



Highlights

Update Release 19F

Compatible Releases:

The contents of this document is intended for the use of our customers only and is not intended for distribution to those individuals who do not have a need to know to do their job.

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Introduction

When recommending the Standard Overnight Finance Rate (SOFR) to replace the retiring USD LIBOR rates, the Alternative Rate References Committee (the ARRC) has defined 4 rate methodologies related to the use of SOFR rates.

McCracken supports the following 3 rate methodologies for new loans using the SOFR index today with no additional updates to the software.

1 – Daily Simple SOFR in Arrears

- Strategy supports daily reviewable simple interest loans

2 – Forward Looking SOFR Term Rate

- New Term Rate to be published by 2021. Will work the same as LIBOR in Strategy

3 – SOFR Compounded Rate in Advance

- A new SOFR Index will be published in first half of 2020. Indices to be published include tenures of 30, 90, and 180 days. Will work the same as LIBOR in Strategy.
- Fannie Mae and Freddie Mac both announced earlier their plans to move forward using a Compounded in Advance tenured rate.

The above three methodologies are supported in Strategy today, for loans transitioning from LIBOR to SOFR.

- Strategy supports the ability to use two different margins in conjunction with an Index to calculate a new interest rate.
 - Users can select ARM Method Code ‘P’ to utilize the fields Operator #1 (ADD), Margin #1 % (Margin from loan documents) and Operator #2 (ADD), and Margin #2 % (Spread Adjustment) in conjunction with any of the 3 SOFR rates above to calculate the new interest rate for the loan.

Update 19F supports the 4th rate methodology, Compounded In Arrears. The ARRC has provided two different compounding calculations. This patch provides new Adjustable Methods to support the calculation of interest using either the Compounding the Rate (Rate I), or Compounding Using the Balance (Rate II) calculations for both New Loans and for loans transitioning from LIBOR using a spread adjustment to level the net yield between SOFR and LIBOR.

This Update to Strategy also includes a new file to support IRS reporting changes for 2020. As a result of the PATH Act, and an increase in independent contractors who do not receive a W2, the IRS has re-established the 1099 NEC form to report nonemployee compensation to be used instead of the 1099 MISC. The change will report Vendor payments in a file that can be exported to create the 1099 NEC.

The Update also includes some fixes to correct day end errors and vulnerability patches to browser based components.

New Adjustable Loan Methods (Formula Codes)

The ARRC has recommended two rate calculations for compounding interest in arrears, Compound the Rate (Rate I) and Compound with the Balance (Rate II). These rate calculation methods will be used primarily with syndicated loans. To support the Compound the Rate (Rate I) and Compound with the Balance (Rate II) methods defined by the ARRC, and to accommodate the use of a spread adjustment required for loans transitioning from LIBOR, we have added four new Adjustable Methods to Strategy.

| Method | Code | Description |
|---|------|---|
| Compounding the Rate Simple Margin | 6 | <ul style="list-style-type: none"> Uses Compounding in Arrears Rate 1 Calculation. Only a simple margin is considered. For new loans using Compounding in Arrears, Compound the Rate |
| Two Ops Compound % Simple Margin with Spread Adjustment | T | <ul style="list-style-type: none"> Uses Compounding in Arrears Rate 1 Calculation – Simple Margin and a Spread Adjustment Intended for existing loans transitioning from LIBOR, Compound the Rate |
| Compounding with the Balance Simple Margin | 7 | <ul style="list-style-type: none"> Uses Compounding in Arrears Rate 2 Calculation. Only a simple margin is considered. Intended for new loans using Compounding in Arrears, Compounding with the Balance |
| Two Ops Compound% Simple Margin with Spread Adjustment | 3 | <ul style="list-style-type: none"> Uses Compounding in Arrears Rate 2 Calculation – both Simple Margin and a Spread Adjustment are considered. Intended for existing loans transitioning from LIBOR, Compounding with the Balance |

There is a new Strategy build to allow users to select the new Adjustable Methods described below.

Adjustable Loan Update Wizard

Enter Adjust

Payment Type: REG AMORT (P)
Contract Type: ARIM (A)

New Loan: NO (N)

Adjustable Loan Desc: LIBOR30DAY (LD)

Adjustable Method: **STANDARD (6)**

% INCREASE/CHG TO FIXED RATE (D)
 RATE IS A % OF THE INDEX (K)
 TWO OPS COMPOUND %1 SIMP MARG (T)
 TWO OPS COMPOUND %2 SIMP MARG (3)
 EXCEPTION (HANDLE MANUALLY) (E)

Ready

System Information Maintenance

Code ID: AF FORMULA CODE
Code Size: 1

Strategy Maintained Code

| Code | Full Description | Short Description |
|------|--------------------------------|-------------------|
| J | SAME AS 'A'(WITH PERIODIC CAP) | PERIODIC |
| A | STANDARD (USED FOR T-BILL IDX) | STANDARD |
| 6 | STANDARD COMPOUND %1 SIMP MARG | STDCMP%1SM |
| 7 | STANDARD COMPOUND %2 SIMP MARG | STDCMP%2SM |
| T | TWO OPS COMPOUND %1 SIMP MARG | 2OPCMP%1SM |
| 3 | TWO OPS COMPOUND %2 SIMP MARG | 2OPCMP%2SM |

Code: D

Short Description: % INCR/CHG

Full Description: % INCREASE/CHG TO FIXED RATE

Sort Description: % INCR/CHG

Ready

1- ADJUSTABLE LOAN MODULE>ADJUSTABLE LOAN
INFO>ADD OR UPDATE ADJ LOAN INFO

Requirements/Limitations for Using Compounding in Arrears Adjustable Methods

Loan Requirements for using Compounding in Arrears

- Loan Payment Type must be: (Loan Administration>Master Tab>Payment & Billing)
 - G (Negative Amortization Allowed),
 - I (Interest Only); or
 - Q (Fixed Principal plus Interest)
- Cannot use Due Date Bill (Billing Cycle cannot be 'D') (Loan Administration>Master Tab>Payment & Billing)
- Cannot be Interest Basis Code A60 (30/360) (Loan Administration>Master Info>Contract panel)
- DIAL Type must be '0' if using Compounding in Arrears (Adjustable Methods 'T' '3' '6' or '7')

Adjustable Loans Using Compounding in Arrears

- Must be a Daily Reviewable Adjustable Rate Loan, Frequency 1 (Adjustable Loan Wizard>Adjustable Loan Info)
 - Monthly or Daily Review set to Daily
 - Rate Change Frequency set to '1'
- Use Business Calendar for Change Date must be 'Y' if Adjustable Method is either 'T' '3' '6' or '7' and Lookback Days is > 0.
- When using Adjustable Methods 'T' or '3', Operator #1 and Operator #2 must both be 'A' for 'Add'.

How Strategy Calculates Compounding in Arrears

The new Adjustable Rate methods call a new program to do the calculations for loans using the Compounding in Arrears Formula Codes. Strategy saves the Total Daily Compounded Accrued Interest and all the components used to calculate that value in the new file PCMPNDSOFR.

- The Effective Margin Rate and Simple Margin Accrued Interest calculations will only be done if a Margin (Interest Rate Margin % ABMARG or Margin #1% ABSPD1) was entered. If no Margin is entered, the Simple Margin Accrued Interest will be zero.
- The Effective Spread Adjustment and Simple Spread Adjustment Accrued Interest calculations will only be done if a Spread Adjustment is entered, Margin #2% (ABSPD2). If no Spread Adjustment is entered, the Spread Adj Accrued Interest will be zero
- To calculate the Effective Rate, Strategy will derive the SOFR index rate by taking the all in rate (ARCRAT) from the ARM History file and subtracting out the Interest Rate Margin %, Margin 1%, and the Margin 2%. This simplifies calculations for working with Floors and Ceilings and individual back dated rate changes but effectively uses the same Index value used to create the New Interest Rate or All-in-Rate found in the PARMH file.
- Loans that have been assigned an Interest Basis Code of A60 (30 days / 360 day year) cannot use the Compounding in Arrears Adjustable Methods.
 - Strategy will calculate interest based on the number of days in a year stated in the Interest Basis Code assigned to the loan.
 - 360 days in a year is used for Interest Basis Codes B65, B66
 - 365 days in a year is used for Interest Basis Codes A65, A66 (if it is not a leap year)
 - 366 days in a year is used for Interest Basis Code A66 (if it is a leap year)
- For the calculations below, the # of Business Days is calculated as follows:
 - For normal processing (Monday through Thursday without any holidays) the # of business days would be '1'
 - For processing over a weekend (Friday through Sunday) the # of business days would be '3'

- The # of business days is adjusted for holidays (based on the Calendar you identify to be used for SOFR Compounding in Arrears). For example, if you had a Monday holiday the # of days on Friday would be 4 (processing for Friday through Monday).

NOTE: SOFR Rate is published by the Federal Reserve Bank of New York at 8 am ET every US business day using the SIFMA calendar. They are entered in the file PINDEX.

Rate I Calculation – Compounding the Balance

Used by Adjustable Method ‘6’ for new loans, uses Interest Rate Margin% (ABMARG)

Used by Adjustable Method ‘T’ for transitioning loans; uses Margin 1% and Margin2% to capture the margin and spread adjustment (ABSPD1 & ABSPD2).

| Result <i>Field in PCMNPDSOFR</i> | Calculations |
|--|--|
| Effective Rate <i>QZEFFRT</i> | # of Business Days * ((Interest Rate less the margin less the spread adjustment) / <i>number of days in year for interest basis code</i>) |
| Compounded Rate <i>QZCMPDR</i> | $((1 + (\text{Effective Rate}/100)) * (1 + (\text{Prior day Compounded Rate}/100)) - 1) * 100$ |
| Compounded Rate Accrued Interest <i>QZINDACL</i> | $(\text{Unpaid Principal Balance} * \text{Compounded Rate}) / 100$ |
| Effective Margin Rate <i>QZFMARG</i> | # of Business Days * Margin Rate / <i>number of days in year for Interest Basis Code</i> |
| Simple Margin Accrued Interest <i>QZMRGACL</i> | $((\text{Effective Margin Rate} * \text{Unpaid Principal Balance}) / 100) / \text{\# of Business Days}$ |
| Effective Spread Adjustment Rate <i>QZFSPADJ</i> | # of Business Days * Spread Adjustment Rate / <i>number of days in year for Interest Basis Code</i> |
| Spread Adjustment Accrued Interest <i>QZSPRACL</i> | $((\text{Effective Spread Adjustment Rate} * \text{Unpaid Principal Balance}) / 100) / \text{\# of Business Days}$ |

| | |
|--|---|
| Total Accrued Interest on Compounding Rate, Margin & Spread Adjustment | $(\text{Simple Margin Accrued Interest} * \# \text{ of Business Days}) + \text{Compounded Rate Accrued Interest} + (\text{Spread Adjustment Accrued Interest} * \# \text{ of Business Days})$ |
| Daily Compounded Rate Accrued Interest | $(\text{Compounded Rate Accrued Interest} - \text{Compounded Rate Accrued Interest of Prior Day}) / \# \text{ of Business Days}$ |
| Total Daily Accrued Interest <i>QZDLYTOT</i> | $\text{Simple Margin Accrued Interest} + \text{Spread Adjustment Accrued Interest} + \text{Daily Compounded Rate Accrued Interest}$ |

Rate II Calculation – Compounding the Balance

Used by Adjustable Method ‘7’ for new loans, uses Interest Rate Margin% (ABMARG)

Used by Adjustable Method ‘3’ for transitioning loans; uses Margin 1% and Margin2% to capture the margin and spread adjustment (ABSPD1 & ABSPD2).

| Result | Calculations |
|---|--|
| Effective Rate <i>QZEFFRT</i> | $\# \text{ of Business Days} * ((\text{Interest Rate less the margin less the spread adjustment}) / \text{number of days in year for interest basis code})$ |
| Compounded Rate Accrued Interest <i>QZINDACL</i> | $(\text{Unpaid Principal Balance} * (\text{Effective Rate}/100)) + ((1 + (\text{Effective Rate}/100)) * \text{Accrued Interest of Prior Day})$ |
| Effective Margin Rate <i>QZFMARG</i> | $(\# \text{ of Business Days} * \text{Margin Rate}) / \text{number of days in year for interest basis code}$ |
| Simple Margin Accrued Interest <i>QZMRGACL</i> | $((\text{Effective Margin Rate} * \text{Unpaid Principal Balance})/100) * \# \text{ of Business Days}$ |
| Effective Spread Adjustment Rate <i>QZSPRADJ</i> | $(\# \text{ of Business Days} * \text{Spread Adjustment Rate}) / \text{number of days in year for Interest Basis Code}$ |
| Spread Adjustment Accrued Interest <i>QZSPRACL</i> | $((\text{Effective Spread Adjustment Rate} * \text{Unpaid Principal Balance})/100) / \# \text{ of Business Days}$ |
| Total Accrued Interest on Compounding Rate, Margin and Spread Adjustment | $\text{Compounded Rate Accrued Interest} + (\text{Effective Margin Accrued Interest} * \# \text{ of Business Days}) + (\text{Effective Spread Adjustment Accrued Interest} * \# \text{ of Business Days})$ |
| Daily Compounded Rate Accrued Interest | $(\text{Compounded Rate Accrued Interest} - \text{Compounded Rate Accrued Interest of Prior Day}) / \# \text{ of Business Days}$ |
| Total Daily Accrued Interest <i>QZDLYTOT</i> | $\text{Simple Margin Accrued Interest} + \text{Spread Adjustment Accrued Interest} + \text{Daily Compounded Rate Accrued Interest}$ |

NOTE: See the accompanying spreadsheet ‘Example spreadsheet of Rate I and Rate II’ for examples of the calculations.

Strategy Compounding in Arrears:

Calculating Interest – Zero Interest Rate or Negative Index Rate

The first step in calculating the compounded in arrears rate is to calculate the Effective Rate.

All-in-Rate = New Interest Rate from the most recent PARMH record (ARCRAT)

Calculated Index Rate (SOFR Rate) = (All-in-Rate – Interest Rate Margin% – Margin #1% - Spread Adjustment)

NOTE: When using Two Ops (Adjustable Methods P, T, &3) always enter the Margin in Margin #1% and the Spread Adjustment in Margin#2%

Effective Rate = # Business Days* (Calculated Index Rate / *number of days in year for interest basis code*)

The Interest for the Margin and Spread are calculated separately. The Margin and Spread are not compounded. Total Interest will be equal to the sum of the Compounded Interest + Margin Interest + Spread Adjustment Interest

If the All-in-Rate is Zero OR the Calculated Index Rate (SOFR Rate) is negative, Strategy performs the following steps:

If the All-in-Rate is Zero:

- Total Interest, Compounded Interest, Margin Interest and Spread Adjustment Interest will all be Zero

If the Calculated Index Rate is a negative number:

- The Compounded Interest will be calculated using the negative Calculated Index Rate
- The Margin and Spread Adjustment Interest will be calculated (simple interest)
- The Total Interest will be calculated: Total Interest = Compounded Interest + Margin Interest + Spread Adjustment Interest
 - If the Total Interest is a positive number: the Interest amounts calculated will be used.
 - If the Total Interest is a negative number: the Total Interest, Compounded Interest, Margin Interest and Spread Adjustment Interest will all be set to zero.

Strategy Compounding in Arrears:

Applying Floors and Ceilings using Compounding in Arrears

Standard Compounding in Arrears – New Loans – Margin, No Spread Adjustment

Adjustable Methods 6, (Rate 1 – Compounding the Rate) and Adjustable Method 7, (Rate 2 – Compounding the Balance) will use the same logic that currently exists for Strategy Adjustable Method A (Standard Adjustable loan, Index + a Margin)

Two Operators Compounding in Arrears – Transitioning Loans – Margin + Spread Adjustment

The following applies to the Adjustable Methods T (Rate 1 – Compounding the Rate) and Adjustable Method 3 (Rate II – Compounding the Balance). Both methods use the Two Operators fields for Margin and Spread Adjustment.

When rate floors and/or ceilings are defined in the loan agreements, the floors and ceiling values should be entered in Strategy in the Constants and Constraints panel of the Adjustable Loan module inclusive of the Margin. If there is no Floor or Ceiling stated in the Agreement, put 0.00 in the appropriate fields on the Constants and Constraints panel.

For example:

- The agreement states a Floor of 1.0%. The Margin stated in the agreement is 0.5%. The value entered into the Interest Rate Floor % on the Constants and Constraints panel should be 1.5% (PARM/ABMIN).
- The agreement states a Ceiling of 4.00%, Margin of 0.5%. The value entered into the Interest Rate Ceiling % on the Constants and Constraints panel should be 4.5% (PARM/ABMAX).

NOTE: Math Operator #1 and Math Operator #2 must be Add (A).

Deferred Revenue & Expense

There are currently 2 Deferred Methods, Level Yield or Standard Interest, used to calculate interest recognition. If a loan is using Compounding in Arrears, the Level Yield Calculation has been modified to calculate the Effective Interest Rate for deferred items as follows:

Current Interest Rate from the PARM record (ABCRAT) less the Margin (Interest Rate Margin % or Margin #1 %) and less the Spread Adjustment (Margin #2 %) if applicable. The Effective Rate is then used to calculate the Compounded Rate Accrued Interest using either the Compounding the Rate or Compounding the Balance methods. The system then adds the Compounded Rate Accrued Interest to the Simple Margin Accrued Interest and the Spread Adjustment Accrued Interest to arrive at the Total Accrued Interest.

Backdated Rates (Global and Individual) for Compounding in Arrears

Global Rate Change by Index

- When a Global Rate Change by Index is processed, the applicable loans tied to the Index go through a re-review process in day end.
- Just as when the loan was originally reviewed, this re-review process updates the ARM History information as needed (New Rate %, New Index %, etc.)

When the loan using Compounding in Arrears is re-reviewed as part of the Global Rate Change process, the Index used to calculate the Effective Rate will be the New Interest Rate % minus the Interest Rate Margin%, minus the Margin #1 % and minus the Margin #2 %.

Individual Rate Change by Account (new changes)

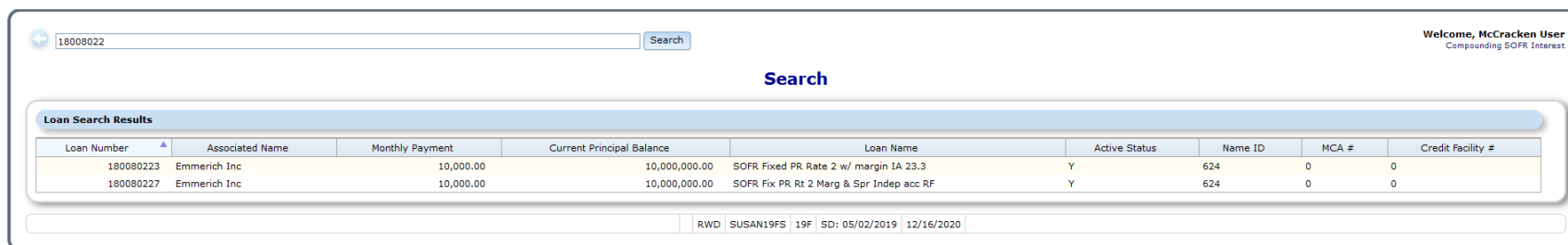
- When an Individual Rate Change by Account is processed, the loan does not go through a re-review because the user is providing the Rate. The ARM History records are not updated.
- Using SOFR Compounding in Arrears:
 - When a user enters the New Interest Rate % on the Individual Rate Change window, the rate should be the All-in-Rate inclusive of the Index, Margin, and Spread Adjustment.
 - The Individual Rate Change program will take the New Interest Rate % that the user entered for the Individual Rate Change, subtract the Margin and Spread Adjustment and that will be used as the Index to calculate the Effective Rate.

Review Calculations for Loans Compounding Interest in Arrears

To allow users the ability to review the Compounding Interest Calculations for loans using Compounding in Arrears and the individual components of the calculation, a new widget in the Portal displays the daily values calculated in much the same manner as Daily Balances and Rates and Investor Daily Balances and Rates.

Compounding SOFR Interest

Users can access the Compounding SOFR Interest widget from the Portal. The first page of the application is the loan search page. Users can locate loans using by entering a loan number, borrower name, etc. in much the same manner as with other Strategy browser based applications.



The screenshot shows a web application interface for searching loans. At the top, there is a search bar with the text "18008022" and a "Search" button. Below the search bar, the text "Search" is displayed in blue. The main section is titled "Loan Search Results" and contains a table with the following data:

| Loan Number | Associated Name | Monthly Payment | Current Principal Balance | Loan Name | Active Status | Name ID | MCA # | Credit Facility # |
|-------------|-----------------|-----------------|---------------------------|--|---------------|---------|-------|-------------------|
| 180080223 | Emmerich Inc | 10,000.00 | 10,000,000.00 | SOFR Fixed PR Rate 2 w/ margin 1A 23.3 | Y | 624 | 0 | 0 |
| 180080227 | Emmerich Inc | 10,000.00 | 10,000,000.00 | SOFR Fix PR Rt 2 Marg & Spr Indep acc RF | Y | 624 | 0 | 0 |

At the bottom of the table, there is a row of filters: RWD: SUSAN19FS 19F SD: 05/02/2019 12/16/2020.

When the loan number has been selected Strategy checks to ensure that the loan is using an Adjustable Method compatible with Compounding in Arrears (T, 3, 6, & 7). When the Compounding SOFR Interest page opens, an error will display if the loan is not using SOFR Compounding in Arrears. Users must hit Cancel and return to the Search page to select another loan.

The Compounding SOFR Interest page contains two sections: Filter results, and Compounding Interest Detail.

Because Compounding SOFR loans are daily reviewable, there can be a large number of records associated with the loan selected. The Filter Results page limits the number of records displayed to 300. The Filter Results section allows users to select a date range to assist with locating the appropriate records. Changing the date range reloads the Search Results with Compounding SOFR Interest records for the loan number displayed above the Review Date From box with a Review Date within the date range entered.

Search » Compounding SOFR Interest - 180080227

Compounding SOFR Interest

Filter Results

Loan Number

Review Date From Review Date To

2 - COMPOUNDING SOFR INTEREST - SELECT LOAN - USE REVIEW DATE FROM AND REVIEW DATE TO FIELDS TO LOCATE APPROPRIATE COMPOUNDING INTEREST RECORDS FROM PCMPNDSOFR

Selecting a record in the Filter Results grid displays the values in the Compounding Interest Detail at the bottom of the page. The page is read only.

Search » Compounding SOFR Interest - 180080237
 Welcome, McCracken User
Compounding SOFR Interest

Compounding SOFR Interest

Filter Results

Loan Number

Review Date From Review Date To

| Review Date | Number of Days | Adjustable Method | Index Description |
|-------------|----------------|-----------------------------------|-------------------|
| 04/01/2019 | 1 | TWO OPS COMPOUND %2 SIMP MARG (3) | SH |
| 04/02/2019 | 1 | TWO OPS COMPOUND %2 SIMP MARG (3) | SH |
| 04/03/2019 | 1 | TWO OPS COMPOUND %2 SIMP MARG (3) | SH |
| 04/04/2019 | 1 | TWO OPS COMPOUND %2 SIMP MARG (3) | SH |
| 04/05/2019 | 3 | TWO OPS COMPOUND %2 SIMP MARG (3) | SH |
| 04/06/2019 | 3 | TWO OPS COMPOUND %2 SIMP MARG (3) | SH |
| 04/07/2019 | 3 | TWO OPS COMPOUND %2 SIMP MARG (3) | SH |
| 04/08/2019 | 1 | TWO OPS COMPOUND %2 SIMP MARG (3) | SH |
| 04/09/2019 | 1 | TWO OPS COMPOUND %2 SIMP MARG (3) | SH |

Compounding Interest Detail

| | | | |
|-----------------------------------|-------------------|---|-------------------|
| Loan Number | 180080237 | Review Date | 04/05/2019 |
| Number of Days | 3 | Index Description | SH |
| Interest Basis Code | 866 | Index | 2.46 |
| Effective Rate | 0.0205 | Effective Margin | 0.00208333333333 |
| Compounded Rate | 0 | Scheduled Balance | 10,000,000.00 |
| Index Accrual Amount | 4786.952820355807 | Margin Accrual Amount | 69.44444444444444 |
| Daily Compounded Accrued Interest | 683.52 | Total Daily Compounded Accrued Interest | 822.41 |

3- SELECTING A RECORD IN THE FILTER RESULTS GRID DISPLAYS THE COMPOUNDING INTEREST DETAIL FROM PCMPNDSOFR

| | | | |
|--|--|---|----------------------------|
| Loan Number / QZLN | Review Date / QZDATE | Adjustable Method / QZFORM | |
| Number of Days / QZDAYS | Index Description / QZINDX | Margin / QZMARG | Spread Adjustment / QZSPD2 |
| Interest Basis Code / QZIBC | Index / QZCNDX | Effective Spread Adjustment / QZFSPADJ | |
| Effective Rate / QZEFFRT | Effective Margin / QZFMARG | | |
| Compounded Rate / QZCMPDR | Scheduled Balance / QZSCHBAL | | |
| Index Accrual Amount / QZINDACL | Margin Accrual Amount / QZMRGACL | Spread Adjustment Accrual Amount / QZSPRACL | |
| Daily Compounded Accrual Interest / QZDLYACL | Total Daily Compounded Accrual Interest / QZDLYTOT | | |

4 - THE ABOVE TABLE OUTLINES THE FIELDS FROM PCMPNDSOFR THAT POPULATE THE COMPOUNDING INTEREST DETAIL IN THE COMPOUNDING SOFR INTEREST WIDGET

SOFR Calendar

The Select SOFR Calendar button at the top of the page, opens a dialog box allowing the user with appropriate security to select the business calendar to be associated with SOFR Compounding in Arrears. At least one record is required in PSOFRCAL to correctly reference holidays when compounding interest in arrears.

[Search](#) » Compounding SOFR Interest - 180080227

Compounding SOFR Interest

Filter Results

NOTE: The ARRC recommends the use of the SIFMA calendar in conjunction with SOFR indices. The holidays referenced in the SIFMA calendar can be found at <https://www.sifma.org/resources/general/holiday-schedule/>. Use Adjustable Loan>Tools>Business Calendars to define a SIFMA business calendar. (See Adjustable Loans Manual, Working with Business Calendars for more information)

Select Business Calendar for SOFR

Calendar Code --

The Select SOFR Calendar button opens the Select Business Calendar for SOFR window allowing authorized users to select a business calendar to be used with Compounding in Arrears. If selected the value is stored in the new file PSOFRCAL. Business Calendars available for selection are defined in System Information, Table 'C5'.

Calculating Service Fees, Guarantee Fees and Net Yield with Compounding in Arrears

Loans using Compounding in Arrears will review daily, giving the loan the potential to accrue interest at a different rate every day. To ensure that the Investor's Net Yield, the Service Fees, and the Guarantee Fees are calculated correctly, Strategy will use the Investor Daily Balance and Rates file (PIDBNR). This file contains a record for each day for each investor on a loan where the Investor is set for Daily Accrual or the Loan is a SOFR Compounding in Arrears Interest Calculation (Adjustable Methods: 6,T, 3, 7). Each record contains the investor balance, Net Yield Per Diem, Service Fee Rate, Service Fee Per Diem, and Guarantee Fee Rate, Guarantee Fee Per Diem.

For loans that use Compounding in Arrears, the Daily Net Yield Amount or Net Yield Per Diem (PIQNYAMT) will be calculated using the Daily Interest calculated for the loan (PCMPNDSOFR/QZDLYTOT) multiplied the Investor's Percentage Owned (PIMST/IMPP), less the per diem for the Service Fee (PIDBNR/IQSRVAMT) and the per diem for the guarantee fee (PIDBNR/IQGFEEAMT). At the end of the period the Net Yield, Service Fee, and Guarantee Fees will be equal to the sum of the per diems in PIDBNR records for the Loan/Investor for that remittance period.

The Changes to Pending Adjustable Loans File

With the transition to SOFR, Strategy users may have a number of loans that need to be modified to support converting loans to SOFR or another industry Index from LIBOR. The ability to schedule the changes for a future date is helpful for efficiency and quality control purposes, however, not all fields that would need to be modified were available in the Pending Adjustable Changes file. With this Update 19F the PARMX file was modified to add fields needed to schedule changes to such adjustable loan parameters as Monthly or Daily Review, or the Two Operators fields including Margin #1 %, Margin #2 % needed to capture both a Margin and a Spread Adjustment.

This Update contains the following:

- [Modifications to PARMX file to add fields that may be required to update adjustable rate loans..](#)
- [New MaTi Template for uploading PARMX values in bulk](#)
- [New Portal Widget, Adjustable Loan, to view Pending Adjustable Loan details](#)

NOTE: Fields added to PARMX can only be viewed in the Adjustable Loan widget. The Adjustable Loan module tab for Pending Adjustable Changes was not modified in this update to display the new fields.

The modifications to PARMX incorporate 41 new fields including fields to identify the User and Date the record was created when the information was uploaded via the Mapping Tool.

Adjustable Loan Widget

The Adjustable Loan widget displays the Pending Adjustable Loan fields for creating, viewing or maintaining existing pending adjustable loan change records.

Accessed from the Portal, the new widget opens with a Search screen where users can search and select the appropriate loan to view, add, or update Pending Adjustable Loan Changes by clicking on the appropriate record.

750081001 Welcome, Strategy User
Adjustable Loan

Search

Loan Search Results

| Loan Number | Associated Name | Monthly Payment | Current Principal Balance | Loan Name | Active Status | Name ID | MCA # | Credit Facility # |
|-------------|-----------------|-----------------|---------------------------|------------|---------------|---------|-------|-------------------|
| 750081001 | Fairlane Realty | 15,000.00 | 2,075,118.79 | IRP neg am | Y | 108 | 0 | 0 |

SD: 01/01/2019 12/10/2020

A new window displays Pending Adjustable Loan Changes for the selected loan by Effective Date.

[Search](#) » Pending Adjustable Loan List - 750081001 Welcome, KIM17
Adjustable Loan

Pending Adjustable Loan Changes

Loan # 750081001 Adjustable Method FIXED % INCREASE (C) Monthly or Daily Review M

| Effective Date | Status | Adjustable Loan Description | Rate Change Frequency | Original Index/DIAL Base % | New Interest Rate % | Index Description | Date Imported from Mapping Tool |
|----------------|--------|-----------------------------|-----------------------|----------------------------|---------------------|-------------------|---------------------------------|
| 01/05/2019 | | LIBOR 30 DAY (LD) | 0 | | 12.25000000000000 | COST INDEX (C1) | |

SD: 01/01/2019 12/10/2020

NOTE: Reminder that each loan can have only one Pending Adjustable Change Record per Effective Date

If the loan does not have an adjustable loan information record an error message displays above the search results.

Search » Pending Adjustable Loan List - 30020108 Welcome, Strategy User
Adjustable Loan

Pending Adjustable Loan Changes

Cancel New ERROR - No adjustable loan record found

Loan # 30020108 Adjustable Method Monthly or Daily Review

| Effective Date | Status | Adjustable Loan Description | Rate Change Frequency | Original Index/DIAL Base % | New Interest Rate % | Index Description | Date Imported from Mapping Tool |
|----------------------------|--------|-----------------------------|-----------------------|----------------------------|---------------------|-------------------|---------------------------------|
| No data available in table | | | | | | | |

RWD DEVDAT19F 19F SD: 01/01/2019 12/10/2020

If the loan does not have any pending adjustable loan changes entered the search results displays a message 'No data available in table.'

Search » Pending Adjustable Loan List - 80043215 Welcome, Strategy User
Adjustable Loan

Pending Adjustable Loan Changes

Cancel New

Loan # 80043215 Adjustable Method STANDARD (USED FOR T-BILL IDX) (A) Monthly or Daily Review M

| Effective Date | Status | Adjustable Loan Description | Rate Change Frequency | Original Index/DIAL Base % | New Interest Rate % | Index Description | Date Imported from Mapping Tool |
|----------------------------|--------|-----------------------------|-----------------------|----------------------------|---------------------|-------------------|---------------------------------|
| No data available in table | | | | | | | |

RWD DEVDAT19F 19F SD: 01/01/2019 12/10/2020

Search » Pending Adjustable Loan List - 750081001 Welcome, KIM17
Adjustable Loan

Pending Adjustable Loan Changes

Cancel New

Loan # 750081001 Adjustable Method FIXED % INCREASE (C) Monthly or Daily Review M

| Effective Date | Status | Adjustable Loan Description | Rate Change Frequency | Original Index/DIAL Base % | New Interest Rate % | Index Description | Date Imported from Mapping Tool |
|----------------|--------|-----------------------------|-----------------------|----------------------------|---------------------|-------------------|---------------------------------|
| 01/05/2019 | | LIBOR 30 DAY (LD) | 0 | | 12.25000000000000 | COST INDEX (C1) | |

RWD DEVDAT19F 19F SD: 01/01/2019 12/10/2020

Clicking the appropriate record in the Pending Adjustable Loan Changes window opens the Pending Adjustable Loan Detail window.

Pending Adjustable Loan Changes Detail

Using the Pending Adjustable Loan Changes Detail window, a user with appropriate security can click New to create a new Pending Adjustable Change record (PARMX), modify an existing PARMX record or delete an existing PARMX record.

A user with appropriate security can add a new Pending Adjustable Loan Change record to an adjustable rate loan if there are no error messages on any existing PARMX records. If errors exist, the New button will be greyed out on the Pending Adjustable Loan Change Details page.

The Pending Adjustable Loan Changes Detail page displays in several sections: Effective Date & Adjustable Loan Description, Loan: Rate Information, Loan: P&I Information, Constants & Constraints: Rate Information, Constants & Constraints: P&I Information, and Pending Adjustable Loan Change Errors.

NOTE: The ARRC recommends making any changes to support the transition to SOFR on the first day of a new payment period. Users should set the Effective Date in a Pending Adjustable Loan Change record to be a Payment Anniversary Date.

Certain fields such as, Business Calendar, Use Business Calendar for Change Date, and Use Business Calendar for Review Date can be updated with blanks or zeros (depending on the data type). Fields that can be updated with blanks or zeros are displayed with a check box in front of the field label. When entering a change to the Pending Adjustable Loan Change Detail page, users can either check the box to indicate the value should be changed to blank or zero, or enter the appropriate data change into the field. If you check a box, the corresponding field will no longer be accessible for entry. If you remove the check mark, the field will become accessible and data can be entered. When a box is checked, the field for the check box in the PARMX record will be updated with a "Y". When a box field on the Pending Adjustable Change Detail page is unchecked, the field will be updated with a blank when the user hits **OK** or **Apply**.

If the user has appropriate security, clicking **OK** or **Apply** will save the record to PARMX and **Delete** will delete the record. **OK** returns the user to the Pending Adjustable Changes page and **Apply** reloads the existing Pending Adjustable Changes Detail page.

When a record is changed, added or deleted, Strategy calls the edit program. If there are still errors, then the error message will display on the Pending Adjustable Changes page if **OK** was clicked. If **Apply** was clicked to remain on the existing Pending Adjustable Loan Change Detail page, the Pending Adjustable Loan Change Errors grid at the bottom of the page will be repopulated with the error(s).

Search » Pending Adjustable Loan List - 80043213 » Pending Adjustable Loan Detail - New

Pending Adjustable Loan Change Detail

Loan # 80043213 Adjustable Method STANDARD (USED FOR T-BILL IDX) (A) Monthly or Daily Review M

Effective Date & Adjustable Loan Description

Status Date Imported from Mapping Tool Mapping Tool User

Effective Date Adjustable Method Adjustable Loan Description

Loan: Rate Information

Monthly or Daily Review Rate Chg Freq 0

Look Back Method Look Back Days For Rate Reviews 0 ☐ Business Calendar Rate Review Date Rate Chg Anniversary Date

☐ Use Business Calendar: Change Date ☐ Use Business Calendar: Review Date Rate Change Date New Interest Rate % 0.000000000000

☐ Original Index/DIAL Base % 0.000000000000 ☐ Maximum # Of Rate Reviews 0

Loan: P&I Payment Information

☐ P&I Change Freq 0 ☐ P&I Change Date ☐ P&I Re-Amortization Freq 0

☐ P&I Re-Amort Date ☐ New P&I Payment 0.00 ☐ P&I Amortization "To" Date

Constants & Constraints: Rate Information

☐ Interest Rate Margin (+ or -) 0.000000000000 ☐ Rate Rounding Method ☐ Rate Rounding Factor 0.000000000000

☐ Index Rounding Method ☐ Index Rounding Factor % 0.000000000000

☐ Rate Floor & Ceiling Exp Date ☐ Interest Rate Floor % 0.000000000000 ☐ Interest Rate Ceiling % 0.000000000000

☐ Rate Review Increase Cap % 0.000000000000 ☐ Rate Review Decrease Cap % 0.000000000000 ☐ Minimum Rate Adj Allowed 0.000000000000

☐ Period Rate Cap % 0.000000000000

☐ Math Operator #1 ☐ Margin #1 % 0.000000000000

☐ Math Operator #2 ☐ Margin/Spread #2 % 0.000000000000

Constants & Constraints: P&I Payment Information

☐ P&I Payment Method 0 ☐ P&I Payment Cap Expiration Date

☐ P&I Increase Cap % 0.000000000000 ☐ P&I Decrease Cap % 0.000000000000

☐ P&I Increase Cap \$ 0 ☐ P&I Decrease Cap \$ 0

☐ Round P&I Payment ☐ Interest Basis Code

Pending Adjustable Loan Change Errors

| Loan | Effective Date In Error |
|----------------------------|-------------------------|
| No data available in table | |

5- PENDING ADJUSTABLE LOAN CHANGES DETAIL WINDOW CROPPED ON THE RIGHT FOR EASE OF VIEWING

A Closer Look at the Pending Adjustable Loan Change Detail Screen

Section 1 of the Pending Loan Change Detail page

The top section or header of the Pending Adjustable Loan Change Detail page displays the Loan Number, Adjustable Method, and Monthly or Daily Review in the PARM file.as read only.

The Effective Date & Adjustable Loan Description display below the blue bar labeled as such. They include the Status of the Pending Adjustable Change Detail record as well as the Date Imported and User if the information in the record was uploaded via the Mapping Tool.

| | | |
|---|--|---|
| Loan # 80043213 | Adjustable Method STANDARD (USED FOR T-BILL IDX) (A) | Monthly or Daily Review M |
| Effective Date & Adjustable Loan Description | | |
| Status | Date Imported from Mapping Tool | Mapping Tool User |
| Effective Date 12/11/2020 | Adjustable Method STANDARD (USED FOR T-BILL IDX) | Adjustable Loan Description DAILY REVIEW (DY) |

6- SECTION 1 - HEADER - PENDING ADJUSTABLE LOAN CHANGES DETAIL PAGE.

Sections 2 & 3 of the Pending Adjustable Loan Changes page

Loan: Rate Information and Loan: P&I Information sections are used to apply future changes to the fields in the corresponding sections on the Adjustable Loan Information window.

| | | | |
|--|------------------|--|-------------------|
| Loan: Rate Information | | | |
| Monthly or Daily Review | DAILY (D) | Rate Chg Freq | 0 |
| Look Back Method | -- | <input checked="" type="checkbox"/> Look Back Days For Rate Reviews | 0 |
| Business Calendar Options | -- | <input checked="" type="checkbox"/> Use Business Calendar: Review Date | -- |
| <input checked="" type="checkbox"/> Use Business Calendar: Change Date | -- | <input type="checkbox"/> Rate Change Date | |
| Original Index/DIAL Base % | 0.03000000000000 | <input type="checkbox"/> New Interest Rate % | 12.25000000000000 |
| <input type="checkbox"/> Index Description | COST INDEX (C1) | <input checked="" type="checkbox"/> Maximum # Of Rate Reviews | 0 |
| | | <input checked="" type="checkbox"/> Business Calendar | -- |
| | | Rate Review Date | |
| | | Rate Chg Anniversary Date | 04/15/2034 |
| Loan: P&I Payment Information | | | |
| <input type="checkbox"/> P&I Change Freq | 9 | <input checked="" type="checkbox"/> P&I Change Date | |
| <input checked="" type="checkbox"/> P&I Re-Amort Date | | <input checked="" type="checkbox"/> New P&I Payment | 0.00 |
| | | <input checked="" type="checkbox"/> P&I Re-Amortization Freq | 0 |
| | | <input checked="" type="checkbox"/> P&I Amortization "To" Date | |

7- SECTION 2& 3 - PENDING ADJUSTABLE LOAN CHANGES DETAIL - LOAN INFORMATION FIELDS: RATE & P&I SECTIONS

Sections 4 & 5 of the Pending Adjustable Loan Changes page

The Constants & Constraints: Rate Information and Constants & Constraints: P&I Information are used to apply future changes to the fields in the corresponding sections on the Constants & Constraints window.

Constants & Constraints: Rate Information

| | | |
|---|--|---|
| <input checked="" type="checkbox"/> Interest Rate Margin (+ or -) <input style="width: 150px;" type="text" value="0.000000000000"/> <input checked="" type="checkbox"/> Index Rounding Method <input style="width: 150px;" type="text" value="--"/> <input type="checkbox"/> Rate Floor & Ceiling Exp Date <input style="width: 150px;" type="text" value="12/03/2020"/> <input checked="" type="checkbox"/> Rate Review Increase Cap % <input style="width: 150px;" type="text" value="0.000000000000"/> <input checked="" type="checkbox"/> Period Rate Cap % <input style="width: 150px;" type="text" value="0.000000000000"/> <input checked="" type="checkbox"/> Math Operator #1 <input style="width: 150px;" type="text" value="--"/> <input checked="" type="checkbox"/> Math Operator #2 <input style="width: 150px;" type="text" value="--"/> | <input checked="" type="checkbox"/> Rate Rounding Method <input style="width: 150px;" type="text" value="--"/> <input type="checkbox"/> Index Rounding Factor % <input style="width: 150px;" type="text" value="0.000000000000"/> <input type="checkbox"/> Interest Rate Floor % <input style="width: 150px;" type="text" value="3.000900000000"/> <input checked="" type="checkbox"/> Rate Review Decrease Cap % <input style="width: 150px;" type="text" value="0.000000000000"/> <input type="checkbox"/> Margin #1 % <input style="width: 150px;" type="text" value="0.000000000000"/> <input checked="" type="checkbox"/> Margin/Spread #2 % <input style="width: 150px;" type="text" value="0.000000000000"/> | <input checked="" type="checkbox"/> Rate Rounding Factor <input style="width: 150px;" type="text" value="0.000000000000"/> <input type="checkbox"/> Interest Rate Ceiling % <input style="width: 150px;" type="text" value="20.000000000000"/> <input checked="" type="checkbox"/> Minimum Rate Adj Allowed <input style="width: 150px;" type="text" value="0.000000000000"/> |
|---|--|---|

Constants & Constraints: P&I Payment Information

| | |
|--|--|
| <input checked="" type="checkbox"/> P&I Payment Method <input style="width: 150px;" type="text" value="0"/> <input checked="" type="checkbox"/> P&I Increase Cap % <input style="width: 150px;" type="text" value="0.000000000000"/> <input checked="" type="checkbox"/> P&I Increase Cap \$ <input style="width: 150px;" type="text" value="0"/> <input checked="" type="checkbox"/> Round P&I Payment <input style="width: 150px;" type="text" value="--"/> | <input checked="" type="checkbox"/> P&I Payment Cap Expiration Date <input style="width: 150px;" type="text" value=""/> <input checked="" type="checkbox"/> P&I Decrease Cap % <input style="width: 150px;" type="text" value="0.000000000000"/> <input checked="" type="checkbox"/> P&I Decrease Cap \$ <input style="width: 150px;" type="text" value="0"/> <input checked="" type="checkbox"/> Interest Basis Code <input style="width: 150px;" type="text" value="--"/> |
|--|--|

8- SECTION 4 & 5 - PENDING ADJUSTABLE LOAN CHANGES DETAIL – CONSTANTS & CONSTRAINTS FIELDS: RATE AND P&I PAYMENT INFORMATION SECTIONS

Sections 6 of the Pending Adjustable Loan Changes page

The Pending Adjustable Loan Change Errors display the Loan Number, Effective Date, and Error messages found in relation to any Pending Adjustable Loan Change records on the loan. The errors displayed may refer to the record being viewed or any other Pending Adjustable Loan Changes scheduled for the loan.

| Pending Adjustable Loan Change Errors | | |
|---------------------------------------|-------------------------|--|
| Loan | Effective Date in Error | Error Message |
| 750081001 | 01/05/2019 | P&I change frequency must be zero |
| 750081001 | 01/05/2019 | P&I Payment Change Date is required if P&I Payment Change Frequency is not zero |
| 750081001 | 01/05/2019 | P&I Amort To Date is required if Payment Chg Freq is not 0 and account is a Balloon Loan |

9- SECTION 6 - PENDING ADJUSTABLE LOAN CHANGES - ERROR SECTION AT BOTTOM OF SCREEN.

Day End Processing of Pending Adjustable Loan Changes (MB151A)

When day end runs on the effective date of the PARMX record and, if there is a “Y” in a checkbox field, the corresponding Adjustable Loan field (PARM/PARMH) will be updated with a zero or blank (depending on the data type). Any other numeric, date, or alphanumeric fields will be updated as necessary based on the values entered in PARMX.

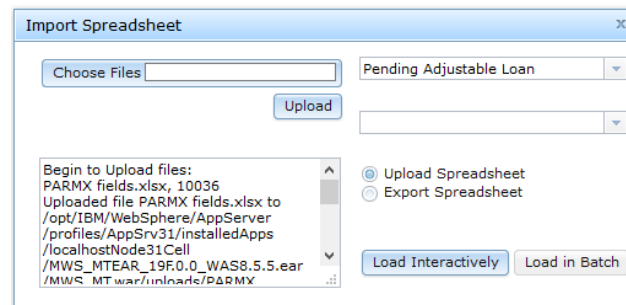
After processing the PARMX records for the day’s effective date by updating the fields designated with the appropriate new values or zeros/blanks, the day end program (MB151A) updates a status field in PARMX with an “E” or a “U”.

- If there were no errors and the update took place the status will become a “U” (updated).
- If there were errors and the update did not take place the status will become an “E” (error).

When reviewing ARM History records (PARMH), if an ARM History record has a Status of ‘U’ or ‘E’, the ARM History record will be displayed as read-only.

New Mapping Tool Template

A new Mapping Tool template is available to assist with loading Pending Adjustable Loan Changes.



- Pending Adjustable Loan Changes is an insert only template containing fields from PARMX.
- Required fields are **bolded** and outlined in Blue. (Loan Number and Effective Date)
- When two fields shown below are grouped in the same box – only one of the fields can be entered. The fields with a description beginning with ‘Zero’ or ‘Blank’ and a field name beginning with ‘AXZ’ are 1 character fields that contain a Y or blank in the file. They represent the check boxes on the Pending Adjustable Loan Detail page of the Adjustable Loan widget. The ‘AXZ’ fields indicate that the associated field will be blanked or made a zero value when day end runs on the Effective Date of the record.
- All fields that are to change on the same Effective Date should be entered in the same record (or spreadsheet row if uploading via MaTi). There can only be one Pending Adjustable Loan Changes record for a loan for that Effective Date.
- Date fields must be formatted as a date in the spreadsheet (mm/dd/ccyy or mm/dd/yy).

Upload New Spreadsheet Session Options

Welcome, McCracken User
Mapping Tool

Pending Adjustable Loan Template

| | Column A | Column B | Column C | Column D |
|---|-------------------|-----------------------|----------------------------|---------------------|
| <input type="checkbox"/> Row 1 | Field | AXECDT | AXFCDT | AXIRF |
| <input checked="" type="checkbox"/> Row 2 | Field Description | RATE CHANGE DATE MDCY | RAT FLOOR/CEIL EXP DT MDCY | INDEX ROUNDING FACT |

Check All Uncheck All

| | LOAN NUMBER | EFFECTIVE DATE CYMD | ADJUSTABLE LOAN METHOD | ADJUSTABLE LOAN DES |
|-------|-------------|---------------------|------------------------|---------------------|
| Row 1 | | | | |
| Row 2 | | | | |

Clear Data Save Mapping Validate

| Field Description/ Section on Pending Adjustable Loan Changes Detail page | File | Field Name | File Definition | PINFO Table ID | Business Rules/Edits |
|--|-------|---------------------|--------------------|-------------------|---|
| LOAN NUMBER Section 1 | PARMX | AXLN | 9,0 | | Required. Must exist in PMASTR and PARM. AXLN/AXEFFF cannot already exist in PARMX. |
| EFFECTIVE DATE CYMD Section 1 | PARMX | AXEFFF | Date | | Required. Must be a valid date and be greater than or equal to the Process Thru Date PSYSCPER.S2PTDT. AXLN/AXEFFF cannot already exist in PARMX. |
| ADJUSTABLE LOAN METHOD Section 1 | PARMX | AXFORM | 1 | AF | Optional. Must exist in PINFO. |
| ADJUSTABLE LOAN DESC Section 1 | PARMX | AXATYP | 2 | 10 | Optional. Must exist in PINFO. |
| MONTHLY OR DAILY REVIEW Section 2 | PARMX | AXMORD New Field | 1 | | Must be M, D or blank |
| RATE CHANGE FREQUENCY Section 2 | PARMX | AXFREQ | 3,0 | | |
| LOOK BACK METHOD Section 2 | PARMX | AXLBOF New Field | 1 | | Must be N, B or blank |
| ZERO/# OF DAYS TO LOOKBACK | PARMX | AXZLTR New Field | 1 | | Must be Y or blank. Cannot have an entry in both AXZLTR and AXLTR |
| # OF DAYS TO LOOKBACK Section 2 | PARMX | AXLTR New Field | 3,0 | | |
| BLANK/BUSINESS CALENDAR | PARMX | AXZBDC New Field | 1 | | Must be Y or blank. Cannot have an entry in both AXZBDC and AXNBDC |
| BUSINESS CALENDAR Section 2 | PARMX | AXNBDC New Field | 3 | C5 | Optional. Must exist in PINFO. |
| BLANK/RATE CHANGE DATE ROLL F, B, R | PARMX | AXZNU1 New Field | 1 | | Must be Y or blank. Cannot have an entry in both AXZNU1 and AXDNU1 |
| RATE CHANGE DATE ROLL F, B, R | PARMX | AXDNU1 | 7 | | Must be blank, B or F (only uses the 1 st position of field) |

| Field Description/ Section on Pending Adjustable Loan Changes Detail page | File | Field Name | File Definition | PINFO Table ID | Business Rules/Edits |
|--|-------|--------------------------------|--------------------|-------------------|---|
| BLANK/USE BUSINESS CALENDAR REVIEW DATE | PARMX | AXZCCR New Field | 1 | | Must be Y or blank. Cannot have an entry in both AXZCCR and AXUCCR |
| USE BUSINESS CALENDAR REVIEW DATE | PARMX | AXUCCR New Field | 1 | | Must be N, Y or blank |
| Section 2 | | | | | |
| RATE REVIEW DATE Section 2 | PARMX | AXRDAT New Field | 8,0 | | Optional. Must be a valid date between 01/01/1900 and 12/31/2100. In file as MDCY |
| BLANK/USE BUSINESS CALENDAR RATE CHANGE DATE | PARMX | AXZCCE New Field | 1 | | Must be Y or blank. Cannot have an entry in both AXZCCE and AXUCCE |
| USE BUSINESS CALENDAR RATE CHANGE DATE | PARMX | AXUCCE New Field | 1 | | Must be N, Y or blank |
| Section 2 | | | | | |
| RATE CHANGE DATE Section 2 | PARMX | AXECDT New Field | 8,0 | | Optional. Must be a valid date between 01/01/1900 and 12/31/2100. In file as MDCY |
| RATE CHANGE ANNIVERSARY DATE Section 2 | PARMX | AXRCAD New Field | 8,0 | | Optional. Must be a valid date between 01/01/1900 and 12/31/2100. In file as CYMD |
| ORIG INDX/DIAL BASE % Section 2 | PARMX | AXONDX | 15,13 | | |
| ZERO/NEW INTEREST RATE % | PARMX | AXZCRA | 1 | | Must be Y or blank. Cannot have an entry in both AXZCRA and AXCRAT. |
| NEW INTEREST RATE % Section 2 | PARMX | AXCRAT | 15,13 | | |
| BLANK/INDEX DESCRIPTION | PARMX | AXZIND | 1 | | Must be Y or blank. Cannot have an entry in both AXZIND and AXINDX. |
| INDEX DESCRIPTION | PARMX | AXINDX | 2 | I2 | Optional. Must exist in PINFO. |

| Field Description/ Section on Pending Adjustable Loan Changes Detail page | File | Field Name | File Definition | PINFO Table ID | Business Rules/Edits |
|--|-------|-------------------------|--------------------|-------------------|---|
| Section 2 | | | | | |
| ZERO/MAXIMUM # OF RATE REVIEWS | PARMX | AXZMXR New Field | 1 | | Must be Y or blank. Cannot have an entry in both AXZMXR and AXMAXR. |
| MAXIMUM # OF RATE REVIEWS | PARMX | AXMAXR New Field | 5,0 | | |
| Section 2 | | | | | |
| ZERO/P&I CHANGE FREQUENCY | PARMX | AXZPCH | 1 | | Must be Y or blank. Cannot have an entry in both AXZPCH and AXPCHG. |
| P&I CHANGE FREQUENCY | PARMX | AXPCHG | 3,0 | | |
| Section 3 | | | | | |
| ZERO/P&I CHANGE DATE | PARMX | AXZPDT New Field | 1 | | Must be Y or blank. Cannot have an entry in both AXZPDT and AXPDT. |
| P&I CHANGE DATE | PARMX | AXPDT New Field | 8,0 | | Optional. Must be a valid date between 01/01/1900 and 12/31/2100. In file as CYMD |
| ZERO/P&I RE- AMORT FRE | PARMX | AXZRAF | 1 | | Must be Y or blank. Cannot have an entry in both AXZRAF and AXRAFQ |
| P&I RE-AMORT FREQUENC | PARMX | AXRAFQ | 3,0 | | |
| Section 3 | | | | | |
| ZERO/P&I RE- AMORT DATE | PARMX | AXZRPD New Field | 1 | | Must be Y or blank. Cannot have an entry in both AXZRPD and AXRPDT |
| P&I RE-AMORT DATE | PARMX | AXRPDT New Field | 8,0 | | Optional. Must be a valid date between 01/01/1900 and 12/31/2100. In file as CYMD |
| Section 3 | | | | | |
| ZERO/NEW P&I PAYMENT | PARMX | AXZCPI | 1 | | Must be Y or blank. Cannot have an entry in both AXZCPI and AXCPI |
| NEW P&I PAYMENT | PARMX | AXCPI | 15,2 | | |
| Section 3 | | | | | |

| Field Description/ Section on Pending Adjustable Loan Changes Detail page | File | Field Name | File Definition | PINFO Table ID | Business Rules/Edits |
|--|-------|--------------------------------|--------------------|-------------------|---|
| ZERO/P&I AMORTIZATION TO DATE | PARMX | AXZITD New Field | 1 | | Must be Y or blank. Cannot have an entry in both AXZITD and AXPITD |
| P&I AMORTIZATION TO DATE | PARMX | AXPITD New Field | 8,0 | | Optional. Must be a valid date between 01/01/1900 and 12/31/2100. In file as MDCY |
| Section 3 | | | | | |
| ZERO/INTEREST RATE MA | PARMX | AXZMAR | 1 | | Must be Y or blank. Cannot have an entry in both AXZMAR and AXMARG |
| INTEREST RATE MARGIN | PARMX | AXMARG | 15,13 | | |
| Section 4 | | | | | |
| BLANK/RATE ROUNDING METHOD | PARMX | AXZOND New Field | 1 | | Must be Y or blank. Cannot have an entry in both AXZOND and AXROND |
| RATE ROUNDING METHOD | PARMX | AXROND | 1 | AR | Optional. Must exist in PINFO. |
| Section 4 | | | | | |
| ZERO/RATE ROUNDING FACTOR | PARMX | AXZACT New Field | 1 | | Must be Y or blank. Cannot have an entry in both AXZACT and AXFACT |
| RATE ROUNDING FACTOR | PARMX | AXFACT | 13,13 | | |
| Section 4 | | | | | |
| BLANK/INDEX ROUNDING METHOD | PARMX | AXZIRM New Field | 1 | | Must be Y or blank. Cannot have an entry in both AXZIRM and AXIRM |
| INDEX ROUNDING METHOD | PARMX | AXIRM New Field | 1 | AR | Optional. Must exist in PINFO. |
| Section 4 | | | | | |
| ZERO/INDEX ROUNDING FACTOR % | PARMX | AXZIRF New Field | 1 | | Must be Y or blank. Cannot have an entry in both AXZIRF and AXIRF |

| Field Description/ Section on Pending Adjustable Loan Changes Detail page | File | Field Name | File Definition | PINFO Table ID | Business Rules/Edits |
|--|-------|--|--------------------|-------------------|---|
| INDEX ROUNDING FACTOR % Section 4 | PARMX | AXIRF New Field | 13,13 | | |
| ZERO/RATE FLOOR & CEILING EXP DATE RATE FLOOR & CEILING EXP DATE Section 4 | PARMX | AXZCDT New Field | 1 | | Must be Y or blank. Cannot have an entry in both: AXZCDT and AXFCDT |
| Section 4 | PARMX | AXFCDT New Field | 8,0 | | Optional. Must be a valid date between 01/01/1900 and 12/31/2100. In file as MDCY |
| ZERO/INTEREST RATE FL INTEREST RATE FLOOR % Section 4 | PARMX | AXZMIN Section 4 | 1 | | Must be Y or blank. Cannot have an entry in both AXZMIN and AXMIN |
| Section 4 | PARMX | AXMIN | 15,13 | | |
| ZERO/INTEREST RATE CE % INTEREST RATE CEILING % Section 4 | PARMX | AXZMAX Section 4 | 1 | | Must be Y or blank. Cannot have an entry in both AXZMAX and AXMAX |
| Section 4 | PARMX | AXMAX | 15,13 | | |
| ZERO/RATE REVIEW INC RATE REVIEW INCREASE Section 4 | PARMX | AXZRIC Section 4 | 1 | | Must be Y or blank. Cannot have an entry in both AXZRIC and AXRICP |
| Section 4 | PARMX | AXRICP | 15,13 | | |
| ZERO/RATE REVIEW DEC RATE REVIEW DECREASE Section 4 | PARMX | AXZRDC Section 4 | 1 | | Must be Y or blank. Cannot have an entry in both AXZRDC and AXRDCP |
| Section 4 | PARMX | AXRDCP | 15,13 | | |
| ZERO/MIN RAT ADJST AL MIN RATE ADJ ALLOWED Section 4 | PARMX | AXZMAD Section 4 | 1 | | Must be Y or blank. Cannot have an entry in both AXZMAD and AXMADJ |
| Section 4 | PARMX | AXMADJ | 15,13 | | |

| Field Description/ Section on Pending Adjustable Loan Changes Detail page | File | Field Name | File Definition | PINFO Table ID | Business Rules/Edits |
|--|-------|------------------|--------------------|-------------------|--|
| ZERO/PERIODIC RATE CA | PARMX | AXZCAP | 1 | | Must be Y or blank. Cannot have an entry in both AXZCAP and AXCAP |
| PERIOD RATE CAP % | PARMX | AXCAP | 15,13 | | |
| Section 4 | | | | | |
| BLANK/METHOD P OPERATOR #1 | PARMX | AXZOP1 | 1 | | Must be Y or blank. Cannot have an entry in both AXZOP1 and AXOP1 |
| | | New Field | | | |
| METHOD P OPERATOR #1 | PARMX | AXOP1 | 1 | | Must be blank, A, M or D |
| Section 4 | | | | | |
| ZERO/METHOD P MARGIN #1 % | PARMX | AXZSP1 | 1 | | Must be Y or blank. Cannot have an entry in both AXSPD1 and AXZSP1 |
| | | New Field | | | |
| METHOD P MARGIN #1 % | PARMX | AXSPD1 | 15,13 | | |
| Section 4 | | | | | |
| BLANK/METHOD P OPERATOR #2 | PARMX | AXZOP2 | 1 | | Must be Y or blank. Cannot have an entry in both: AXOP2 and AXZOP2 |
| | | New Field | | | |
| METHOD P OPERATOR #2 | PARMX | AXOP2 | 1 | | Must be blank, A, M or D |
| Section 4 | | | | | |
| ZERO/METHOD P MARGIN 2% | PARMX | AXZSP2 | 1 | | Must be Y or blank. Cannot have an entry in both AXZSP2 and AXSPD2 |
| | | New Field | | | |
| METHOD P MARGIN #2 % | PARMX | AXSPD2 | 15,13 | | |
| Section 4 | | | | | |
| BLANK/P&I METHOD | PARMX | AXZPIF | 1 | | Must be Y or blank. Cannot have an entry in both AXZPIF and AXPIF |
| | | New Field | | | |
| P&I PAYMENT METHOD | PARMX | AXPIF | 1,0 | | |
| Section 5 | | New Field | | | |
| ZERO/P&I PAYMENT CAP EXP DATE | PARMX | AXZIXD | 1 | | Must be Y or blank. Cannot have an entry in both AXZIXD and AXPIXD |
| | | New Field | | | |

| Field Description/ Section on Pending Adjustable Loan Changes Detail page | File | Field Name | File Definition | PINFO Table ID | Business Rules/Edits |
|--|-------|--|--------------------|-------------------|--|
| P&I PAYMENT CAP EXPIRATION DATE Section 5 | PARMX | AXPIXD New Field | 8,0 | | Optional. Must be a valid date between 01/01/1900 and 12/31/2100. In file as MDCY |
| ZERO/P&I PMT INC CAP % P&I PMT INCREASE CAP % Section 5 | PARMX | AXZPIP AXPICP | 1 5,3 | | Must be Y or blank. Cannot have an entry in both AXZPIP and AXPICP |
| ZERO/P&I PMT DEC CAP % P&I PMT DECREASE CAP % Section 5 | PARMX | AXZPDP AXPIDP | 1 5,3 | | Must be Y or blank. Cannot have an entry in both AXZPDP and AXPIDP |
| ZERO/P&I PMT INC CAP \$ P&I PMT INCREASE CAP \$ Section 5 | PARMX | AXZPID AXPIID | 1 11,0 | | Must be Y or blank. Cannot have an entry in both AXZPID and AXPIID |
| ZERO/P&I PMT DECR CAP % P&I PMT DECREASE CAP \$ Section 5 | PARMX | AXZPDD AXPIDD | 1 11,0 | | Must be Y or blank. Cannot have an entry in both AXZPDD and AXPIDD |
| BLANK/ROUND P&I PAYMENT ROUND P&I PAYMENT Section 5 | PARMX | AXZDPI AXRDPI New Field | 1 1 | AR | Must be Y or blank. Cannot have an entry in both AXZDPI and AXRDPI Optional. Must exist in PINFO. |
| BLANK/INTEREST BASIS CODE INTEREST BASIS CODE Section 5 | PARMX | AXZIBC AXIBC New Field | 1 3 | PI | Must be Y or blank. Cannot have an entry in both AXZIBC and AXIBC Optional. Must exist in PINFO. |

Delete MT Import Group Records

The changes to Adjustable Loan functionality include the ability to upload Pending Adjustable Loan Changes via the Mapping Tool. With that ability, we have included the ability to delete records uploaded via the Mapping Tool that have a blank record Status (PARMX/AXSTAT = " ").

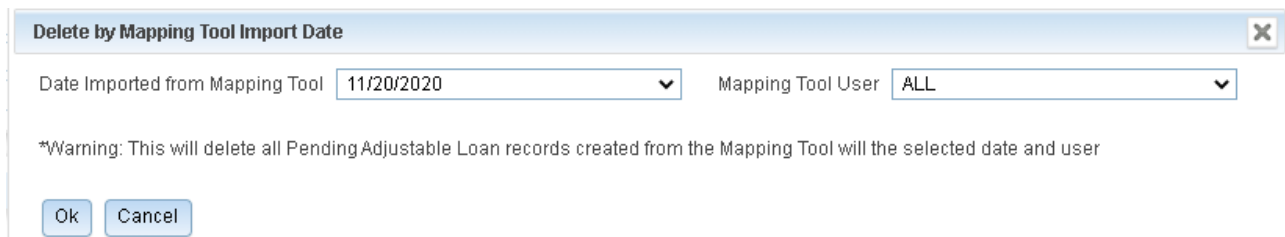
Users can access the group delete functionality from the Adjustable Loan widget. A **Delete MT Import Group** button appears on the Pending Adjustable Loan Change Detail page. The **Delete MT Import Group** button will be available for use if:

- the User has security to the feature,
- the active Pending Adjustable Loan Change Detail record was uploaded via the Mapping Tool, and
- there is no lock on the page.



10 - ADJUSTABLE LOAN WIDGET>LOAN SEARCH>SELECT LOAN>SELECT PENDING ADJUSTABLE LOAN CHANGE RECORD

Clicking the **Delete MT Import Group** button opens the Delete by Mapping Tool Import dialogue box. Each Pending Adjustable Loan Change record uploaded via the Mapping Tool is stamped with the Upload Date and the Username of the person performing the upload. This box allows users with appropriate authority to define the group of records to be deleted using the Date Created by Mapping Tool (PARMX/AXMTDT) and Mapping Tool User (PARMX/AXMTUSER).



11 - DELETE BY MAPPING TOOL IMPORT DATE - DELETES A GROUP OF PENDING ADJUSTABLE LOAN CHANGES UPLOADED VIA THE MAPPING TOOL USING THE DATE IMPORTED AND THE USER .

The Date Imported from Mapping Tool field defaults to the date that the active PARMX record was imported. However, users can select another date using the drop down menu. Strategy will populate the drop down menu with a list of unique Mapping Tool import dates that exists in PARMX/AXMTDT sorted with the newest dates at the top.

The Mapping Tool User will default to the User that imported the active PARMX record. The drop down will be populated with a unique list of names found in PARMX/AXMTUSER for the Mapping Tool Import Date selected. If a new Mapping Tool Import Date is selected, the Mapping Tool User drop down will regenerate showing the list of Users for the new date selected. When the Mapping Tool User is set to 'ALL', Strategy will delete all PARMX records imported by the Mapping Tool on the selected Mapping Tool Import Date, that have a blank record Status (PARMX/AXSTAT = " ").

Clicking **Ok** on the Delete by MT Import Date window will prompt a confirmation window. The user's options are **Delete** and **Cancel**.

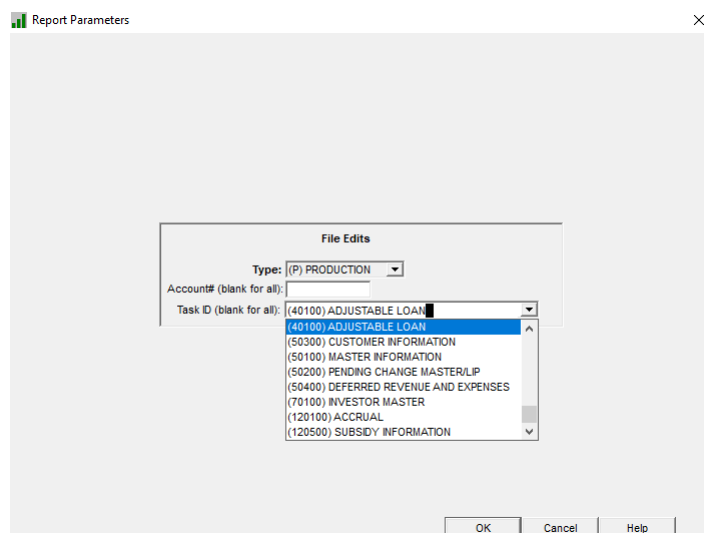
- When **Delete** is selected, Strategy performs a check for record locks on the file PARMX. Record locks will cause an error message to appear. ‘Error: PLOCK records found for PARMX. Please clear all locks before proceeding’. All other users must be out of the Adjustable Loan widget or Pending Adjustable Loan Changes tab and all record locks must be cleared prior to performing the delete. If no record locks exist, the records are deleted, and the user is returned to the Pending Adjustable Loan Changes page.
- When **Cancel** is selected, the window closes and returns the user to the Pending Adjustable Loan Change Detail page.

Validating Adjustable Loans Daily

With the changes to support Compounding in Arrears, additional edits have been added to the programs that will not be incorporated into the Adjustable Loan module until Release 20. Programs in this update will prevent a new loan from being passed into production with conflicts, but will not prevent changes made in production from causing an invalid condition.

A customer using Compounding in Arrears should:

- Run the File Edit reports for Adjustable Loans and for Master Info daily to verify that there are no error conditions, and



12 - TOOLS>REPORTS>FILE EDITS> RUN BOTH ADJUSTABLE LOAN AND MASTER INFORMATION

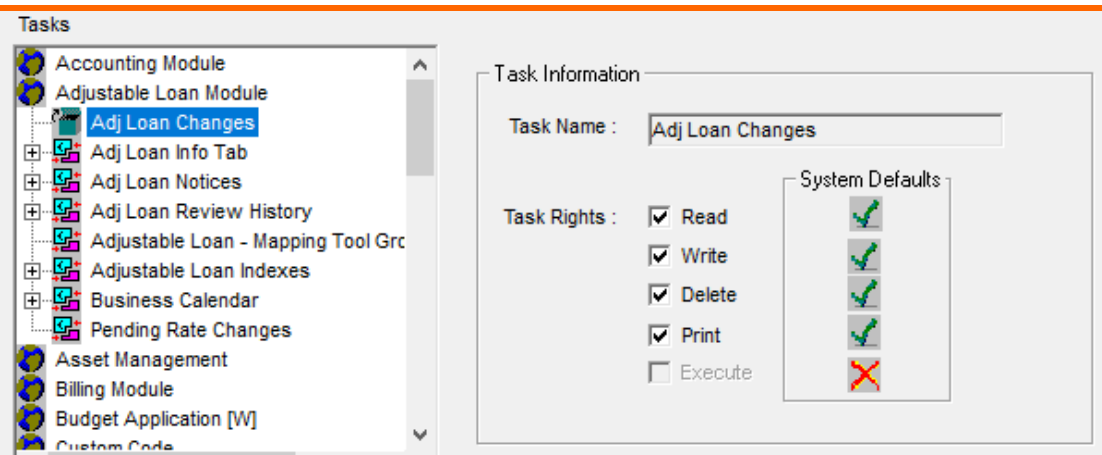
- Add CGR100CAM to the day end job stream right before CMB401Z1. This will generate the Adjustable Loan and Master Info Edit Reports in day end for daily review.

NOTE: If error messages refer to fields that were added to the Pending Adjustable Loan Changes fields added in 19F, those errors must be corrected using the Adjustable Loan widget. They will not be available in the Adjustable Loan module until Release 20.

Security Changes for Adjustable Rate Features

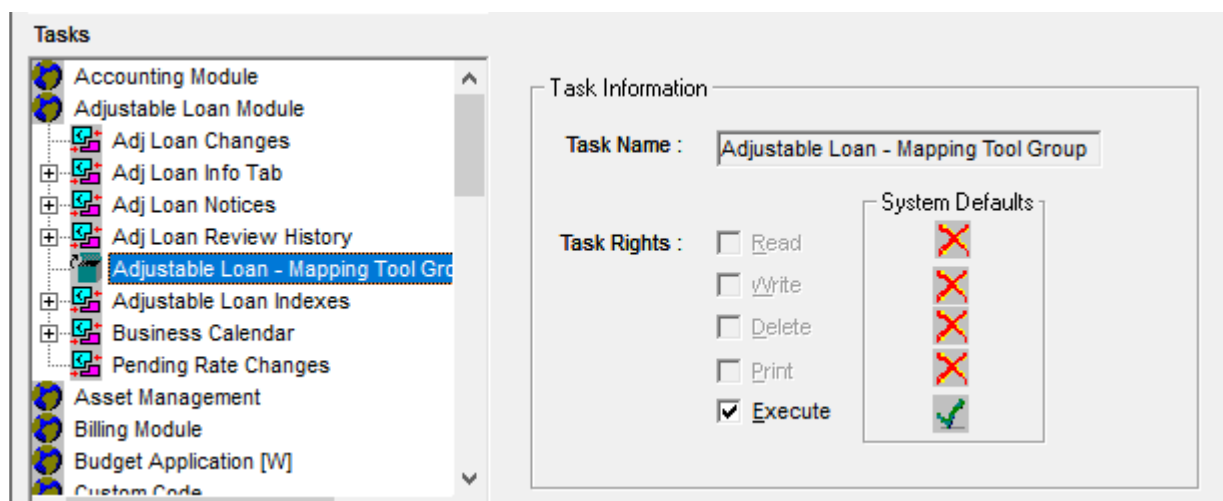
Adjustable Loans Widget for Pending Adjustable Loan Changes

Users with authority to create Adjustable Loan Changes can access the Adjustable Loan widget to view Pending Adjustable Loan Changes. Default rights include Read, Write, Delete, Print.



13 - TOOLS>MAINTENANCE>SECURITY>SECURITY MAINTENANCE ADJUSTABLE LOAN MODULE>ADJ LOAN CHANGES

Delete MT Import Groups has additional security. Users can have Execute authority for this new security task found under the Adjustable Loan module. Adjustable Loan – Mapping Tool Group Delete[W]

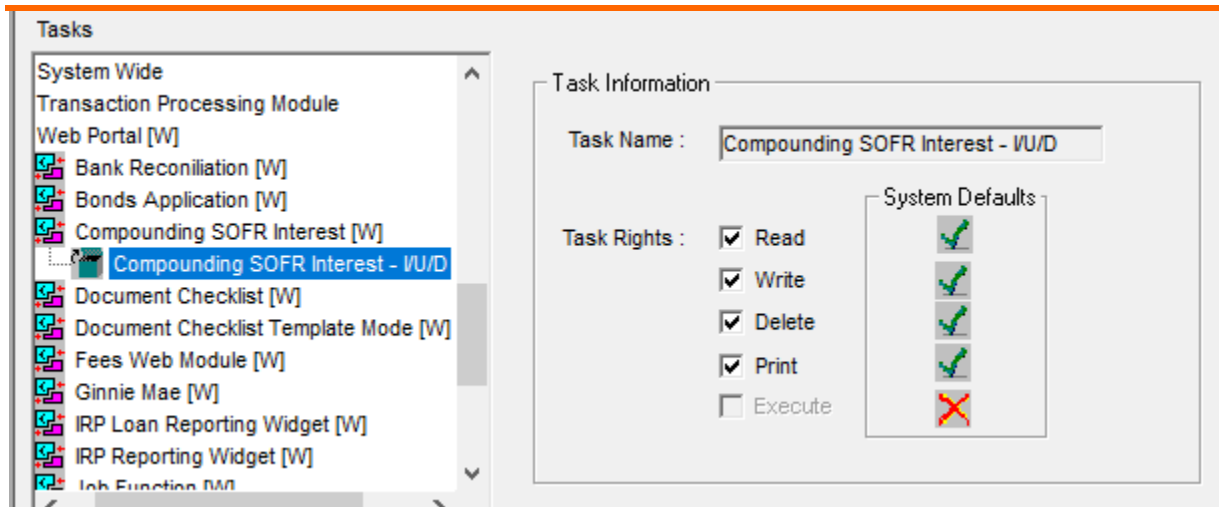


14- TOOLS>MAINTENANCE>SECURITY>SECURITY MAINTENANCE ADJUSTABLE LOAN MODULE>ADJUSTABLE LOAN-MAPPING TOOL GROUP DELETE [W].

Compounding SOFR Interest Widget

Users with appropriate authority can search and view daily compounding in arrears records to review the interest calculated and the components used when compounding interest in arrears.

Users must have rights to Execute the widget and have rights to create, maintain and delete records within the Compounding SOFR Interest widget.



15 - TOOLS>MAINTENANCE>SECURITY>SECURITY MAINTENANCE- WEB PORTAL>COMPOUNDING SOFR INTEREST [W]>COMPOUNDING SOFR INTEREST - I/U/D

Transitioning an existing loan to SOFR Compounding in Arrears with Lookback Days

The following steps would be taken to ensure that the loan transitions properly.

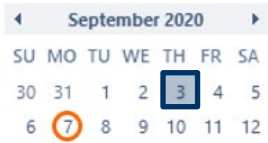

Example Loan: Currently an adjustable loan with a payment anniversary date of the 10th of the month. The loan is set to transition to SOFR Compounding in Arrears on 9/8/2020 using 2 Lookback Days and a Business Calendar for the Rate Review Date and the Rate Change Date.


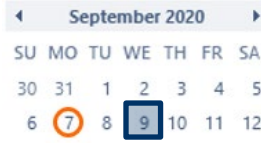
| September 2020 | | | | | | |
|----------------|----|----|----|----|----|----|
| SU | MO | TU | WE | TH | FR | SA |
| 30 | 31 | 1 | 2 | 3 | 4 | 5 |
| 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| 13 | 14 | 15 | 16 | 17 | 18 | 19 |
| 20 | 21 | 22 | 23 | 24 | 25 | 26 |
| 27 | 28 | 29 | 30 | 1 | 2 | 3 |

Using 2 Lookback Days with a standard US Business Calendar the loan will have its first SOFR review on the 3rd of September. Monday, September 7th is a Holiday.

The loan will transition to SOFR on 9/8/2020. However, with the lookback days, weekend, and holiday the first SOFR Rate Review will take place on September 3rd. So, from September 3rd through September 7th, the loan will commence with Daily SOFR Compounding in Arrears reviews, while continuing all other processing in Strategy as a LIBOR loan. Interest is calculated differently for LIBOR vs. SOFR Compounding in Arrears.

To successfully transition an adjustable loan processing from a LIBOR loan to a SOFR Compounding in Arrears loan with lookback days use the following steps. For purposes of this example, the steps consider the example of a loan transitioning where the new Index takes effect on 9/8 with a rate review happening on 9/3.

| When: | What to do: |
|---|---|
| 9/3 before Day end  | Update the ARM record as follows: <ul style="list-style-type: none"> • Change to Daily Review, Rate Change Frequency 1 • Rate Change Date should be 9/8. With 2 lookback days this will calculate a Review Date of 9/3 (because of a weekend and Monday holiday) • Change Index Code to SOFR Index Code • Update Margin for SOFR Margin <p>NOTE: If the loan is going to require both a Margin and a Spread Adjustment and it is not currently a Method P (Two Ops), make the Adjustable Method P (Two Ops) in order to enter the Margin (Margin 1%) and Spread Adjustment (Margin 2%) DO NOT change the ARM record to have an Adjustable Method that is SOFR Compounding in Arrears (T, or 3)</p> |
| Day end will run for 9/3 | Verify that the ARM history record (Review Date 9/3, Rate Change Date 9/8) has the correct New Index and New Rate for SOFR. If they are not correct, update them in the ARM record and ARM history record |
| Day end will run for 9/4  | Verify that the ARM history record (Review Date 9/4, Rate Change Date 9/8) has the correct New Index and New Rate for SOFR. If they are not correct, update them in the ARM record and ARM history record |

| When: | What to do: |
|---|--|
| <p>9/8 before Day end</p>  | <p>SOFR Compounding in Arrears is going to go into effect</p> <p>Update the Adjustable Method to the correct SOFR Compounding in Arrears Method based on the rate calculation method being used.</p> <ul style="list-style-type: none"> • Margin and Spread Adjustment (T or 3) • Simple Margin (6 or 7) |
| <p>Day end will run for 9/8</p> | <p>During Day end the Rate Review will happen and create ARM History record that will have the SOFR Method: Review Date 12/8 Rate Change Date 12/10</p> <p>The accrual for 12/8 will be calculated using the new interest calculation for compounding in arrears (and the rate, margin, spread (if applicable) from the <u>ARM history</u> record with a Review Date of 12/3 and a Rate Change Date of 12/8.</p> |
| <p>Day end will run for 9/9</p>  | <p>Review will happen and create ARM History record that will have the SOFR Method: Review Date 12/9 Rate Change Date 12/11</p> <p>The accrual for 12/9 will be calculated using the new interest calculation for compounding in arrears (and the rate, margin, spread (if applicable) from the <u>ARM history</u> record with a Review Date of 12/4 and a Rate Change Date of 12/9.</p> <p>The loan will continue to review daily with the Review Date being the 2 Business Days ahead of the Rate Change Date.</p> |

IRS Changes for 2020 – 1099-NEC vs 1099-MISC

As a result of the PATH Act, confusion related to changing reporting deadlines, and an increase in independent contractors that do not receive a W-2, the IRS has re-established the 1099 NEC form to report nonemployee compensation instead of the 1099 MISC. The change will report Vendor payments (nonemployee compensation) in a file to create the 1099 NEC.

Changes in the release create or rebuild the file PI1099N, and collect Vendor payment information for the 1099-NEC. The program will report non-employee compensation over \$600.00 for all Vendors that are marked for 1099 reporting (PPYVEND/VP1099) and that have a Valid TIN (PPYVEND/VPTIN) to the file PI1099N.

| Field Name | Definition | Field Description | Instructions |
|------------|------------|---------------------|--|
| PAYER TIN | 14 CHAR | PAYER TIN | PGLCO. GCTXID (GL Company TIN number) |
| RECP TIN | 14 CHAR | RECP TIN | PPYVEND. VPTXID (Vendor TIN) |
| BATCH NO | 10 CHAR | BATCH NO | Not populated |
| ACCOUNT# | 20 CHAR | ACCOUNT# | PPYVEND.VPID concatenated to PPYVEND.VPKEY (vendor type plus the vendor id) |
| BOX 1 | 14 ZONED | BOX 1 | PPYVEND. VPAMT2 |
| MBOX1 | 14 ZONED | BOX 2 | Blank, not defined by IRS |
| MBOX2 | 14 ZONED | BOX 3 | Blank, not defined by IRS |
| MBOX3 | 14 ZONED | BOX 4 | Blank, defined as Federal income tax withheld, backup withheld |
| MBOX4 | 14 ZONED | BOX 5 | Blank, defined as State Income Tax withheld |
| MBOX5 | 14 ZONED | BOX 6 | Blank, State Income Reporting Box |
| MBOX7 | 14 ZONED | BOX 7 | Blank, State Income Reporting Box |
| TRANTM | 1 CHAR | CORRECTION | ‘C’ if correction |
| FATCA | 1 CHAR | FATCA Requirement | Blank, we do not have code in Strategy, regarding FACTA Requirements under Chapter 4 |
| SCTIN | 1 CHAR | Second TIN not flag | Blank, currently don’t have a field to indicate 2 nd TIN Notice received. |

