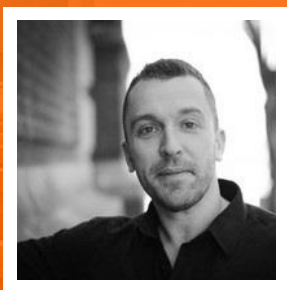




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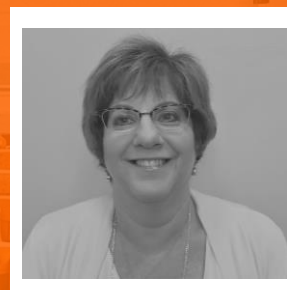
# Rate Cap Monitoring in STRATEGY

# Meet the team.



**Anthony Villa**

*Managing Director of Marketing & Sales*  
*Anthony.villa@mccrackenfs.com*



**Joan Sittard**

*Business Analyst & Implementation*  
*Manager*  
*Joan.Sittard@mccrackenfs.com*

Before we begin, a few reminders.



Submit your  
questions anytime.



We'll send you  
the recording.



Complete the  
survey.

# Our agenda.

1. What is a Rate Cap?
2. Demonstration of Rate Cap Monitoring in STRATEGY
3. Rate Cap Monitoring and The Rules Engine
4. Reviewing the Results
5. Processing the Payments

# SECTION 1

What is a Rate Cap?



# What is a Rate Cap?

- Similar to an insurance policy purchased by the borrower to protect against rising fluctuations for an adjustable interest rate
  - 3 Primary Economic terms:
    - ✦ Notional - this is the size of cap; dollar amount covered by the cap
    - ✦ Term - the length of time the cap is protecting the borrower
    - ✦ Strike Rate – the interest rate, above when the cap provider makes payments to the cap purchaser
  - Example:
    - ✦ A loan has a strike rate of 3% and the index rises to 4.00% ; the cap provider would pay the borrower 1.00%
    - ✦ The index would still adjust to the 4% but the cap allows the borrower to “buy down” their effective interest rate to the strike rate

## SECTION 2



Rate Cap Monitoring  
Widget



# Demonstration of the Rate Cap Monitoring in the Portal

The screenshot displays a web browser window with the URL `172.29.20.30:9081/MWS_DASH/#Search%20Results`. The browser's address bar and tabs are visible at the top. The portal interface includes a top navigation bar with buttons for **Portfolio Analysis**, **MoTi**, **BuildRate**, and **Notes**. On the left, a sidebar contains the **McCracken** logo, a user profile for **McCracken Consultants** (powered by McCracken) with the ID **JBSREL20**, and a vertical menu with buttons for **Freddie Mac**, **McCracken**, **Security**, **Tools**, **Collateral**, and **Master 2 Maintenance**. The main content area features three large, colorful tiles: a green **Rate Cap Monitoring** tile (labeled *rate cap monitoring*), a red **Rules Maintenance** tile (labeled *rules maintenance*), and a blue **Loan Modification** tile (labeled *loan modification*). Each tile contains an icon and a small text label. At the bottom of the page, there is a **Portal** header, a home icon, a set of four small circular indicators, and a footer area with a **Lock Portal** checkbox and an **Add Widgets** button.



## SECTION 3

Rate Cap Monitoring and  
The Rules Engine  
& Dayend



# What happens once the data is established

- System uses the Rules Engine to determine if any of the Rules associated with Rate Caps has been triggered or not

The Rules are listed in the PRURULEM

- Dayend program CMB171X runs and checks for 2 conditions
  - ✦ Date Threshold Reached Field
  - ✦ Status Field

If there is a date in the Threshold reached field, the system then checks the STATUS field - if = Y;; the system sets the status flag to Blank. If the Date field is Blank, the system evaluates the current interest rate against the STRIKE RATE

# What Happens once the Data is Established

- If the Current Interest Rate or (Current Interest Pay Rate + DIAL Rate) is EQUAL to or GREATER than the STRIKE RATE – system uses the Daily Balance and Rate File (PDBNR) to determine how long the Current Interest Rate has been in effect . STRATEGY will determine if the time between the STRIKE Rate was met or exceeded is EQUAL to or Greater than the Notification Duration the system will do the following:
  - ✦ Update the Date Threshold was Reached
  - ✦ Set the Status code to Y
  - ✦ Writes out a File Maintenance Record to track the change
  - ✦ The STATUS code of a Y will trigger the Rules Engine – Rate Cap Monitoring -Rule 138 to perform the requested action

## SECTION 4

Reviewing the Results



# Reviewing the Results

- REPORTS Widget
  - View has been added for Rate Cap Monitoring
  - Customize a Rate Cap/Hedge Report

## SECTION 5

Payment Processing for  
RATE CAPS



# Ideas for Payment Processing

- How to Apply the Rate Cap
  - Can Create a Reserve; post payment to Reserve; then move from Reserve to payment
  - Post to Suspense; then move from Suspense to Payment
  - Do you have a large volume of loans-
  - Subsidy Processing





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