saving changes.

Entering Adjustable Rate Loans – Before You Begin

Review loan documents

Identify the terms outlined in the loan document for how and when your loan will review. What Index, how frequently does it review, how is the interest rate calculated? Are there floors and ceilings described in the agreement?

Check Index Values

- Is the Index outlined in your loan documents, described in the database?
- Is the Effective Date for the last Index value for the loans Index current?

If not, see your system administrator about adding or updating the Index before you begin. The section on Index Values describes how to add or update an Index in *STRATEGY*.

Business Calendars

Does your loan adhere to business calendars and do the Adjustable Loan review and change parameters require business dates? Do the holidays in the loan agreements align with a Business calendar defined in the system?

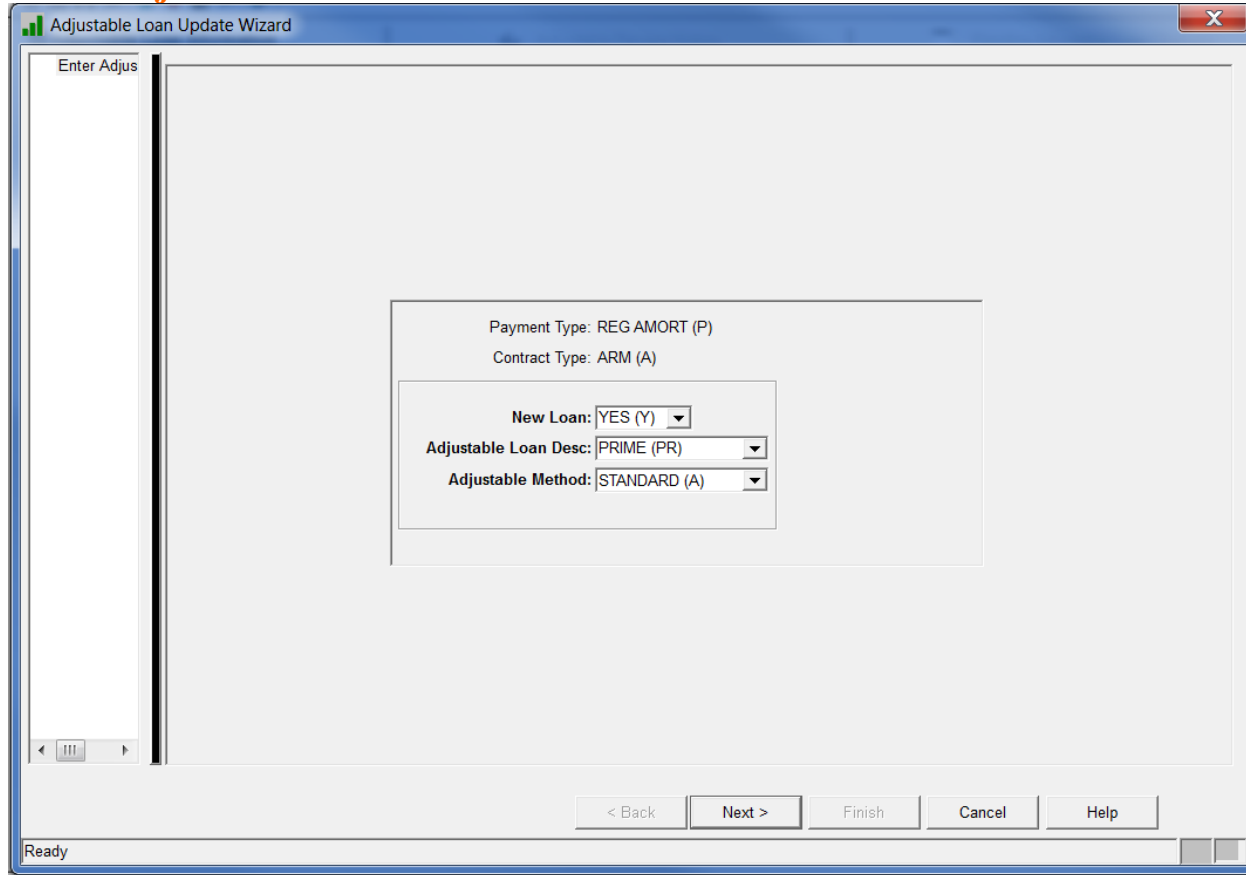
If not, see your system administrator about adding or updating Business Calendars in your library before you begin. Remember that the rule of thumb is to maintain holidays in your business calendars in a frequency that is 2x the longest payment frequency to avoid corrections to due dates, reporting dates, rate reviews, rate changes, late charges and other dates dependent on business day activity.

Once you have reviewed your loan requirements, you can set up your Adjustable Loan record.

The Adjustable Loan Update Wizard

To begin, click the New icon or use 'CTRL + N' to begin a new Adjustable Loan record.

Enter Adjustable Method Panel



The screenshot shows the 'Adjustable Loan Update Wizard' window. The title bar reads 'Adjustable Loan Update Wizard'. On the left, a vertical pane is labeled 'Enter Adjust'. The main area contains a form with the following fields:

- Payment Type: REG AMORT (P)
- Contract Type: ARM (A)
- New Loan: YES (Y) (dropdown menu)
- Adjustable Loan Desc: PRIME (PR) (dropdown menu)
- Adjustable Method: STANDARD (A) (dropdown menu)

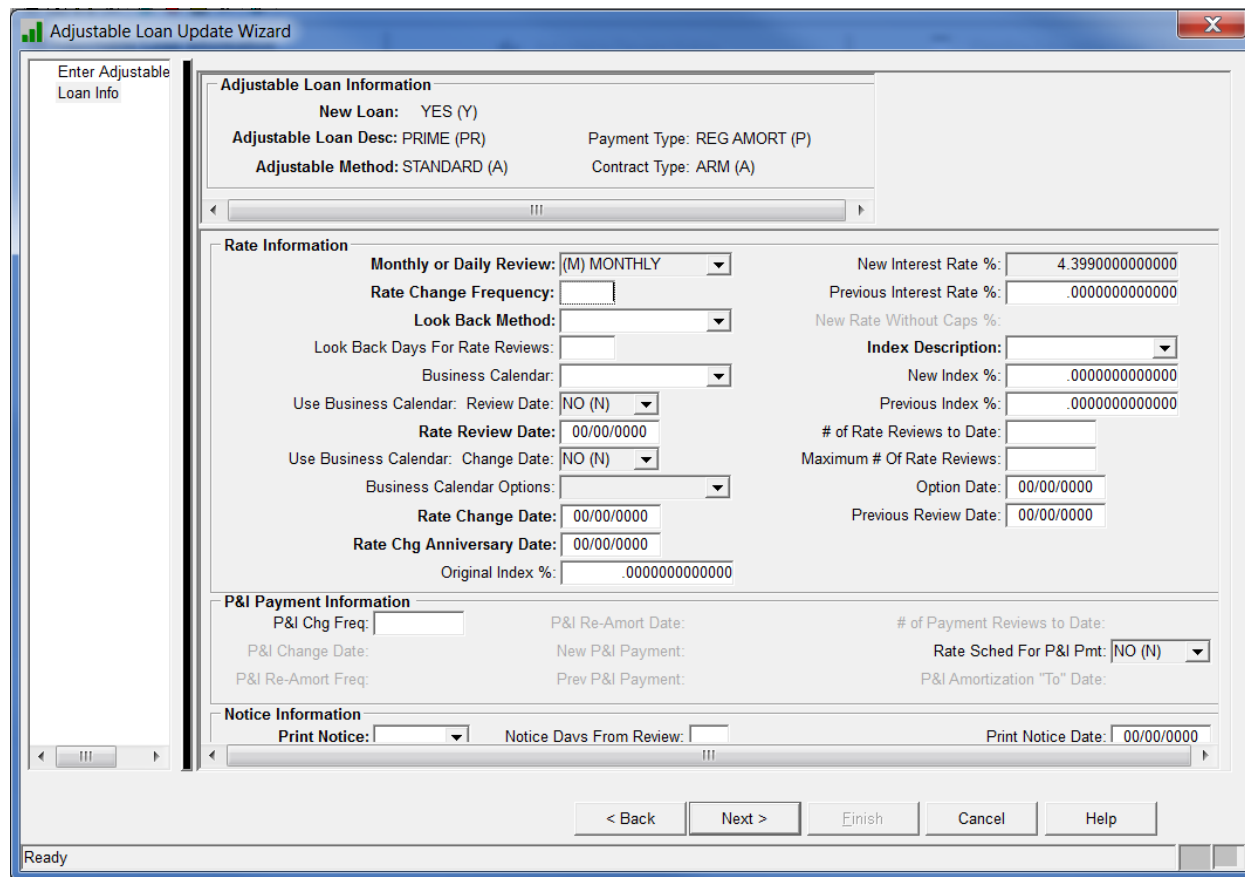
At the bottom of the window, there are five buttons: '< Back', 'Next >', 'Finish', 'Cancel', and 'Help'. The status bar at the very bottom shows 'Ready'.

The first panel in the Adjustable Loan Update Wizard is the Enter Adjustable Method panel. There are 3 fields on this panel.

- **New Loan Y/N:** - If you are adding an Adjustable Loan record it will display a 'Yes (Y)', if you are modifying the Adjustable Loan record it will display a 'No (N)'
- The **Adjustable Loan Desc:** is a required field. – The drop-down values presented come from System Information Table ID 10. Each company may define their own Adjustable Loan Descriptions.
- The **Adjustable Method** is a required field. These are McCracken defined values that determine how the interest rate is calculated using the parameters entered in the wizard. Valid entries are:
 - *PERIODIC (J) – SAME AS 'A' WITH PERIODIC CAP* - margin is added to the index, but with periodic caps
 - *% OF INDEX (K) – RATE IS A% OF THE INDEX* - index is multiplied by the margin
 - *TWO OPS (P) – 2 OPERATIONS (X?Y=Z)?A=RATE* - allows you to establish 2 margins each with an operations (add, divide or multiply) to apply that value to the index – for example: Index + Margin + Spread Adjustment = Interest Rate
 - *FHLB OPT 1 (B) – FHLB OPTION 1* – determines the difference between the current index and previous index then adds it to the current interest rate

- *FHLB OPT 2 (F) – FHLB OPTION 2* – difference between the current index and previous index is added to the current interest rate, then rounded.
- *FHLB OPT 3 (L) – FHLB OPTION 3* – rounds the difference between the current index and original index then adds it to the original interest rate
- *FHLB OPT 4 (M) – FHLB OPTION 4* – difference between the current index and original index is added to the original interest rate, then rounded
- *% INCR (C) – Fixed % Increase* – fixed increase or decrease of the interest rate by the percentage found in the margin field
- *% INCR/CHG (D) - % INCREASE/CHG TO FIXED RATE*– same as C, but names an effective date that the loan becomes Fixed rate
- *GEM % INCR (G) - G.E.M. WITH A% INCREASE*– payment change only – P&I increases by a percentage
- *GEM \$ INCR (H) – GEM WITH A FIXED \$ INCREASE* – payment change only – P&I increases by a fixed dollar amount
- *EXCEPTION (E) – EXCEPTION (HANDLE MANUALLY)* – loan is an exception. Rate calculation is done outside of *STRATEGY*.

Click **Next** to Advance to the **Loan Info** panel.



The image shows the 'Adjustable Loan Update Wizard' window, specifically the 'Rate Information' panel. The window has a title bar with a green icon and the text 'Adjustable Loan Update Wizard'. On the left, there is a sidebar with 'Enter Adjustable Loan Info' and a vertical list of panels: 'Adjustable Loan Information', 'Rate Information', 'P&I Payment Information', and 'Notice Information'. The 'Rate Information' panel is currently selected and contains the following fields:

- Adjustable Loan Information:**
 - New Loan: YES (Y)
 - Adjustable Loan Desc: PRIME (PR)
 - Adjustable Method: STANDARD (A)
 - Payment Type: REG AMORT (P)
 - Contract Type: ARM (A)
- Rate Information:**
 - Monthly or Daily Review: (M) MONTHLY (dropdown)
 - Rate Change Frequency: (empty text box)
 - Look Back Method: (empty dropdown)
 - Look Back Days For Rate Reviews: (empty text box)
 - Business Calendar: (empty dropdown)
 - Use Business Calendar: Review Date: NO (N) (dropdown)
 - Rate Review Date: 00/00/0000 (text box)
 - Use Business Calendar: Change Date: NO (N) (dropdown)
 - Business Calendar Options: (empty dropdown)
 - Rate Change Date: 00/00/0000 (text box)
 - Rate Chg Anniversary Date: 00/00/0000 (text box)
 - Original Index %: .000000000000 (text box)
 - New Interest Rate %: 4.399000000000 (text box)
 - Previous Interest Rate %: .000000000000 (text box)
 - New Rate Without Caps %: (empty text box)
 - Index Description: (empty dropdown)
 - New Index %: .000000000000 (text box)
 - Previous Index %: .000000000000 (text box)
 - # of Rate Reviews to Date: (empty text box)
 - Maximum # Of Rate Reviews: (empty text box)
 - Option Date: 00/00/0000 (text box)
 - Previous Review Date: 00/00/0000 (text box)
- P&I Payment Information:**
 - P&I Chg Freq: (empty text box)
 - P&I Change Date: (empty text box)
 - P&I Re-Amort Freq: (empty text box)
 - P&I Re-Amort Date: (empty text box)
 - New P&I Payment: (empty text box)
 - Prev P&I Payment: (empty text box)
 - # of Payment Reviews to Date: (empty text box)
 - Rate Sched For P&I Pmt: NO (N) (dropdown)
 - P&I Amortization "To" Date: (empty text box)
- Notice Information:**
 - Print Notice: (empty dropdown)
 - Notice Davs From Review: (empty text box)
 - Print Notice Date: 00/00/0000 (text box)

At the bottom of the window, there are five buttons: '< Back', 'Next >', 'Finish', 'Cancel', and 'Help'. The status bar at the very bottom shows 'Ready'.

The Loan Info Panel

The Adjustable Loan Info section shows values from the previous screen for New Loan, Adjustable Loan Desc, and Adjustable Method. The fields Payment Type and Contract type pre-fill from the Master Info tab in Loan Administration. The fields are display only.

Rate Information Section

The **Rate Information** section displays fields that pertain to how and when the Rate will Review and Adjust.

- **Monthly or Daily Review** – this entry works in conjunction with the Rate Change Frequency. If you choose *(M) Monthly* in this field and *01* in the rate change frequency, the rate will be reviewed every month; if you entered *12* it will review once a year. If you choose *(D) Daily* in this field and *01* in the frequency, the loan will review every day.
- **Rate Change Frequency** – works in conjunction with the Monthly or Daily Review field.
- **Look Back Method** – If your loan calls for the review to occur a certain number of days prior to the rate change date (i.e., the index should be determined 2 days prior to the change date), select *(B) Back* in this field. Otherwise select *(N) N/A*
- **Look Back Days For Rate Reviews** – If *(N) N/A* was entered in **Look Back Method**, this field will be grayed out and unavailable for entry. Otherwise, enter the number of days to look back to obtain the index value.
- **Business Calendar** – This field will not be enabled for input if the **Look Back Method** is *(N) N/A*. The field directs *STRATEGY* to the appropriate business calendar to use. You can create multiple business calendars and choose the appropriate calendar to use for establishing non-business days.

NOTE: if you wish to use a business calendar but do not have look back days, simply indicate *(B) Back* in the **Look Back Method** and leave the **Look Back Days for Rate Reviews** field blank. This will allow *STRATEGY* to establish **Rate Review Dates** and/or **Rate Change Dates** using the Business Calendar.

- **Use Business Calendar: Review Date** – This field is only accessible if **Look Back Method** is *(B) Back*. Select from *ROLL BACKWARD (B)*, *ROLL FRWRD NOT NEW MO BCKWD EOM (E)*, *ROLL FORWARD (F)*, *ROLL FORWARD NOT NEW MONTH (R)*.
- **Rate Change Date** – This is the date when the new rate becomes effective. This date should be set to one payment frequency prior to the payment due date that the new rate will be used (Interest in Arrears).
- **Rate Chg Anniversary Date** – If **Use Business Calendar: Change Date** = '*NO (N)*', this date will be the same as the Rate Change Date. If a Business Calendar is used, *STRATEGY* uses this field as an “anchor”, for advancing the **Rate Change Date**.
- **Original Index %** - The value of the Index on the Loan Closing Date. This value will be used in calculating the rate when using **Adjustable Methods** '*FHLB Option 3(L)*' or '*FHLB Option 4 (M)*'. These Adjustable Methods calculate a difference between the **New Index %** and the **Original Index %**. For other Adjustable Methods, the field is optional and informational only.**
- **New Interest Rate %** - the current Interest Rate value. *STRATEGY* updates the **New Interest Rate %** with each rate review that *STRATEGY* performs.
- **Previous Interest Rate %** - the Interest Rate in effect with the previous review. *STRATEGY* updates the field with each rate review that *STRATEGY* performs.
- **New Rate Without Caps %** - If the review results in an interest rate that requires adjustment due to floor or ceiling constraints, this field reflects the value calculated by *STRATEGY* prior to the adjustment. It is informational only.
- **Index Description** – select the proper index code and description to be used with this loan. All index codes are user defined. The **Index Rate%** for that index code must be maintained by the user for correct review results.

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- **New Index %** - the current index value. *STRATEGY* updates the **New Index %** field with each rate review that *STRATEGY* performs. **
 - **Previous Index %** - the index value in effect with the previous review. *STRATEGY* updates the **Previous Index %** field with each rate review that *STRATEGY* performs. **
-

Note**: As of Release 19E, a System Control setting in the General Section on the Processing panel will allow users to turn on the ability to enter an Index Rate that is less than or equal to zero percent. If the value for the system control setting is Yes (Y), the Original Index %, New Index%, and Previous Index % can be entered as a negative or zero%.

- **# of Rate Reviews to Date** – this is a counter to keep track of how many times the loan has reviewed. *STRATEGY* updates the counter with each rate review that *STRATEGY* performs.
- **Maximum # of Rate Reviews** – if the loan is only allowed a certain number of rate reviews; enter that number in this field. Otherwise, leave blank. If populated, *STRATEGY* will compare the **# of Rate Reviews to Date** with the value entered in this field to determine if a review should take place.
- **Option Date** – this date is available for reporting purposes only.
- **Previous Review Date** – indicates the date that *STRATEGY* performed the last review. *STRATEGY* updates this field with each rate review that *STRATEGY* performs.

P&I Payment Information

The **P&I Payment Information** section is used if the P&I constant changes on the loan. Regardless of the schedule or frequency of payment changes, these fields must be populated to effect any change to the **Principal & Interest Pmt** on the Master Info tab in Loan Administration.

- **P&I Change Freq** – enter the frequency at which the P&I payment will change. The field is greyed out for loans where the **Monthly or Daily Review** is (D) Daily or loans with **Payment Types** set to *Commercially Not Fully Funded (F)*, *Interest Only (I)* or *Fixed Principal + Interest (Q)*. If entered, it must be greater than or equal to the **Rate Change Frequency**; if different, it must be a multiple of the **Rate Change Frequency** to adjust the payment on a Rate Change Date. For example, you may change the rate each month (Rate Change Frequency = 1), but the P&I only once a year (P&I Freq = 12), or change the rate each quarter (Rate Change Frequency of 3), but the P&I only twice a year (P&I Freq of 6).
- **P&I Change Date** – the next date that the P&I will change. This date must fall on a scheduled **Rate Change Anniversary Date** (equal to a payment anniversary date). Also, the date entered here should be one payment frequency prior to the date the new payment will go into effect (Interest in Arrears). For example, if the new payment amount should be used for the 10/01 receivable, 9/01 should be entered in this field. Remember, *STRATEGY* builds the receivable records one payment frequency prior to the due date.
- **P&I Re-Amort Freq** – The frequency at which *STRATEGY* should calculate the P&I payment ignoring any payment floors/ceiling that may be established on the loan.
- **P&I Re-Amort Date** – Required if the **P&I Re-Amort Freq** is not blank. This is the next occurrence of a true re-amortization of the loan (ignoring any payment caps). The date must be an anniversary of the **P&I Change Date**.
- **New P&I Payment** – the current P&I payment. *STRATEGY* updates the **New P&I Payment** with each payment review that *STRATEGY* performs.
- **Prev P&I Payment** – the previous P&I payment. *STRATEGY* updates the **Prev P&I Payment** with each payment review that *STRATEGY* performs.
- **# of Payment Reviews to Date** – this is a counter to keep track of how many times the payment has been reviewed. *STRATEGY* updates the counter with each payment review that *STRATEGY* performs.
- **Rate Sched for P&I Pmt Y/N** – if the loan calls for the P&I payment calculation to use a different rate than the interest accrual rate, enter *Yes (Y)* in this field. *STRATEGY* display a table where you can enter effective dates and rates to be used.
- **P&I Amortization “To” Date** – if the amortization date is different than the Maturity Date established in the Master File, enter it here. If this is a Balloon loan (Master Info/Commercial Balloon panel, **Balloon** = *Yes (Y)*), the field is required. If there is a value in this field, *STRATEGY* will use this date when determining the remaining term for the P&I payment calculation rather than the Maturity Date from the Master Info tab in Loan Administration.

Notice Information

The **Notice Information** section controls if and when Rate Review Notices will be produced.

- **Print Notice Y/N** – This field is required. if you wish to have *STRATEGY* create change notices to be printed, enter *Yes (Y)*, otherwise *No (N)*.
- **Notice Days From Review** – enter the number of days AFTER the review date that you want to wait before printing a notice.
- **Print Notice Date** – the date when the next notice is to be printed. *STRATEGY* updates the with each rate review that *STRATEGY* performs.

Press **Next** to advance.

Constants & Constraints Panel

Adjustable Loan Information

Like the Loan Info panel, the Adjustable Loan Info section shows values from the previous screen for New Loan, Adjustable Loan Desc, and Adjustable Method. The fields Payment Type and Contract type pre-fill from the Master Info tab in Loan Administration. The fields are display only.

The screenshot shows the 'Adjustable Loan Update Wizard' window. On the left is a sidebar with 'Enter Adjust Loan Info' and 'Constants & Constraints'. The main area is divided into three sections:

- Adjustable Loan Information:** New Loan: NO (N), Adjustable Loan Desc: PRIME (PR), Adjustable Method: STANDARD (A), Payment Type: REG AMORT (P), Contract Type: ARM (A).
- Rate Information:** Interest Rate Margin %: .000000000000, Rate Rounding Method: (dropdown), Rate Rounding Factor %: (dropdown), Original Interest Rate %: .000000000000, Index Rounding Method: (dropdown), Index Rounding Factor %: (dropdown), Rate Floor & Ceiling Exp Date: (dropdown), Interest Rate Floor %: .000000000000, Interest Rate Ceiling %: .000000000000, Rate Review Increase Cap %: .000000000000, Rate Review Decrease Cap %: .000000000000, Minimum Rate Adj Allowed %: .000000000000, Starting Rate for This Period %: (dropdown), Period Rate Cap %: (dropdown), Math Operator #1: (dropdown), Margin #1 %: (dropdown), Math Operator #2: (dropdown), Margin #2 %: (dropdown), Status: (dropdown).
- P&I Payment Information:** P&I Payment Method: (dropdown), P&I Payment Cap Expiration Date: (dropdown), P&I Increase Cap %: (dropdown), P&I Decrease Cap %: (dropdown), Minimum Pmt Adj Allowed: (dropdown), Round P&I Payment: (dropdown), P&I Increase Cap Amount: (dropdown), P&I Decrease Cap Amount: (dropdown), Master File Interest Basis: 365/ACT NL (A65), Interest Basis for P&I Calc: (dropdown).

At the bottom are buttons: < Back, Next >, Finish, Cancel, and Help. The status bar at the bottom left says 'Ready'.

Rate Information

The **Rate Information** section contains fields that affect how the Interest Rate is calculated. These fields are general applied to the Index Rate during the Interest Rate calculation.

- **Interest Rate Margin %** - enter the margin that applies to this loan.

Note: If setting up a loan transitioning from a LIBOR index to SOFR the loan modification may require a Spread Adjustment be included in the calculation of the Interest Rate. This will require the use of the **Adjustable Method** of 'Two Ops (P)'. The Interest Rate Margin % field will be greyed out, the **Math Operator #1**, **Margin #1 %**, **Math Operator #2**, and **Margin #2 %** fields will be activated. Complete all four fields entering the margin in **Margin #1 %** and the Spread Adjustment in **Margin #2 %** below right.

- **Rate Rounding Method** – if the loan documents require that the new calculated rate be rounded after the margin has been applied to the index, input the method to be used in the rounding. Valid entries are 'UNCONDITIONAL ROUND UP (U)', 'UNCONDITIONAL ROUND DOWN (D)' or 'TO THE NEAREST (1/8)(N)'. This field works in conjunction with the Rounding Factor, indicating how to apply the factor to the rate.

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- **Rate Rounding Factor %** - the factor to be used in rounding the interest rate. For example, if the rate should be rounded to 1/8, you would enter .125 in this field. This field will only be accessible if the previous field has an entry. The Rate Rounding Method will indicate to *STRATEGY* how the factor should be applied – up, down or to the nearest 1/8th.
 - **Original Interest Rate %** - The value of the Index on the Loan Closing Date. This value will be used in calculating the rate when using **Adjustable Methods** '*FHLB OPTION 3(L)*' or '*FHLB OPTION 4 (M)*'. These Adjustable Methods calculate a difference between the **New Index %** and the **Original Index %**. For other Adjustable Methods, the field is optional and informational only. .
 - **Index Rounding Method** – if the index should be rounded prior to applying the margin, input the method to be used in the rounding. Valid entries are 'UNCONDITIONAL ROUND UP (U)', 'UNCONDITIONAL ROUND DOWN (D)' or 'TO THE NEAREST (1/8)(N)'. This field works in conjunction with the Index Rounding Factor, indicating how to apply the factor to the index.
 - **Index Rounding Factor %** - the factor to be used in rounding the index. For example, if the rate should be rounded to 1/8, you would enter .125 in this field. This field will only be accessible if the previous field has an entry. The Index Rounding Method will indicate to *STRATEGY* how the factor should be applied – up, down or to the nearest.
 - **Rate Floor & Ceiling Exp Date** – if a date is input, any floors or ceilings indicated on the rate will be ignored after the date entered.
 - **Interest Rate Floor %** - the minimum interest rate allowed on this loan.
 - **Interest Rate Ceiling %** - the maximum interest rate allowed on this loan.
 - **Rate Review Increase Cap %** - the maximum % that the rate is allowed to change with each review. For example, your loan documents might indicate that no single review can increase the interest rate on the loan by more than 2%. You would indicate 2.0 in this field to enforce that statement.
 - **Rate Review Decrease Cap %** - the minimum % that the rate is allowed to change with each review. For example, your loan documents might indicate that no single review can decrease the interest rate on the loan by more than 2%. You would indicate 2.0 in this field to enforce that statement.
 - **Minimum Rate Adj Allowed %** - if the rate must adjust by a certain % before a rate change can actually take effect on the loan, indicate that percentage in this field. For example, your loan documents might state that unless the rate changes by more than .125%, no change should occur on the loan. You would then enter .125 in this field to enforce that statement.
 - **Starting Rate for this Period %** - this field is only used with Adjustable Method '*J*'. The information here indicates the rate at the beginning of the period – used in conjunction with the **Period Rate Cap %** to determine the new rate.
 - **Period Rate Cap %** - this field is only used with **Adjustable Method** '*Periodic Cap (J)*'. The rate can only increase over the value in the field **Starting Rate for this Period %** by the amount entered in this field.
 - **Math Operator #1** – this field is only used with **Adjustable Method** '*Two Ops (P)*'. Valid entries are '*Addition*', '*Multiplication*' and '*Division*'. The entry here indicates how *STRATEGY* should apply **Margin #1** to the **New Index%** when calculating the rate.

Note: Adjustable Method '*Two Ops (P)*' is proposed for loans transitioning from LIBOR to SOFR to allow the use of both a Margin and a Spread Adjustment.

- **Margin #1** – this field is only used with **Adjustable Method** '*Two Ops (P)*'. Enter the margin value to be used in conjunction with **Math Operator #1**.

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- **Math Operator #2** - this field is only used with **Adjustable Method** 'Two Ops (P)'. Valid entries are 'Addition', 'Multiplication' and 'Division'.. The entry here indicates how *STRATEGY* should apply **Margin #2** to the **New Index %** when calculating the rate.
 - **Margin #2** - this field is only used with **Adjustable Method** 'Two Ops (P)'. Enter the margin value to be used in conjunction with **Math Operator #2**.
 - **Status** – leave blank. *STRATEGY* uses this field to record the stage of this Adjustable Record.

Press **Finish** to complete the changes or addition of this Adjustable Loan record.

P&I Payment Information

The majority of fields displayed in this section will be greyed out if the **P&I Chg Freq** on the Loan Info panel is blank or equal to 0.

- **P&I Payment Method** – valid entries are 0 or 1, used in conjunction with P&I Rate Schedule.
- **P&I Payment Cap Expiration Date** – if caps are required on the P&I Payment change, enter a valid a date here. Once that date has been reached, *STRATEGY* will continue to calculate payment changes, but will ignore any caps.
- **P&I Increase Cap %** - the maximum % that the payment is allowed to increase with each review. For example, your loan documents might indicate that no single review can increase the payment by more than 2%. You would indicate 2.0 in this field to enforce that statement. A percentage cannot be entered if a **P & I Increase Cap Amount** has been entered.
- **P&I Decrease Cap %** - the maximum % that the payment is allowed to decrease with each review. For example, your loan documents might indicate that no single review can decrease the payment by more than 2%. You would indicate 2.0 in this field to enforce that statement. A percentage cannot be entered if a **P & I Decrease Cap Amount** has been entered.
- **Minimum Pmt Adj Allowed** - if the payment must adjust by a certain amount before a payment change can actually take effect on the loan, indicate that amount in this field. For example, your loan documents might state that unless the payment changes by more than \$10.00, no change should occur on the loan. You would then enter 10.00 in this field to enforce that statement.
- **Round P&I Payment**– Select from the drop down values. Valid entries are 'U' (up), 'D' (down) or 'N' (nearest). *STRATEGY* will round the payment up, down or to the nearest dollar according to the entry here. Leave blank if you don't want the payment amount rounded. When the Payment Type is Date of Payment to Date of Payment or Regular Amortizing, the option to round (D) Down will not be available for selection.
- **P&I Increase Cap Amount** - the maximum dollar amount that the payment is allowed to increase with each review. For example, your loan documents might indicate that no single review can increase the payment by more than \$1,000.00. You would input 1000.00 in this field to enforce that statement. *STRATEGY* will only allow input in either the **P & I Increase Cap %** or **P & I Increase Cap Amount** field, not both.
- **P&I Decrease Cap Amount** - the maximum dollar amount that the payment is allowed to decrease with each review. For example, your loan documents might indicate that no single review can decrease the payment by more than \$1,000.00. You would input 1000.00 in this field to enforce that statement. *STRATEGY* will only allow input in either the **P & I Decrease Cap %** or **P & I Decrease Cap Amount** field, not both.

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- **Master File Interest Basis Code** – Display only, the **Interest Basis Code** entered for the loan on the Master Info tab, in Loan Administration.
 - **Interest Basis for P&I Calc** - If the P&I payment should be calculated using an interest basis code different from the interest basis used to accrue interest, select the appropriate Interest Basis Code from the drop down provided.

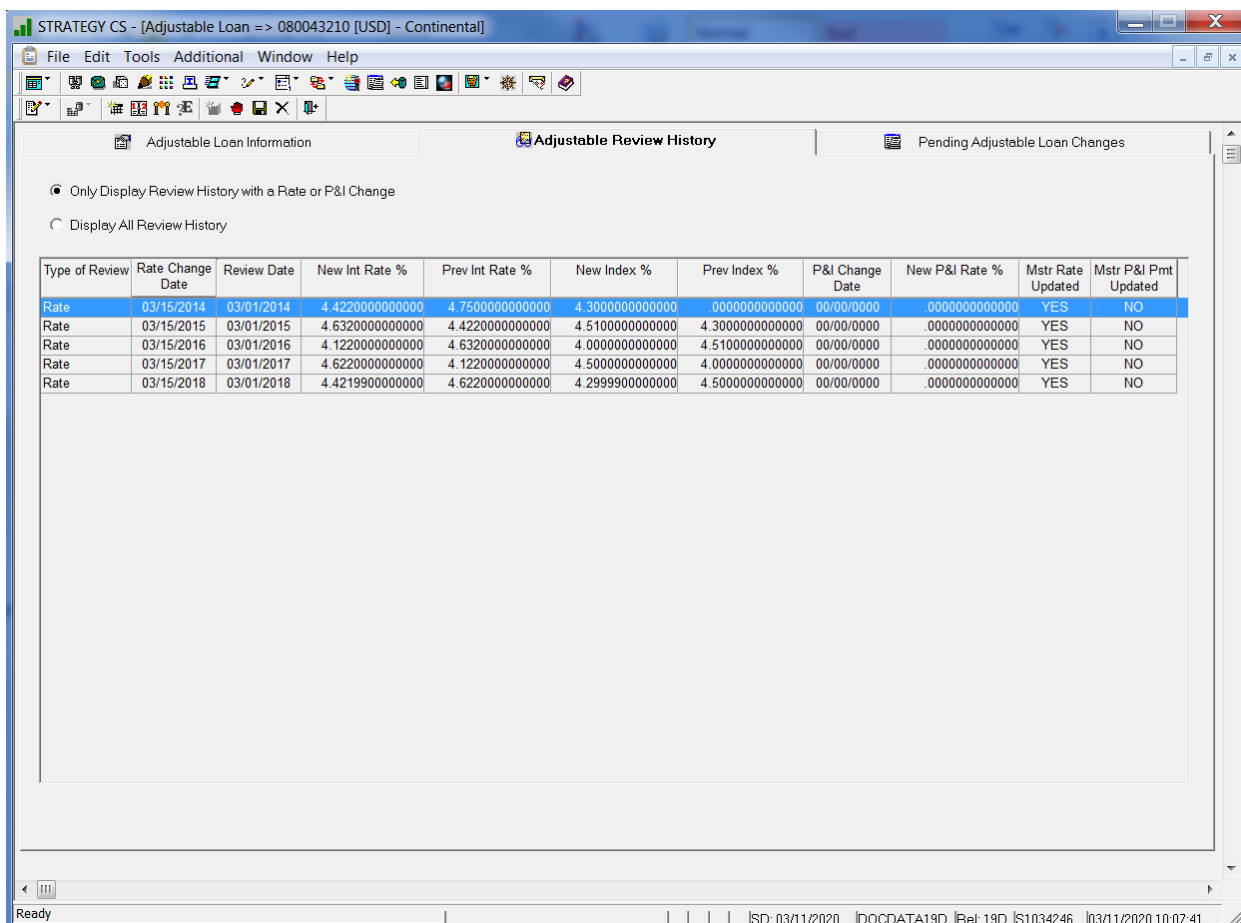
Press ***Finish*** to complete the creation or update of this Adjustable Loan record.

Adjustable Review History

The middle tab on the screen, the Adjustable Review History tab displays a history of all rate reviews for the loan displayed in the Title Bar of the application. Users can use the radio buttons in the top left of the tab to display only the reviews that resulted in a Rate or P&I Change.

The information displayed on this tab is from the Adjustable Loan History file (PARMH). A record gets added to this file each time a loan reviews.

- The default display for the Adjustable Review History tab is **Only Display Review History with a Rate or P&I Change**. When this radio button is active only loans with a 'Y' in PARMH/ARDIFF will display on the grid.
- If Display All Review History is selected, all review history is displayed.



Type of Review	Rate Change Date	Review Date	New Int Rate %	Prev Int Rate %	New Index %	Prev Index %	P&I Change Date	New P&I Rate %	Mstr Rate Updated	Mstr P&I Pmt Updated
Rate	03/15/2014	03/01/2014	4.42200000000000	4.75000000000000	4.30000000000000	.00000000000000	00/00/0000	.00000000000000	YES	NO
Rate	03/15/2015	03/01/2015	4.63200000000000	4.42200000000000	4.51000000000000	4.30000000000000	00/00/0000	.00000000000000	YES	NO
Rate	03/15/2016	03/01/2016	4.12200000000000	4.63200000000000	4.00000000000000	4.51000000000000	00/00/0000	.00000000000000	YES	NO
Rate	03/15/2017	03/01/2017	4.62200000000000	4.12200000000000	4.50000000000000	4.00000000000000	00/00/0000	.00000000000000	YES	NO
Rate	03/15/2018	03/01/2018	4.42199000000000	4.62200000000000	4.29999000000000	4.50000000000000	00/00/0000	.00000000000000	YES	NO

Users can review the detail information for a specific Review History record by highlighting the record in the grid and using the right mouse menu to select Adjustable Review History and Review History Detail from the right mouse menu.

Adjustable Loan Information

Adjustable Review History

Pending Adjustable Loan Changes

☒ Only Display Review History with a Rate or P&I Change
 ☐ Display All Review History

Type of Review	Rate Change Date	Review Date	New Int Rate %	Prev Int Rate %	New Index %	Prev Index %	P&I Change Date	New P&I Rate %	Mstr Rate Updated	Mstr P&I Pmt Updated
Rate	03/15/2014	03/01/2014	4.42200000000000	4.75000000000000	4.30000000000000	.00000000000000	00/00/0000	.00000000000000	YES	NO
Rate	03/15/2015	03/01/2015	4.63200000000000	4.42200000000000	4.51000000000000	.00000000000000	00/00/0000	.00000000000000	YES	NO
Rate	03/15/2016	03/01/2016	4.12200000000000	4.63200000000000	4.00000000000000	.00000000000000	00/00/0000	.00000000000000	YES	NO
Rate	03/15/2017	03/01/2017	4.62200000000000	4.12200000000000	4.50000000000000	.00000000000000	00/00/0000	.00000000000000	YES	NO
Rate	03/15/2018	03/01/2018	4.42199000000000	4.62200000000000	4.29900000000000	.00000000000000	00/00/0000	.00000000000000	YES	NO

Adj Loan Info

Adj Review History

Pending Changes

Find

Filter

Notes

Review History Detail

The fields at the right of the grid, Mstr Rate Updated & Mstr P&I Updated indicate that the Rate Change Date has passed and the Interest Rate and P&I Payment in the Master File have been updated using the values in the Adjustable Review History record.

Adjustable Review History Detail

From time to time, there may be problems with the information in the system at the time of the rate review. This may require that a User update the incorrect information within the appropriate areas of the system and then in the Adjustable Review History.

Users with appropriate security may update one or more of the following fields: **Rate Change Date, New Interest Rate %, Previous Interest Rate%, New Index, Effective Date of Index, P&I Change Date, New P&I Payment, Prev P&I Payment, Actual P&I Needed, Effective Princ Balance, New P&I Rate and Print Status** on the Adjustable Loan Review History Detail window. If any of the information in the History record is updated and saved the record will be flagged as ‘*Manually Updated After Review*’.

If **Mstr Rate Updated** and /or **Mstr P&I Updated** are ‘Yes (Y)’, any changes entered will be for informational purposes only. The information will not be updated in the Master File.

Rate Change Date – The date entered here must be valid, must be greater than or equal to the Rate Review Date, and the date entered must be unique. If the date entered already exists for the loan, a duplicate date message will appear. The field is display only for growing equity loans (**Adjustable Methods** of ‘*GEM % INCR (G) or GEM \$ INCR (H)*’).

New Interest Rate% - The rate shown in the history record is the result of the interest rate calculation defined by the **Adjustable Method**. The value in the **New Interest Rate%** moves to the Master File on the Rate Change Date becoming the rate used to accrue interest on the loan. (###.#####). The field is display only for growing equity loans (**Adjustable Methods** of ‘*GEM % INCR (G) or GEM \$ INCR (H)*’).

Prev Interest Rate% - This represents the Interest Rate prior to the Rate Review.

New Index % - Represents the value of the Index at Rate Review. Updating it here only updates the Rate Review Record, not the Index table.**

Note**: As of Release 19E, a System Control setting in the General Section on the Processing panel will allow users to turn on the ability to enter an Index Rate that is less than or equal to zero percent. If the value for the system control setting is Yes (Y), New Index% can be entered as a negative or zero%.

Effective Date of Index – Enter mm/dd/ccyy. This date represents the Effective Date of the value in the New Index %.

P&I Change Date – The P&I Change Date is only required if the **Rate Review History** indicates that there is a P&I Payment Change.

New P&I Payment – Update the P&I Payment amount if necessary and the **P&I Change Frequency** shown is greater than zero. (A P&I Payment is required for Growing Equity Loans (Adjustable Methods *GEM \$ INCR (H)* or *GEM % INCR (G)*) where the payment increases by a % or \$ amount).

Prev P&I Payment – Represents the P&I Payment prior to the review. This field would only be changed in the event that multiple Rate Review History records were incorrect.

Actual P&I Needed – Update with P&I payment amount needed (###,###,###,###.##)

Effective Princ Balance – Effective Principal Balance - update with value (\$###,###,###,###.##)

New P&I Rate% –

Print Status – Users can change the Print Status. Available values are Do Not Print, Reviewed, and Printed.

Adjustable Loan Review History Detail

Rate Review Date: 03/01/2014 Pmt Due Date: 12/01/2018

Type Of Change: Rate

Adjustable Loan Description: PRIME Pmt Type for P&I Chg:

Adjustable Method: STANDARD

Rate Information

Monthly or Daily Review: Monthly New Interest Rate%: 4.422000000000

Rate Change Frequency: 12 Previous Interest Rate%: 4.750000000000

Look Back Method: Not Applicable New Rate Without Caps%:

Look Back Days for Rate Review: 0 Index Description: T1

Business Calendar: New Index%: 4.300000000000

Use Business Calendar: Review Date: NO (N) Previous Index%:

Use Business Calendar: Change Date: NO (N) Number of Rate Reviews to Date: 1

Rate Change Date: 03/15/2014 Maximum # of Rate Reviews: 0

Rate Change Anniversary Date: 03/15/2014 Previous Review Date: 00/00/0000

Option Date: 00/00/0000 Effective Date of Index: 12/01/2013

Master Rate Updated: YES

P&I Payment Information

P&I Change Freq: 0 New P&I Payment: 1,051,262.45 Effective Principal Balance: 198,912,287.20

P&I Change Date: 00/00/0000 Previous P&I Payment: 1,051,262.45 Rate Schedule for P&I Pmt: NO

P&I Re-Amort Freq: 0 Actual P&I Payment Needed: .00 New P&I Rate%: .000000000000

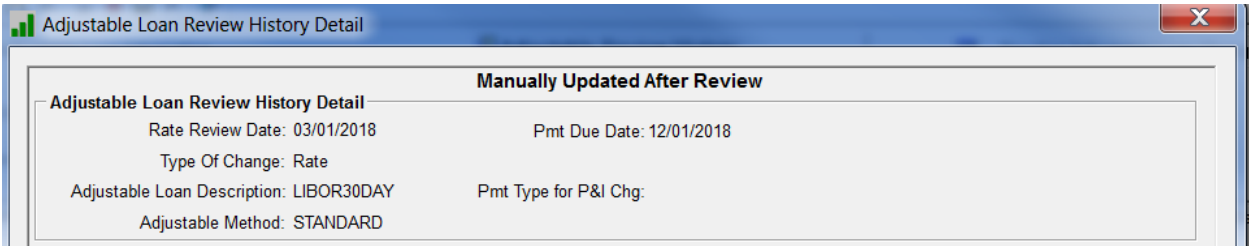
P&I Re-Amort Date: 00/00/0000 # of Payment Reviews to Date: 0 Master P&I Pmt Updated: NO

Notice Information

Print Notice: YES (Y) Notice Days From Review: 2 Print Notice Date: 00/00/0000 Print Status: Reviewed

OK Cancel Apply Help

The window will display the message ‘Manually Updated After Review’.



A user with appropriate security can delete a Rate Review History record. Messages display with warnings if the history record indicates that the Rate, P&I Change, or Both, have not been updated in the Master Information record and if you continue with the delete, there will be no change to the Master File and a History Record cannot be added.

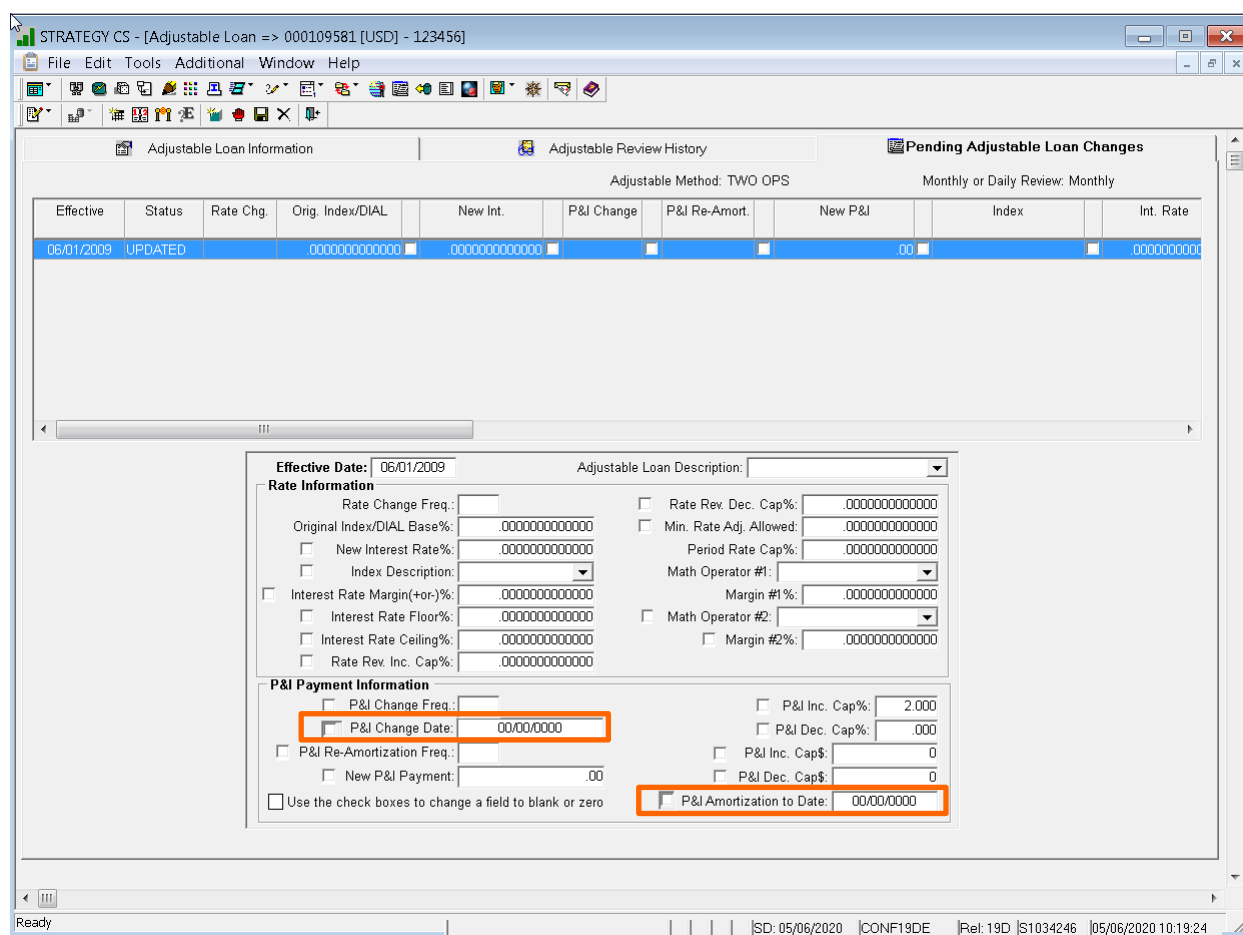
Pending Rate Changes

Similar to Pending Changes for the Master File, the third tab in the Adjustable Rate module, allows you to schedule changes to the fields that govern the adjustments to Rate and P&I Payments.

Users enter the Effective Date of the Change. This will be the date that the changes to the Adjustable Loan Info. Users can either:

- Update fields to change in the PARM file by entering the values that will take effect on the Effective Date in the fields provided; or
- Activate a check box to the left of a field, to zero or blank out the field in the PARM file during day end on the Effective Date provided in the change record.

Users can update the value in a field, or use the check box to zero out the field, but they can't do both.



STRATEGY CS - [Adjustable Loan => 000109581 [USD] - 123456]

File Edit Tools Additional Window Help

Adjustable Loan Information Adjustable Review History **Pending Adjustable Loan Changes**

Adjustable Method: TWO OPS Monthly or Daily Review: Monthly

Effective	Status	Rate Chg.	Orig. Index/DIAL	New Int.	P&I Change	P&I Re-Amort.	New P&I	Index	Int. Rate
06/01/2009	UPDATED		000000000000	000000000000			00		0000000000

Effective Date: 06/01/2009 Adjustable Loan Description: [Dropdown]

Rate Information

Rate Change Freq.: [Dropdown] ☐ Rate Rev. Dec. Cap%: 0.000000000000

Original Index/DIAL Base%: 0.000000000000 ☐ Min. Rate Adj. Allowed: 0.000000000000

☐ New Interest Rate%: 0.000000000000 ☐ Period Rate Cap%: 0.000000000000

☐ Index Description: [Dropdown] Math Operator #1: [Dropdown]

☐ Interest Rate Margin(+/-)%: 0.000000000000 Margin #1%: 0.000000000000

☐ Interest Rate Floor%: 0.000000000000 ☐ Math Operator #2: [Dropdown]

☐ Interest Rate Ceiling%: 0.000000000000 ☐ Margin #2%: 0.000000000000

☐ Rate Rev. Inc. Cap%: 0.000000000000

P&I Payment Information

☐ P&I Change Freq.: [Dropdown] ☐ P&I Inc. Cap%: 2.000

☒ P&I Change Date: 00/00/0000 ☐ P&I Dec. Cap%: 0.000

☐ P&I Re-Amortization Freq.: [Dropdown] ☐ P&I Inc. Cap\$: 0

☐ New P&I Payment: 00 ☐ P&I Dec. Cap\$: 0

☐ Use the check boxes to change a field to blank or zero ☒ P&I Amortization to Date: 00/00/0000

Ready | SD: 05/06/2020 | CONF19DE | Rel: 19D | S1034246 | 05/06/2020 10:19:24

FIGURE 7-PENDING ADJUSTABLE LOAN CHANGES WINDOW – “RELEASE 20”





Note: As of Release 20, Users will have access to the **P&I Change Date** and **P&I Amortization to Date** to schedule pending changes allowed for Freddie Mac Hybrid ARM loans.

Adjustable Loan Processing Module – Tools

Module Specific Toolbar Options for the Adjustable Loan Module



The Adjustable Loan Module-Specific Toolbar provides access to features specific to the Adjustable Loan module. This includes:

Icon	Feature	Use
	<ul style="list-style-type: none"> Indexes – tracks Index Rate % by Effective Date. 	<ul style="list-style-type: none"> Update or review Index Rates using this feature.
	<ul style="list-style-type: none"> Business Calendars – allows the addition of holiday dates for exclusion from processing. 	<ul style="list-style-type: none"> Create and update Business Calendars with holiday dates.
	<ul style="list-style-type: none"> Rate Changes – allows the processing of Individual or Global Rate changes 	<ul style="list-style-type: none"> Changes rates on an individual loan or a enter an Index and a Backdate to change adjustable rate loans tied to that Index.
	<ul style="list-style-type: none"> Pending Change Errors - 	<ul style="list-style-type: none"> Review errors related to Pending ARM Changes

Working with Indexes

STRATEGY stores the rates for various published Index Rates using the PINDEX table and System Information. System Administrators add and update Index Rates via the Adjustable Rate Module, module specific toolbar or from the Tools menu, while in the Adjustable Loan module.

Adjustable Loan Module>Tools>Indexes

Adding a New Index

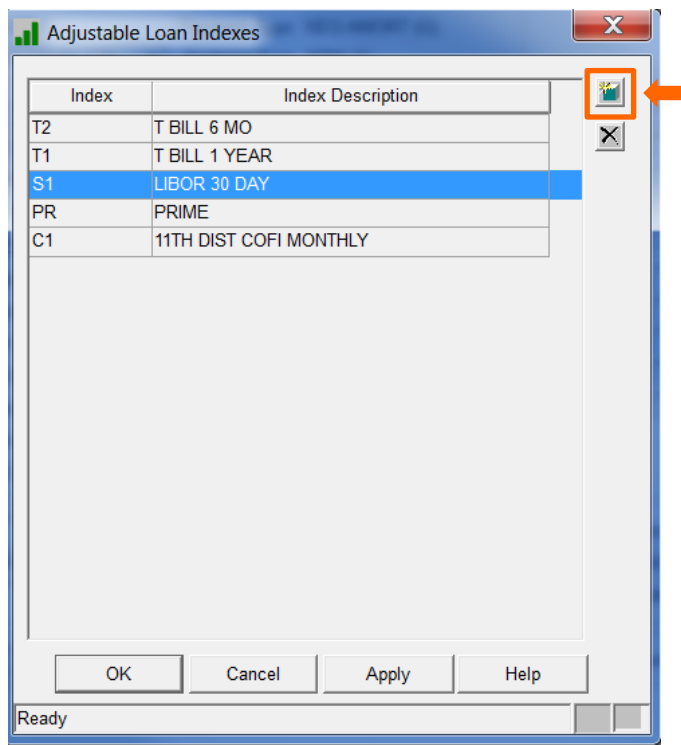
STRATEGY provides a wizard to add a new Index to the system.

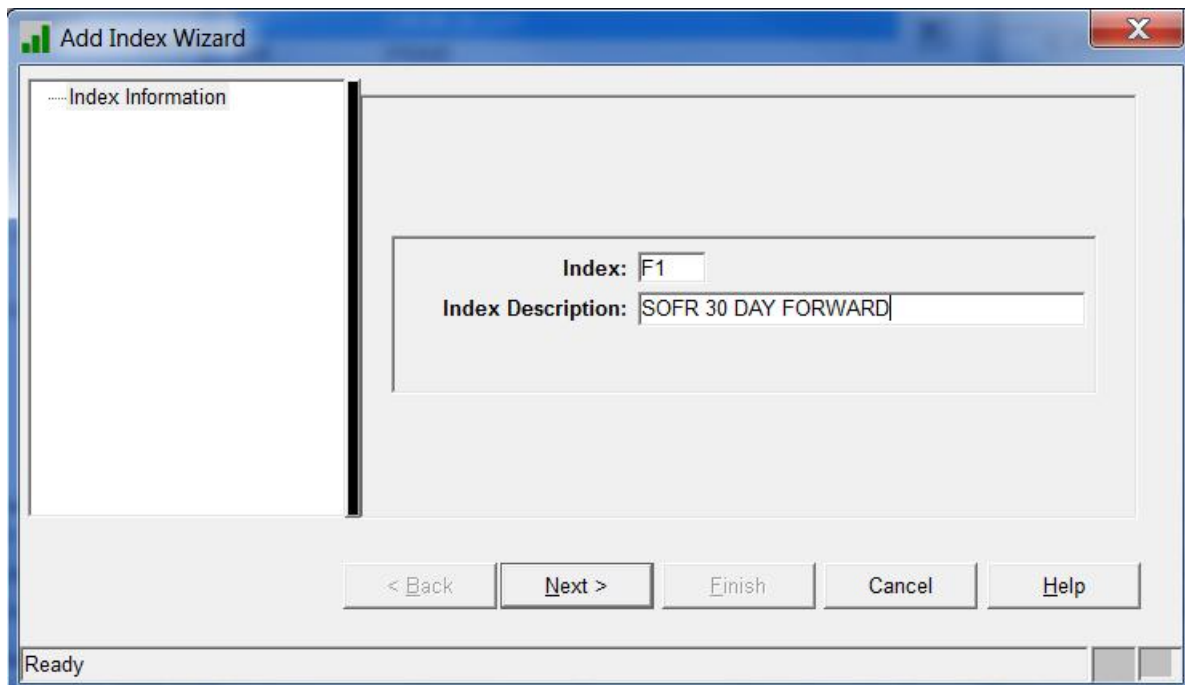
- From the Adjustable Rate module, select Indexes from the Tools menu or use the spreadsheet icon from the module specific toolbar.



This opens the Adjustable Loan Indexes window.

- Click the 'New' icon or CTRL + N to open the 'Add Index Wizard'.





The screenshot shows the 'Add Index Wizard' window with the 'Index Information' panel selected. The 'Index' field contains 'F1' and the 'Index Description' field contains 'SOFR 30 DAY FORWARD'. The 'Next >' button is highlighted.

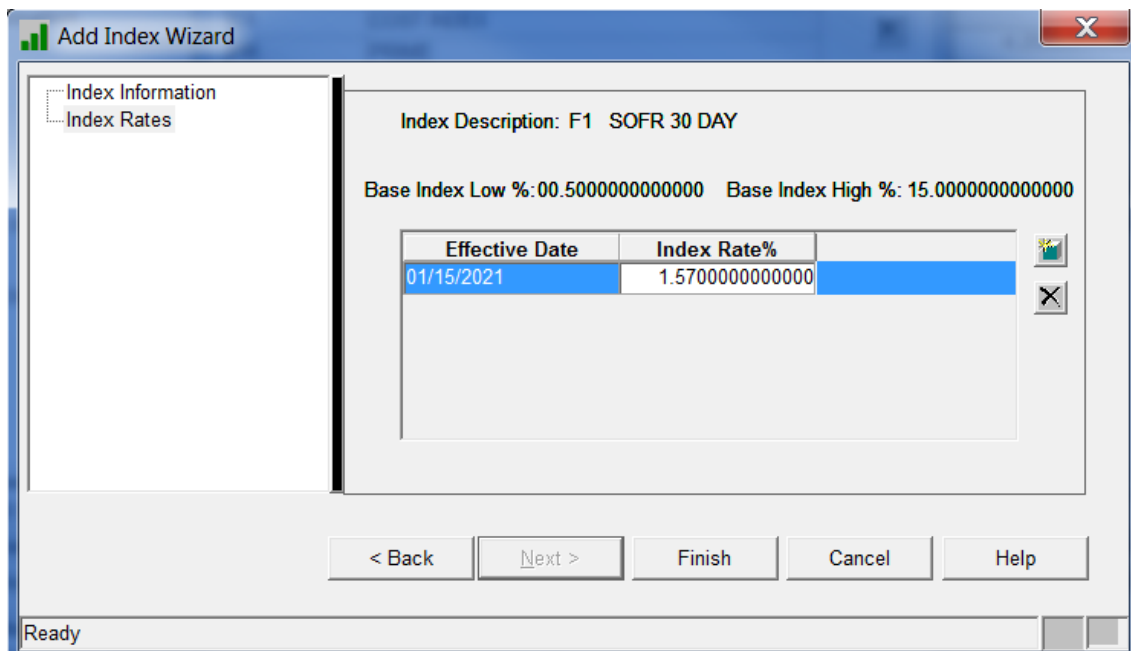
Index: F1

Index Description: SOFR 30 DAY FORWARD

< Back Next > Finish Cancel Help

Ready

- On the Index Information panel of the wizard, add a 2 digit code for the new **Index**, and an **Index Description** for the Index.
- Click Next to move the Index Rates panel.
- Enter the Effective Date and Index Rate %. Enter the rate using the decimal point (##.#####) and hit enter.
- You can use the 'New' icon to enter additional effective dates and index rate % as needed.



The screenshot shows the 'Add Index Wizard' window with the 'Index Rates' panel selected. The 'Index Description' is 'F1 SOFR 30 DAY'. Below it, 'Base Index Low %' is 00.500000000000 and 'Base Index High %' is 15.000000000000. A table with two columns, 'Effective Date' and 'Index Rate%', contains one row with '01/15/2021' and '1.570000000000'. The 'Next >' button is highlighted.

Index Description: F1 SOFR 30 DAY

Base Index Low %: 00.500000000000 Base Index High %: 15.000000000000

Effective Date	Index Rate%
01/15/2021	1.570000000000

< Back Next > Finish Cancel Help

Ready

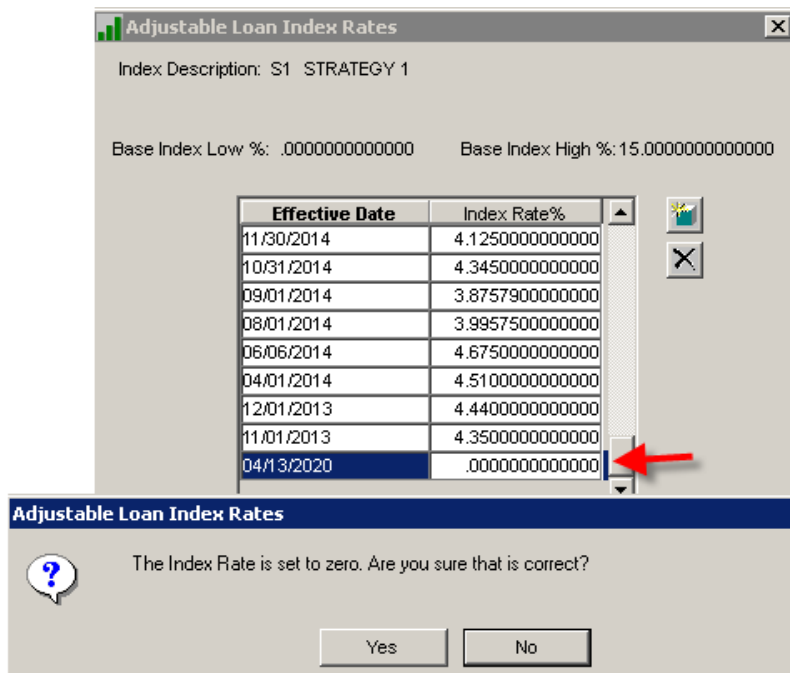
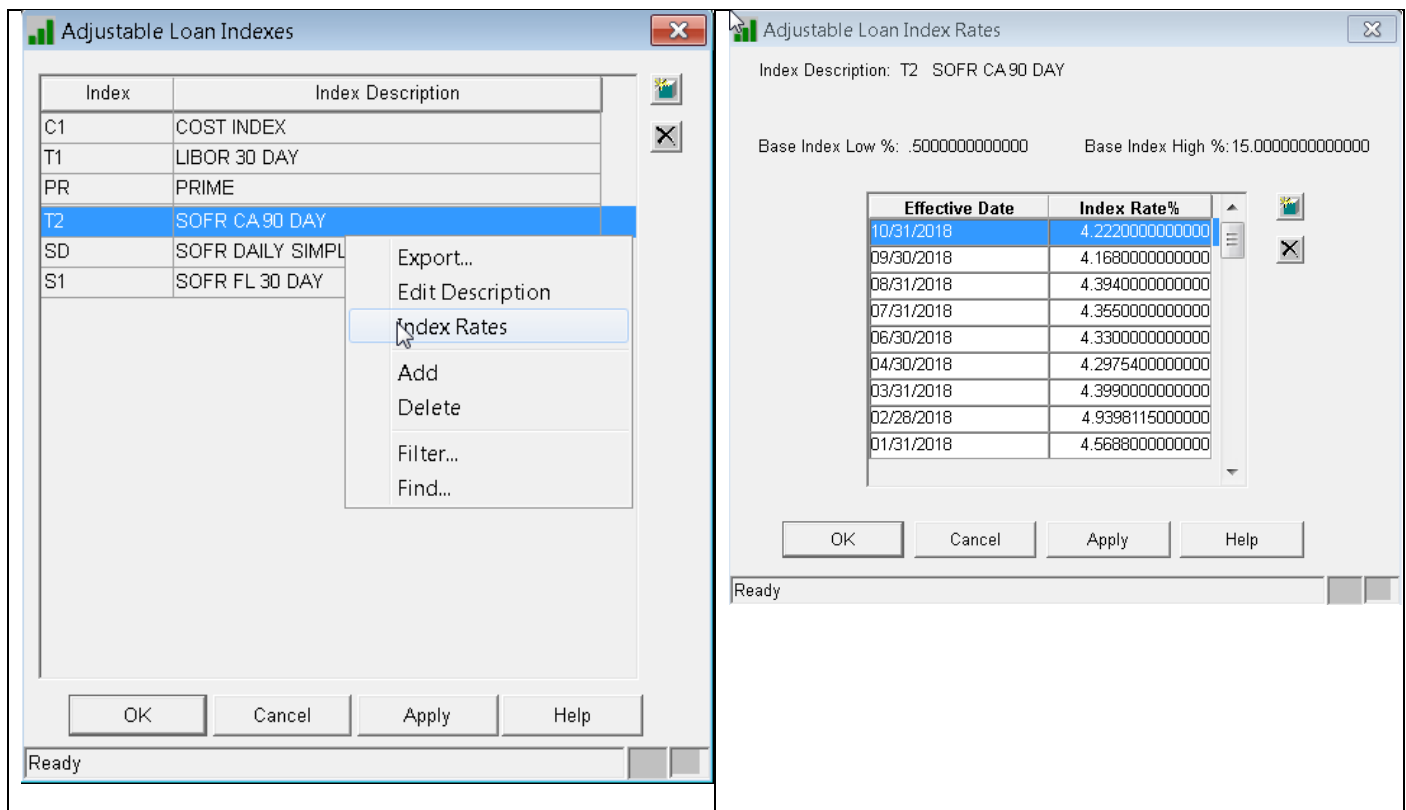
- Click Finish to complete the entry.

STRATEGY will populate the index values in PINDEX and create a new information code in Table ID I2 ARM Index Codes using the two digit code entered on the Index Information window. The Index Description entered in the wizard will become the Full Description in SIFFUL/PINFO for Table ID I2. The first 10 characters will be used for the Short Description and Sort Description in PINFO.

Code	Full Description	Short Description
T1	LIBOR 30 DAY	LIBOR 30 D
PR	PRIME	PRIME
T2	SOFR CA 90 DAY	SOFR CA 90
SD	SOFR DAILY SIMPLE INTEREST	SOFR DAILY
S1	SOFR FL 30 DAY	SOFR FL 30

Index	Index Description
C1	COST INDEX
T1	LIBOR 30 DAY
PR	PRIME
	STRATEGY
T2	SOFR CA 90 DAY
SD	SOFR DAILY SIMPLE INTEREST
S1	SOFR FL 30 DAY

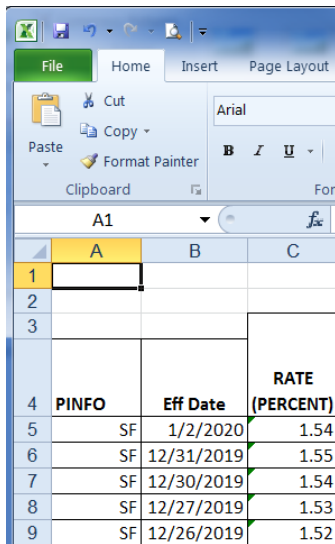
You can view the Index Rates entered for an Index by highlighting the Index you wish to view on the Adjustable Loan Indexes window and using the Right Mouse menu to select Index Rates. The Adjustable Loan Index Rates % window opens displaying a grid of Index Values. The Effective Date and corresponding Index Rate display in descending order with the most recent effective date on top.



If a zero Index Rate is entered for an effective date, a warning messages will appear.

Entering Index Rates via the Mapping Tool

Once an Index is established in the System Information table (by using the Index wizard or Adding a code to the System Information table I2, and updating system records, the Mapping Tool is available to update values. The spreadsheet must have the established two digit code for the Index, the Effective Date of the Index Rate, and the Index Rate. The columns can be in any order.



	A	B	C
1			
2			
3			
4	PINFO	Eff Date	RATE (PERCENT)
5	SF	1/2/2020	1.54
6	SF	12/31/2019	1.55
7	SF	12/30/2019	1.54
8	SF	12/27/2019	1.53
9	SF	12/26/2019	1.52

Using the Mapping Tool

- Select your spreadsheet containing the Index values from Microsoft Explorer.
- Click Upload
- Select the Index Rate template
- Click Loan Interactively

Click in the **Choose Files** box to open Windows Explorer.

Select your spreadsheet for upload.

Text appears in the scroll box below the **Upload** button once Upload has been selected.

Import Spreadsheet

Choose Files Index Rate

Upload

Select Saved Map...

Begin to Upload files:
Rates for LIBOR 30 Day.xlsx, 12645
Uploaded file Rates for LIBOR 30
Day.xlsx to
/opt/IBM/WebSphere/AppServer/profiles/AppSrv11/installedApps/localhostNo de11Cell/MWS_MTEAR_19D.1.0\API_W AS8.5.5.ear\MWS_MT.war/uploads/Rat

☒ Upload Spreadsheet
☐ Export Spreadsheet

Load Interactively Load in Batch

Select Index Rate in the **Select Template** field and click the **Load Interactively** button.

Note: If you have uploaded the spreadsheet format in the past and mapped it to the Index Rate template, **STRATEGY** will remember and suggest a mapping for you.

Upload New Spreadsheet Session Options

Index Rate Template

	Column A	Column B	Column C
<input type="checkbox"/> Row 1			Secured Overnight Financing Rate
<input type="checkbox"/> Row 2			
<input type="checkbox"/> Row 3			RATE (PERCENT)
<input type="checkbox"/> Row 4	FINFO	Eff Date	RATE (PERCENT)
<input checked="" type="checkbox"/> Row 5	SF	01/02/2020	1.54
<input checked="" type="checkbox"/> Row 6	SF	12/31/2019	1.55
<input checked="" type="checkbox"/> Row 7	SF	12/30/2019	1.54
<input checked="" type="checkbox"/> Row 8	SF	12/27/2019	1.53
<input checked="" type="checkbox"/> Row 9	SF	12/26/2019	1.52
<input checked="" type="checkbox"/> Row 10	SF	12/24/2019	1.52
<input checked="" type="checkbox"/> Row 11	SF	12/23/2019	1.52
<input checked="" type="checkbox"/> Row 12	SF	12/20/2019	1.53
<input checked="" type="checkbox"/> Row 13	SF	12/19/2019	1.53
<input checked="" type="checkbox"/> Row 14	SF	12/18/2019	1.53
<input checked="" type="checkbox"/> Row 15	SF	12/17/2019	1.54
<input checked="" type="checkbox"/> Row 16	SF	12/16/2019	1.62
<input checked="" type="checkbox"/> Row 17	SF	12/13/2019	1.54
<input checked="" type="checkbox"/> Row 18	SF	12/12/2019	1.53
<input checked="" type="checkbox"/> Row 19	SF	12/11/2019	1.54
<input checked="" type="checkbox"/> Row 20	SF	12/10/2019	1.55
<input checked="" type="checkbox"/> Row 21	SF	12/09/2019	1.56

Check All Uncheck All

	INDEX CODE	INDEX RATE EFF DATE	INDEX RATE
Row 1			
Row 2			
Row 3			
Row 4			
Row 5	SF	01/02/2020	1.54
Row 6	SF	12/31/2019	1.55
Row 7	SF	12/30/2019	1.54
Row 8	SF	12/27/2019	1.53
Row 9	SF	12/26/2019	1.52
Row 10	SF	12/24/2019	1.52
Row 11	SF	12/23/2019	1.52
Row 12	SF	12/20/2019	1.53
Row 13	SF	12/19/2019	1.53
Row 14	SF	12/18/2019	1.53
Row 15	SF	12/17/2019	1.54
Row 16	SF	12/16/2019	1.62
Row 17	SF	12/13/2019	1.54
Row 18	SF	12/12/2019	1.53
Row 19	SF	12/11/2019	1.54
Row 20	SF	12/10/2019	1.55
Row 21	SF	12/09/2019	1.56

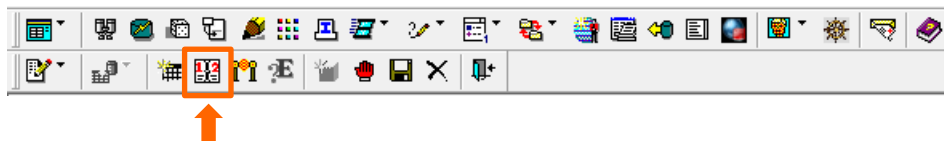
✔ Data passed validation but was not submitted to Strategy

The contents of the spreadsheet you uploaded appears on the left. Drag the rows, columns or individual cells on the left to the correct row, column or cells representing the *STRATEGY* fields on the right. Clicking validate will make sure that the information is correct and ready for upload. Remember that the Index Code must be established in *STRATEGY* before you upload rates using the Mapping Tool. See the Mapping Tool manual for more information on the use of the Mapping Tool.

Working with Business Calendars

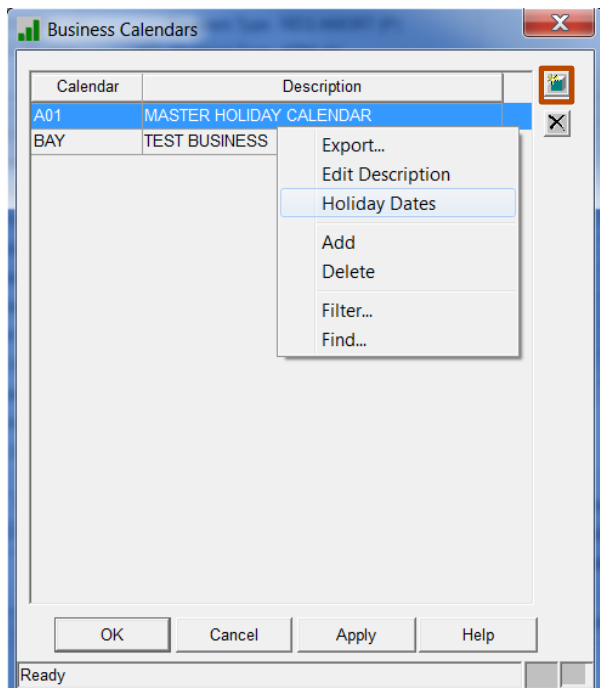
Some loan documents and servicing agreements require that certain types of processing are excluded from taking place on 'Non-Business Days'. *STRATEGY*'s Business Calendars functionality assumes that weekends are Non-Business Days and allows the users to define additional days, most likely holidays, that are also excluded from processing.

Organizations can define multiple calendars to address the servicing needs of different countries and clients. These calendars can be applied to Late Charges, Accruals, Payment Due Dates, Adjustable Rate Reviews and Changes, and for CMBS Investor Reporting dates. Business Calendars are generally maintained by system administrators with appropriate authority.



To view or update a Business Calendar, go to the Adjustable Loan module. Access the Business Calendars from the Tools menu by selecting Business Calendars or select the desk calendar icon from the module specific toolbar.

This opens the Business Calendars window listing the defined Business Calendars.



Select the 'New' icon, select 'Add' from the right mouse menu or 'Ctrl + N' to add a new business calendar.

Select 'Edit Description' from the right mouse menu to rename the highlighted Business Calendar

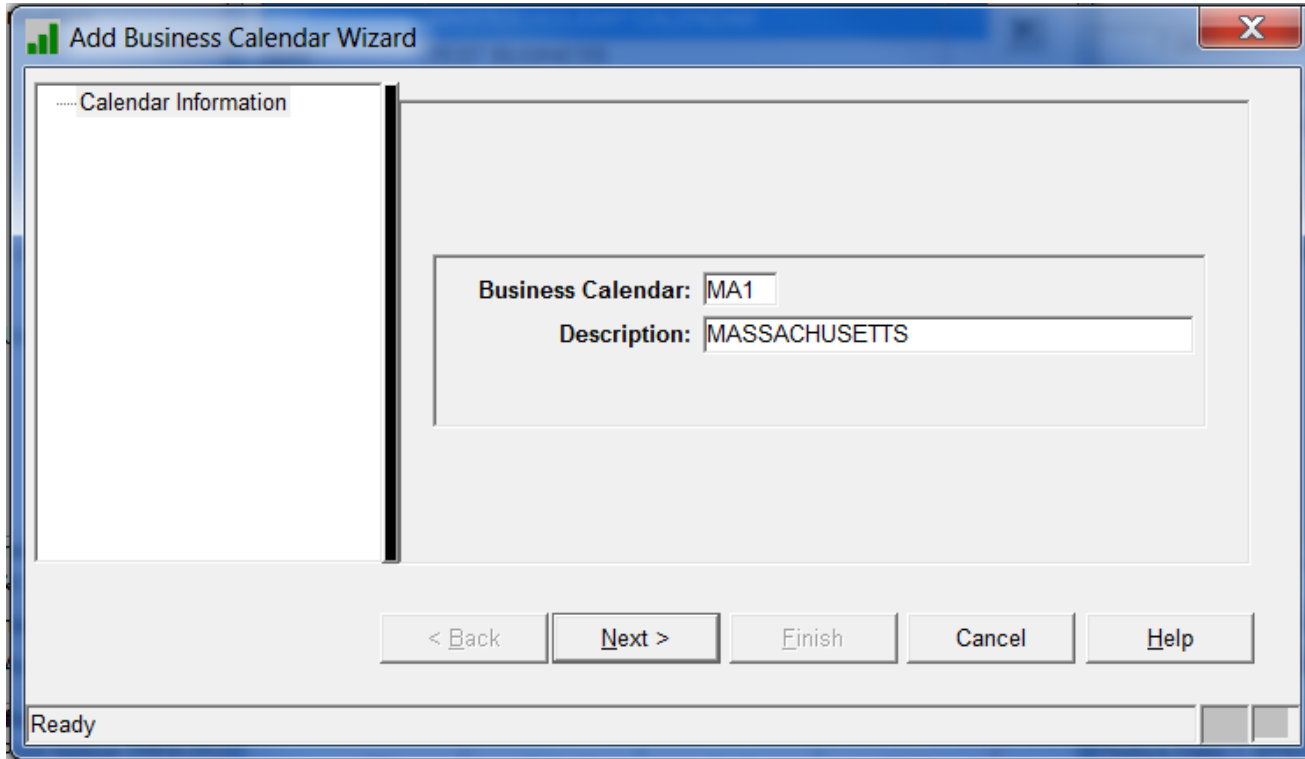
Select 'Holiday Dates' from the right mouse menu to view and add dates defined for the highlighted calendar.

The right mouse option Delete (Ctrl + 'D' or the Delete button), will remove the highlighted Business Calendar if the calendar is not in use in the system. If the highlighted calendar is in use, the user receives a message and the Business Calendar cannot be deleted.

Adding a Business Calendar

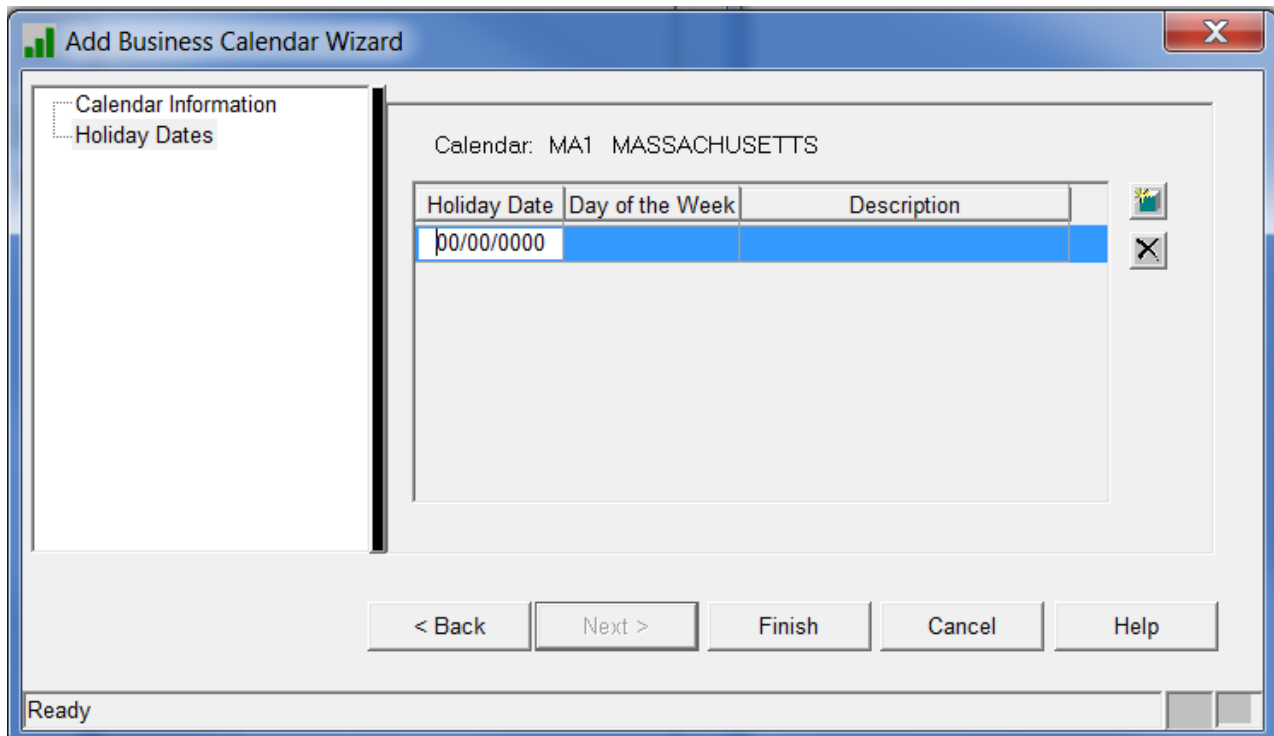
STRATEGY provides a wizard to add a Business Calendar to the system.

The wizard makes it easy to define the calendar and add holidays to the system. Click the 'New' icon to start the wizard.



The Calendar Information panel of the wizard is the first panel to display. The Business Calendar and Description fields are both required.

- Enter a 3 character alphanumeric code as the unique identifier for the calendar in the **Business Calendar** field. The Business Calendar code cannot already exist in the associated System Information Table C5.
- Enter a **Description** that allows you to easily identify how the business calendar is used in the system.
- Click *Next* to move to the Holiday Dates panel of the Wizard.



Entry of additional Holiday Dates is optional. When a Business Calendar is applied, *STRATEGY* assumes all weekends are Non-Business Days. If a Business Calendar exists and there are no Holiday Dates for the Calendar, only weekends will be bypassed during processing.

- Hit the 'New' icon, or Ctrl + 'N' to define your holidays.
- Enter a **Holiday Date** (MM/DD/CCYY). The date must be unique for the Business Calendar.
- When you hit 'Tab' *STRATEGY* enters the **Day of the Week** and places the cursor in the **Description** field.
- Type a holiday description. If you enter a **Description**, the **Holiday Date** is required.
- Hit 'Tab' again to complete the entry for each holiday.

Add Business Calendar Wizard

Calendar Information
Holiday Dates

Calendar: MA1 MASSACHUSETTS

Holiday Date	Day of the Week	Description
01/01/2020	Wednesday	New Year's Day
01/20/2020	Monday	Martin Luther King Jr. Day
02/17/2020	Monday	Washington's Birthday
04/20/2020	Monday	Patriot's Day
05/25/2020	Monday	Memorial Day
07/03/2020	Friday	Independence Day Observed
09/07/2020	Monday	Labor Day

< Back Next > Finish Cancel Help

Ready

Once all Holidays have been entered, click Finish. *STRATEGY* updates the System Information Table C5 with the Calendar Code and Description.

To Modify an Existing Calendar

User's with appropriate authority can update Business Calendars. Select Business Calendars from the Tools menu while in the Adjustable Loan Module or from the Adjustable Loan Module specific toolbar using the Desk Calendar icon. This opens the Business Calendar window listing all existing Business Calendars. Select the Calendar you wish to modify and click the right mouse to access the menu. Use the Edit Description option to change the description of the Business Calendar. The **Calendar** code is protected and once created cannot be changed. Click in the **Description** field to update the name of the calendar. Click *Apply* to save the changes. The Calendar **Description** will be updated and appear in future Business Calendar selection fields.

Business Calendars

Calendar	Description
MA1	MASSACHUSETTS
A01	MASTER HOLIDAY CALENDAR
BAY	TEST BUSINESS

Export...
Edit Description
Holiday Dates
Add
Delete
Filter...
Find...

OK Cancel Apply Help

Edit Business Calendar Description

Calendar: MA1

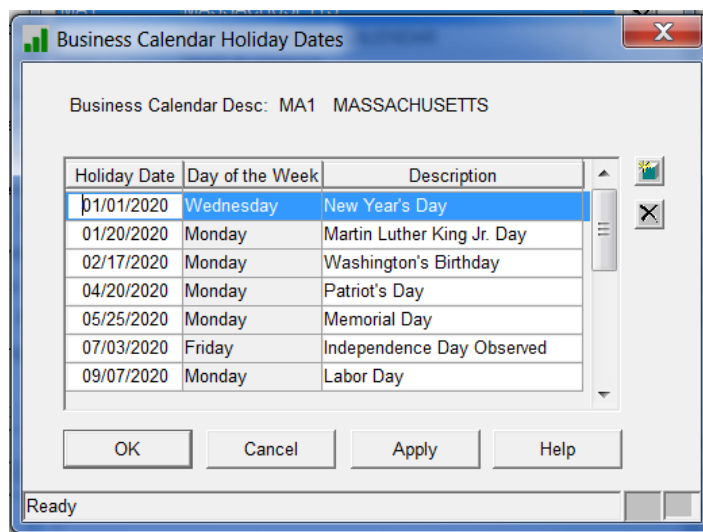
Description: MASSACHUSETTS

OK Cancel Apply Help

Ready

To Add or Modify Dates in an Existing Calendar

User's with appropriate authority can add or modify dates in existing Business Calendars. Select Business Calendars from the Tools menu while in the Adjustable Loan Module or from the Adjustable Loan Module specific toolbar. This opens the Business Calendar window listing all existing Business Calendars. Select the Calendar you wish to modify and click the right mouse to access the menu. Use the Holiday Dates option to open the Business Calendar Holiday Dates window. This window operates like the Holiday Dates window in the wizard. Use the Add icon or accelerator key (Ctrl +N) to add new dates. Highlight a date in the window and click the field to modify the information, or use the Delete icon or Ctrl +D to delete a date from the calendar. Use the OK button to save your changes and exit the Business Calendar Holiday Dates window, or click Apply to save changes made so far and continue working on the active Business Calendar.

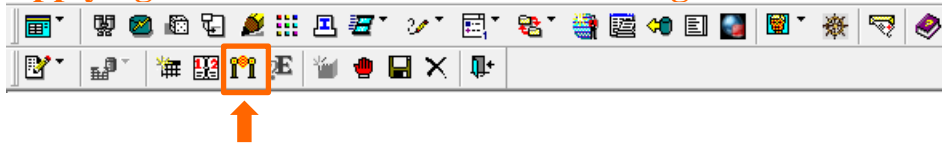


Note: To insure that processing continues as expected each year, McCracken recommends that you create and maintain Business Calendars with as much lead time as possible. A good rule of thumb would be to set a recurring process to maintain your business calendars for a period that is twice the length of your longest accrual period. (If you have loans with quarterly payments, you want to update your Business Calendars every 6 months). Remember that *STRATEGY* creates your receivable records one payment frequency period in advance, so you want to be sure that Business Calendar is properly updated to avoid file maintenance to correct any processing scheduled for a holiday that did not get entered.

These websites list banking holidays in the US and UK respectively.

<https://www.frb services.org/holidayschedules/> or <https://www.gov.uk/bank-holidays>

Applying Individual or Global Rate Changes

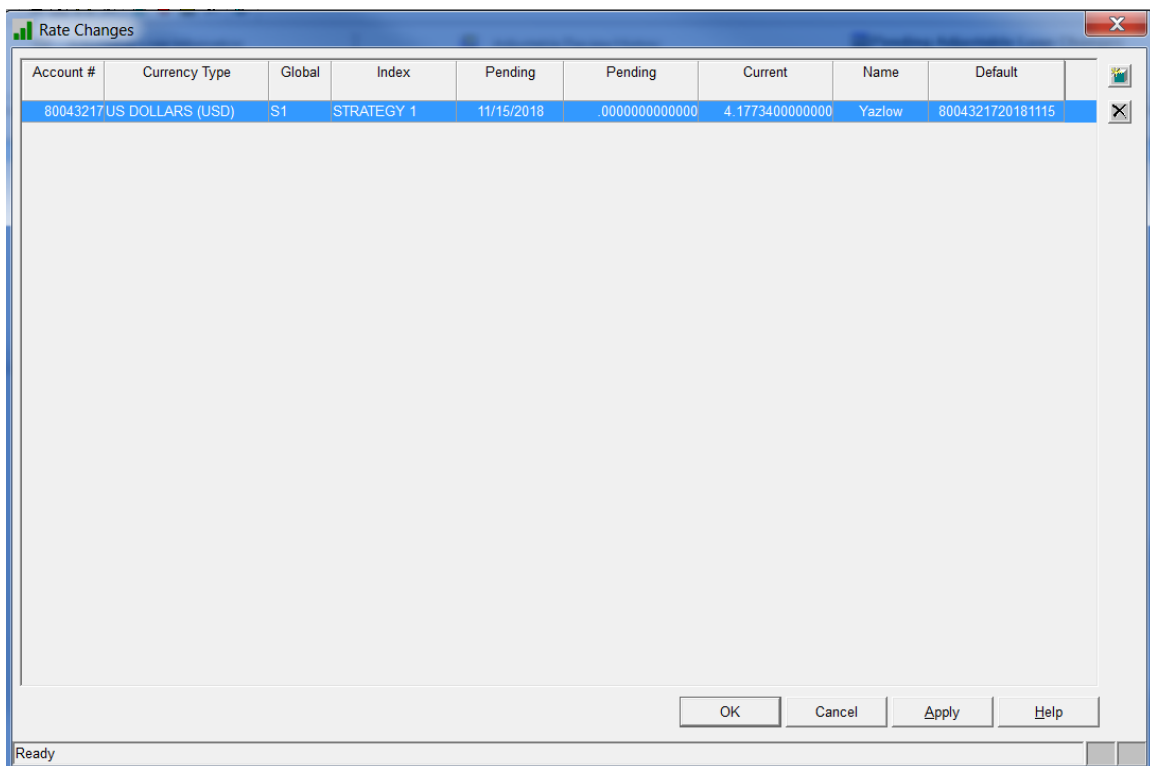


The Rate Changes feature allows users to create rate changes for a single loan or change the rate for all loans tied to a particular index or a Global Rate Change. The rate change may be created for a future change or backdated up to 25 days in the past (subject to System Control settings). This functionality is available for both adjustable and fixed rate loans.

When using the Rate Changes tool, rather than manually updating interest rates throughout the portfolio, *STRATEGY* processes the necessary updates to the Receivable record(s), the Accrual record(s), the Investor Master record(s), and Investor Remittance (“IREM”) record.

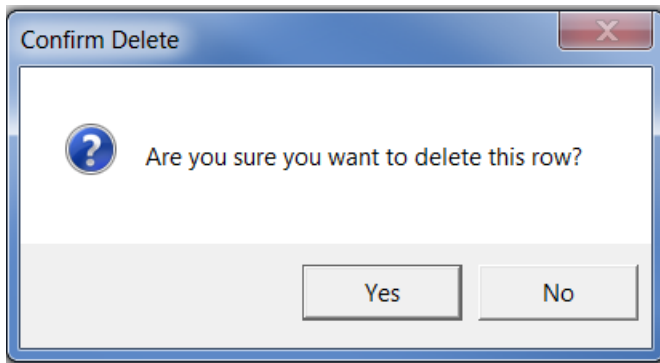
Access Rate Changes from the Tools menu by selecting Rate Changes, or select the icon with two columns from the module-specific toolbar.

When the Rate Changes window opens, it displays a grid of all pending rates changes for the portfolio.



View Rate Change Detail by highlighting the record and using the right mouse option to select Rate Change Information. The Rate Change Information window opens to display details about the Rate Change.

Rate Change records can be deleted by carefully selecting the Rate Change record you wish to delete and clicking on the Delete icon to the right of the grid or by selecting Delete from the right mouse menu. *STRATEGY* displays a Confirm Delete dialogue box.

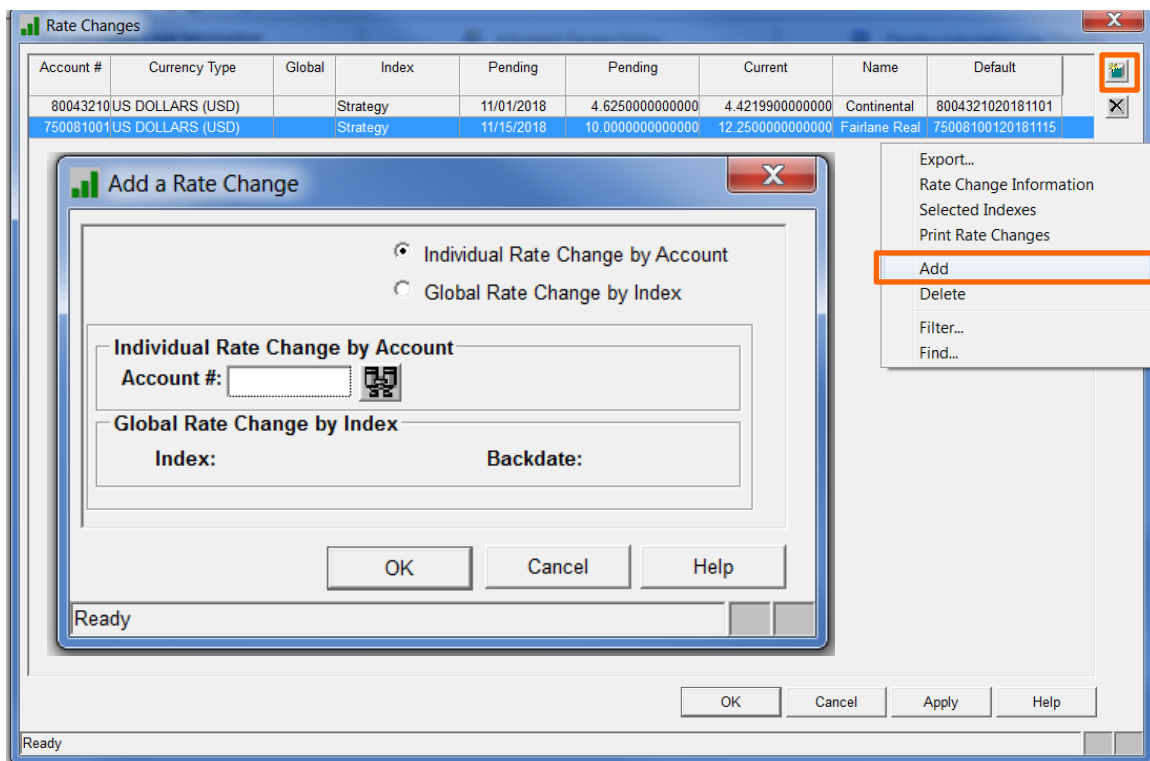


Clicking 'Yes' to the 'Are you sure you want to delete this row?' message deletes the selected Rate Change record permanently and returns you to the Rate Changes window.

Clicking 'No', cancels the delete request and returns you to the Rate Changes window, the selected record remains.

Adding an Individual Rate Change Record

To add a Rate Change record for an individual loan (this can be an Adjustable Rate Loan or a Fixed Rate Loan) click the 'New' icon to the right of the Rate Changes grid, or select 'Add' from the right mouse menu.



This opens the Add a Rate Change dialogue box. Radio buttons in the upper right allow you to choose between adding a rate change for a single loan (Individual Rate Change by Account) or changing rates for all loans with the same Index (Global Rate Change by Index).

An Individual Rate Change is the default view. Type in the **Account #** or use the Binocular icon to Search for the loan number.

- OK – continues the Rate Change flow, taking you to the Rate Change Information window.
- Cancel – cancels the Rate Change and returns you to the Rate Changes window.

Once you have selected your loan number and clicked okay to proceed with the Individual Rate Change, *STRATEGY* opens the Rate Change Information window so you can enter the loan level rate change and investor level rate change for the selected loan..

Inv #	Inv Name	Current Net Yield Rate %	Current Serv Fee Rate %	Current Guar Fee Rate %	Current Exc Yield Rate %	New Net Yield Rate %	New Serv Fee Rate %	New Excess Yield Rate %
800	BANK OF ST	4.27400000000000	.12500000000000	.00000000000000	.00000000000000	4.37500000000000	.12500000000000	.00000000000000

Enter Loan Level information at the top of the Rate Change Information window.

Effective Date is the date that the rate change will take effect. Interest is generally collected in arrears, so to be sure that the receivables is built using the correct interest rate, you would generally enter an Effective Date that is one payment frequency ahead of the first payment date of the payment date the rate will take effect.

New Interest Rate %: Enter the New Interest Rate for your loan.

New Annual Percentage Rate %: Generally this is the same as your interest rate.

Enter Investor Rate Information for the active loan at the bottom of the Rate Change Information window.

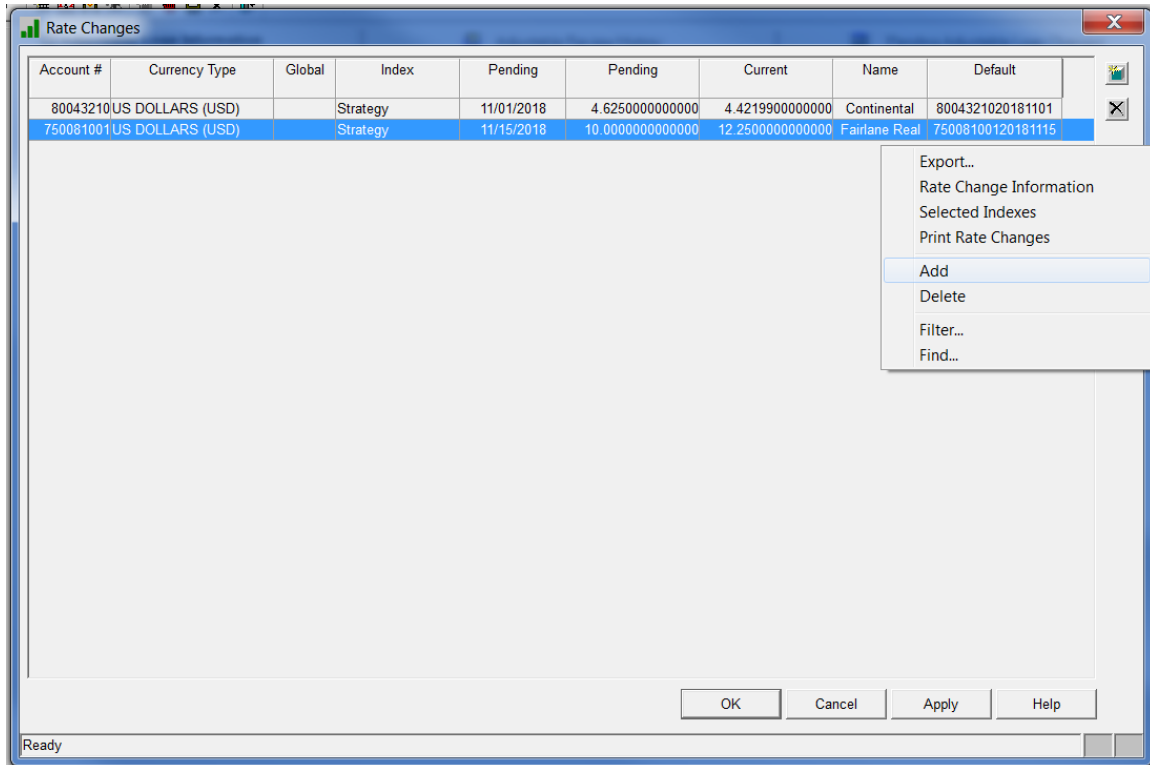
The Investor Rate Information portion of the screen will display one line for each active Investor on the loan. Users can update the New Net Yield Rate % field (New Interest Rate % less Current Serv Fee Rate %) for each investor. *STRATEGY* will calculate the New Excess Net Yield Rate.

- Clicking OK saves your changes and closes the Rate Change Information window returning you to the Rate Changes window.
- Cancel returns you to the Rate Changes window without saving the Rate Change.
- Apply saves your changes. You remain on the Rate Change Information window.

Global Rate Changes

To change all loans that use the same Index, use the Global Rate Change feature. Select the Rate Change feature. Adjustable Rate Module>Tools>Rate Change.

This opens the Rate Change window displaying all pending Rate Changes.



Click Add on the right mouse menu or click the New icon to the right of the Rate Changes grid to open the Add a Rate Change window.

Select the Global Rate Change by Index radio button.

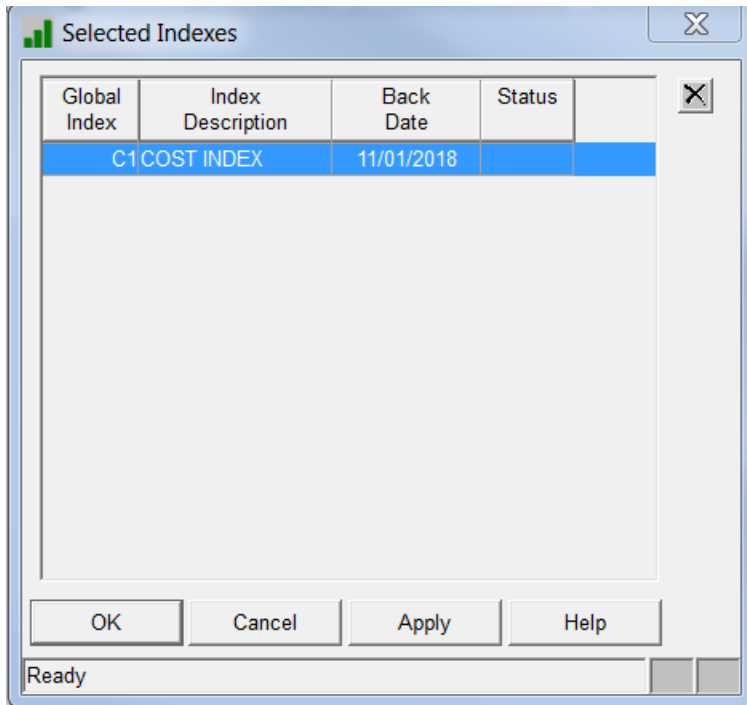
Select the Index to which you wish to apply the backdated rate change from the Index drop down.

The ellipsis button next to the Index can also be used view the Adjustable Loan Indexes window (and update if you have security).

Enter the date the Index Rate should be effective for in the Backdate field.

Clicking Okay displays the confirmation message showing the rate and date of for the Index.

Using the right mouse menu, click Selected Indexes to view all Indexes scheduled to update globally.



Pending Rate Changes

The Pending rate change will remain in the Rate Changes window until after the day end of the Effective Date when *STRATEGY* processes the Rate Change.

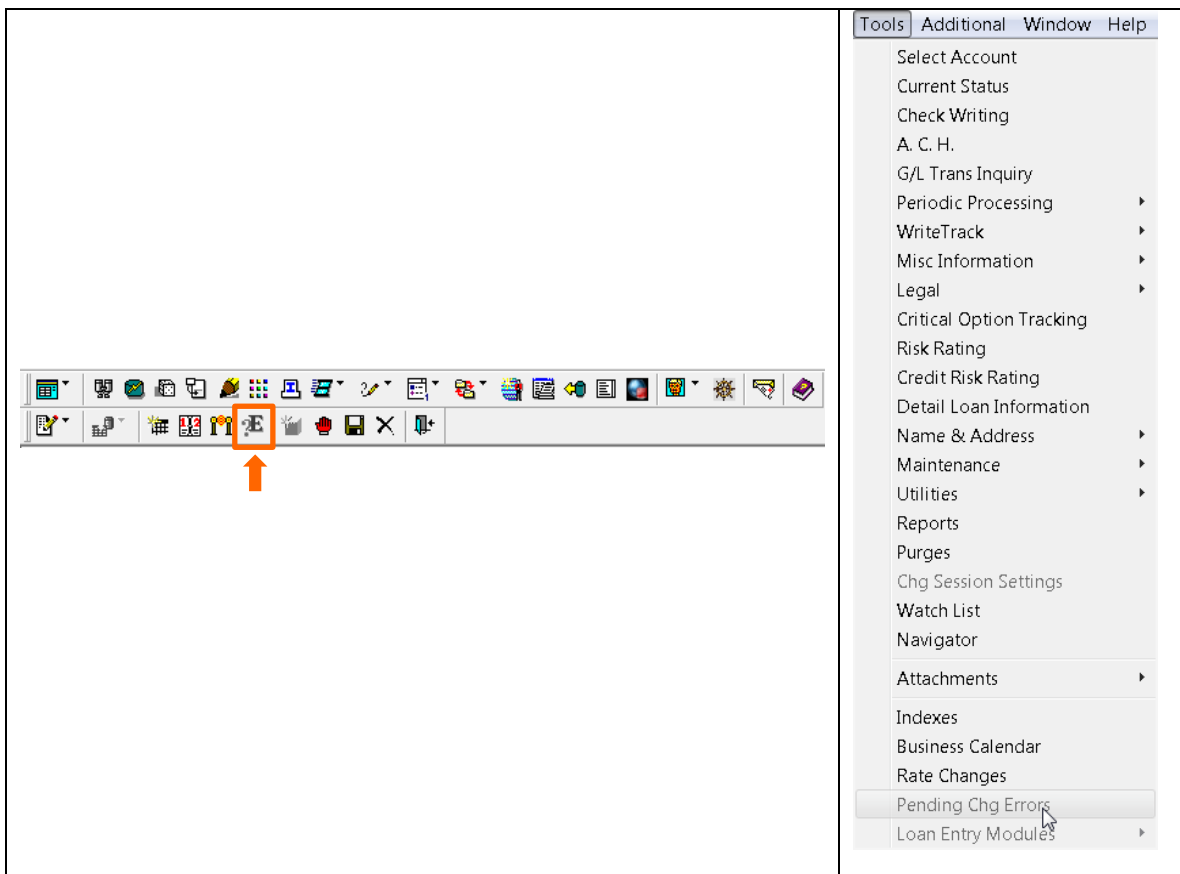
Pending Change Errors

When selecting the Pending Adjustable Loan Changes tab, a program runs checking for error conditions based on the changes outlined in the record that will take effect.

If *STRATEGY* determines an error condition exists the following will take place when the tab opens:

- A window showing the error will be displayed:
- The Effective Date of the 1st Pending Change record with the error will appear at the top of the Pending Loan Change Error window.
- The error conditions found for the Pending Adjustable Loan record with the Effective Date shown display in the window.
- Users can not add additional pending changes until the condition is resolved.

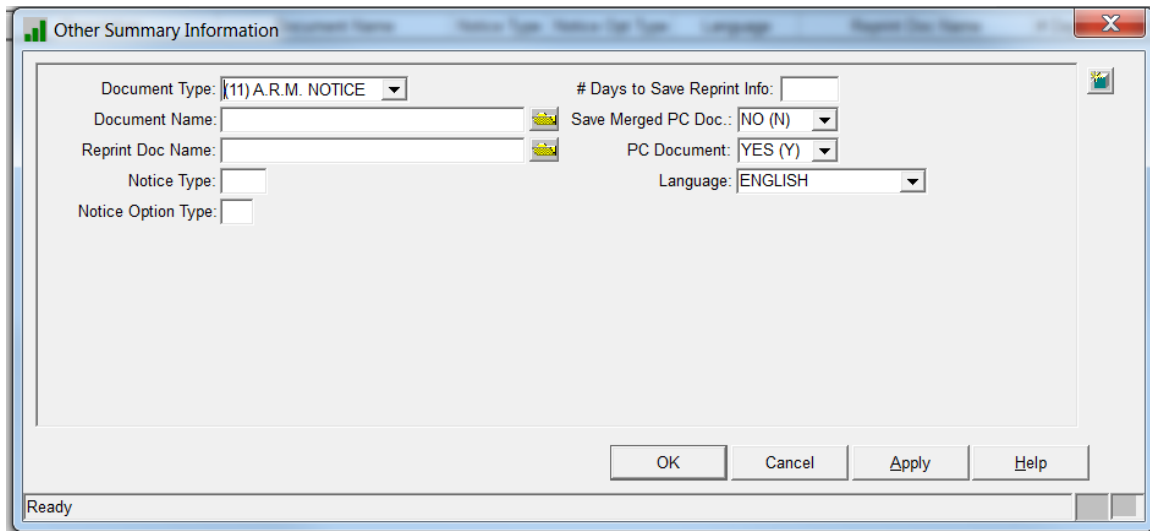
The Pending Change Error feature can also be accessed from the Tools menu while in the Adjustable Loan module or from module specific toolbar. The option is only accessible Pending Change Errors exist. If there are no Pending Change Errors, the option is disabled.



Notices

Adjustable Loan Document Information Records

WriteTrack allows you to design your own forms and notices using Microsoft Word®. Using Other Summary Documents, A.R.M. Notices (11) in conjunction with Adjustable Loans Processing:



When adjustable loan notices print, *STRATEGY* checks the Adjustable Loan record (PARM) for each account to see whether the rate has changed, then prints the appropriate notice. You must create a minimum of two notice types - one that prints when the rate changes, and one that prints when the rate has not changed.

The Notice Type and Notice Option Type allow you to define notices that vary from loan program to loan program.

Notice Type: Select the appropriate Adjustable Loan Description (ARM Type from System Information) for the Notice you are creating.

Notice Option Type: Select A for Notices applicable when the index rate has changed, and B for Notices applicable when the index rate has not changed.

See the WriteTrack manual for more information about creating Notices.

Field Number/Name for PC Merge Documents

Document Type: 11 - A.R.M. NOTICE

Number	Name	Type	Len	Dec	Description
1	ARDPRT	A/N	12		Date printed
2	ARCNAM	A/N	60		Customer name
3	ARSALU	A/N	60		Salutation

Number	Name	Type	Len	Dec	Description
4	ARACCT	A/N	10		Account number
5	ARPRP1	A/N	34		Description of property (line one)
6	ARPRP2	A/N	42		Description of property (line two)
7	ARPID	A/N	12		Payment installment date
8	ARNTTP	N	11	2	New total payment
9	ARNPI	N	9	2	New P&I payment
10	ARTESC	N	9	2	Tax escrow constant
11	ARNIND	N	7	5	New index
12	ARICD	A/N	30		Index code description
13	ARMARG	N	7	5	Margin
14	ARNRAT	N	7	5	New rate
15	ARLBAL	N	11	2	Loan balance
16	ARSERV	A/N	2		Servicer code
17	ARGNAM	A/N	30		GL company name
18	ARGADD	A/N	30		GL company address
19	ARGCTY	A/N	41		GL company city
20	ARSDAT	N	6	0	System date
21	ARRIC	N	7	5	Review increase cap
22	ARRDC	N	7	5	Review decrease cap
23	ARMXAR	N	7	5	Maximum allowable rate
24	ARMNAR	N	7	5	Minimum allowable rate
25	ARNRM	N	2	0	Month of new rate (loan balance as of date)
26	ARNRD	N	2	0	Day of new rate (loan balance as of date)
27	ARNRY	N	2	0	Year of new rate (loan balance as of date)
28	ARSIGN	A/N	1		Sign (-) or blank (for margin)
29	ARNPIM	N	2	0	New P&I payment month
30	ARNPID	N	2	0	New P&I payment day
31	ARNPIY	N	2	0	New P&I payment year
32	ARORAT	N	7	5	Original rate
33	ARNTOT	N	10	2	New total payment

Number	Name	Type	Len	Dec	Description
34	ARPIND	N	7	5	Prior index
35	ARPRAT	N	7	5	Prior rate
36	ARPIP	N	9	2	Prior P&I payment
37	ARACT	N	9	2	Actual P&I required to fully amortize the loan
38	ARIRNC	N	7	5	Interest rate exclusive of review cap
39	AROIDX	N	7	5	Original Index
40	ARADD1	A/N	60		Formatted Name & Address Line 1
41	ARADD2	A/N	60		Formatted Name & Address Line 2
42	ARADD3	A/N	60		Formatted Name & Address Line 3
43	ARADD4	A/N	60		Formatted Name & Address Line 4
44	ARADD5	A/N	60		Formatted Name & Address Line 5
45	ARADD6	A/N	60		Formatted Name & Address Line 6
46	ARADI1	A/N	60		Additional Address Info Line 1
47	ARADI2	A/N	60		Additional Address Info Line 2
48	ARCPYT	A/N	12		Document Distribution Copy Text

System Control

Strategy's System Control settings for Adjustable Rate loans include the ability to allow users to enter Index values equal to or less than zero, and to set minimum and maximum values for a variety of Constant and Constraints.

Tools >Maintenance>System Control>General>Processing

When the value in the System Control>General>Processing option **Allow Negative Index** is set to "Yes", the following Index fields in the Adjustable Loan Information screen, Adjustable Loan History, and Pending ARM Changes will allow the entry of Index Rates values that are less than zero (Negative Index Rates)..

The screenshot shows the 'System Control' application window with the 'General' section selected. The 'Processing' option is highlighted in the left-hand navigation pane. The main content area displays several configuration sections:

- Number of Days Allowed to Back Date**
 - Global Rate Changes**
 - Daily Reviewable: 25
 - Monthly Reviewable: 25
 - Individual Rate Changes**
 - Payments: 61
- Check Processing**
 - Increment Check # with 4 Digit Prefix: NO (N)
 - Use Security for Check #: NO (N)
 - Check Form #: 1
 - Laser Check Form # Style: [dropdown]
 - Print Signature on Laser Check: YES (Y)
- Auto Display Loan Alerts**
 - Current Status: YES (Y)
 - Transaction Processing: YES (Y)
 - Payoff Quote: YES (Y)
- Adjustable Loan**
 - Allow Negative Index: YES (Y) ←

Tools>Maintenance>System Control>General>Allowable Values

During system setup your system administrator would have set minimum and maximum values for Adjustable Loan parameters. Strategy's Adjustable Loan module will validate entries against the low and high values to make sure that your company's lending limits and policies are maintained.

Adjustable Loan Information

Base Index % values set here represents the lowest Index Rate value and highest Index Rate value that can be entered for the data library.

of Months for Change Frequency represents the low and high values that can be entered in the rate change frequency field.

Constants and Constraints

The remaining fields in the Adjustable Loan Information Section represent low and high values for parameters such as Interest Rate (Floor)% and Interest Rate (Ceiling)% that are found on the Constants and Constraints window in the Adjustable Loan wizard.

	Low	High
Interest Rate %:	0.000000000000	20.000000000000
APR %:	0.000000000000	20.000000000000
Late Charge Rate %:	2.000000000000	10.000000000000
Term (Years):	0	40

	Low	High
Interest Rate (Floor) %:	3.000000000000	12.250000000000
Interest Rate (Ceiling) %:	3.000000000000	20.000000000000
Minimum Adj Per Review %:	0.125000000000	4.000000000000
Review Increase Cap %:	5.000000000000	10.000000000000
Review Decrease Cap %:	5.000000000000	10.000000000000
Base Index %:	0.500000000000	15.000000000000
Margin (+ or -) %:	-04.000000000000	06.000000000000
Rounding Factor %:	.000100000000	.750000000000
P&I Increase Cap %:	0.001000000000	99.999000000000
P&I Decrease Cap %:	0.100000000000	99.900000000000
P&I Increase Cap \$:	0	0
P&I Decrease Cap \$:	0	0
# of Months for Change Frequency:	1	120

Reports

On-demand Reports

- ARM Notices/Print Only
- ARM Rate Review Report
- ARM listing by Investor

Period End Reports

- CMB173R – Dayend - Adjustable Rate Reviews for backdating – Rates backdated on that day
- CMB173E – Dayend - ARM Automated File Maintenance Report – Updates to the Master file with automated Rate and Payment Updates.
- CMB 173 Reports - Monthend –
 - Rate Analysis, Exception List and Summary.
 - Adjustable Loan Master Pmt Type Changes

Appendix:

Master File: Payment Types

The Payment types entered in the Master file determine how *STRATEGY* calculates the Principal and Interest Payments on a loan. When processing an Adjustable Rate Loan, the Payment Types and Adjustable Method Codes must work together to calculate interest appropriately. Certain limitations and edits may be applied during processing to insure the loan will process correctly.

Payment Type	Description
--------------	-------------

A	Date of Payment to Date of Payment
B	Date of Payment to Date of Payment with Negative Amortization
F	Commercial Not Fully Funded
G	Negative Amortization Allowed
I	Interest Only
P	Regular Amortizing
Q	Fixed Principal + Interest
D	Rule of 78ths Payment Processing
E	Escrow Servicing Only Processing
1	Horizontal Payments – Amounts Ahead
2	Horizontal Payment
3	Date of Payment – Date of Payment: Amounts Ahead

Setting Up/Maintaining a New Loan

When you first enter the Adjustable Loan module, *STRATEGY* presents the Adjustable Loan Information tab. The tab will either show the Adjustable Loan Information in read only mode (existing Adjustable Loan record), or it will display a message depending on the Payment Type in the loan's master record (CMPYT/PMASSTR).

Contract Type in PMASSTR (CMCOT)	Payment Type in PMASSTR (CMPYT)	Adjustable Loan Record Exists CML#/PMASSTR = ABLN/PARM	Message Displayed
----------------------------------	---------------------------------	--------------------------------------------------------	-------------------

A	A, B, F, G, I, P, Q	Yes	Displays the Adjustable Loan Info tab in Read Only Mode
A	A, B, F, G, I, P, Q	No	"There is no Adjustable Loan Record for this loan."
Anything	D, E, 1, 2, or 3	No	"An Adjustable Loan Record cannot be setup for this payment type."
F	A, B, F, G, I, P, Q	No	"The contract type for this loan is Fixed Rate. If an Adjustable Loan Record is added, it will not change the Interest Rate or P&I Payment for this loan unless the contract type is changed."

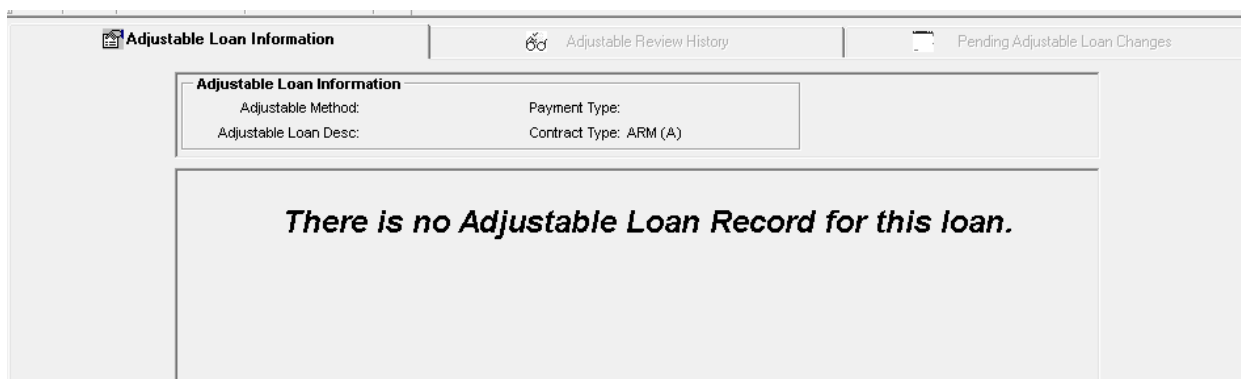



FIGURE 8-IF THE CONTRACT TYPE IN THE MASTER INFO IS SET TO ADJUSTABLE, BUT NO ADJUSTABLE RECORD EXISTS, THE SCREEN WILL BE BLANK AND DISPLAY THE ABOVE NOTICE.

To add an Adjustable Loan record, click the New () icon, or click “Ctrl+N”. Users must have ‘Write’ authority to Adjustable Loan Information to add a record.

Note: A loan can only have one Adjustable Loan Record. Users must modify the existing ARM Loan Information or set Pending Adjustable Loan Changes up to change how *STRATEGY* will review and change the rate or payment.

Glossary

Index - This is a published interest rate, such as the prime rate, LIBOR, T-bill rate, the 11th District COFI, or the new SOFR rates. Lenders use indexes to establish interest rates charged on mortgages. Lenders frequently add margins to an index, or perform other calculations or comparisons with the Index to determine the interest rate on a loan.

Margin – Spread applied to an index to determine the interest rate. The margin can be added to, subtracted from, or multiplied against the index to determine the new interest rate.

Spread Adjustment – Additional amount applied to loans transitioning from rates based on LIBOR to rates based on SOFR.

Adjustable Loan Method – defines the calculations taken to determine a new interest rate on a loan.

Business Calendar – Calendar in *STRATEGY* that denotes holidays. Used by *STRATEGY* to exclude certain functions from processing on weekends or entered holidays. Each data library can have multiple Business Calendars.

