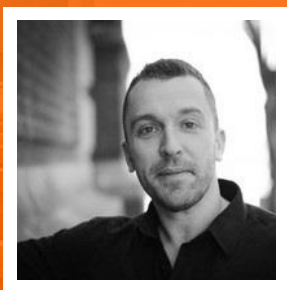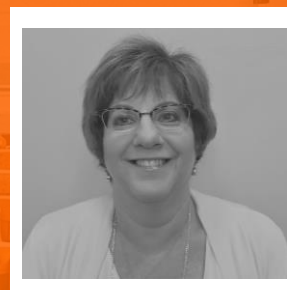**WEBINAR SERIES**

Rate Cap Monitoring in STRATEGY

Meet the team.

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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

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

Thank you for attending our webinar. Don't forget to:

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