Configuring Tools for Collections

Developing a Collections Strategy

INTRODUCTION

Before your credit union can begin taking advantage of the many tools CU*BASE offers for managing day-to-day collections efforts, it is important to understand how you can set up those tools to meet your credit union's needs.

This booklet describes configuring various CU*BASE tools in order to set up an effective collections *team* that includes all credit union staff from the CEO to the loan department, from the Collections Manager to the front-line staff.

CONTENTS

OVERVIEW: SETTING UP A COLLECTIONS DEPARTMENT

When asked when does the loan collections team get involved in servicing a loan, many people mistakenly reply, "When the loan goes *x* number of days delinquent." In reality, the collections team should get involved prior to the loan even being approved.

The very concept of **servicing** a loan only has one primary focus: **collecting**. Therefore, when a credit union team discusses organizing the collections department, it is very important that they consider the entire lending process, and how the individual steps involved in servicing a loan can either hinder or enhance the collection of the outstanding debt.

The main objective of this guide is to get your team to consider the following:

- Who plays which roles in the collection of a loan?
- What tools are available for the team to use?
- What is the credit union's policy as to the entire loan servicing procedure?
- What are the goals of this collections team?

After planning for the entire process, the next step will be to configure your CU*BASE tools using the instructions in this guide. Then make sure your entire collections team knows how to access the instructions available in CU*BASE Online Help for all CU*BASE collections tools.

Remember, the key to collecting on a member's debt is a complete plan where everyone is communicating and working as a team — a CU*BASE specialty!

THE EFFECTIVE COLLECTIONS TEAM

Who is involved on the credit union's Collections Team? Just like a football team can't win with just a quarterback and a coach, an effective team doesn't just include Collectors and the Collections Manager. Everyone from the CEO to the front-line teller plays an important role in making the collections effort work:

The **Teller** and **Phone Operator** . . .
> *. . . who make sure that members make the correct loan payment and are aware of any delinquency problems.*

The **Loan Officer** and **Member Service Representative** . . .
> *. . . who gather all of the necessary information to handle the member should a delinquency problem occur.*

The **Collector** . . .
> *. . . who gathers collection information and presents it in a format other staff can use to collect from the member.*

The **Collections Manager** . . .
> *. . . who uses data gathered by the Collectors to ensure that credit union policies (such as repossession and legal action) are followed correctly and consistently.*

The **Loan Manager** . . .
> *. . . who evaluates collections statistics to check for contributing underwriting problems and ensures that the best lending decisions are being made.*

The **Controller** . . .
> *. . . who analyzes collections and lending statistics to maximize return and minimize loan loss reserves.*

The **CEO** . . .
> *. . . who routinely reviews and analyzes the results of Lending and Collections efforts with an eye toward the credit union's growth and stability.*

Even if the members of your team wear more than one hat, do they know the role they play in the collections effort? Are they comfortable with the many CU*BASE tools available to make their work easier and more consistent? Has your credit union taken advantage of all of the configuration tools to automate the parameters used to control delinquency fines, notices, and monitoring?

Whether you need to set up your collections policies from scratch, or you just need a refresher on what is important, read on...

ARMING YOUR TEAM WITH THE PROPER TOOLS

In setting up an effective collections team, the most important step is making sure that the team members not only know their responsibilities, but what tools are available to get the job done.

Although the tools described below are used by everyone on the credit union staff, data compliance is very much a collections issue. The goal of any collections team should be to keep members from going delinquent in the first place. Meeting this goal takes planning, training and practice.

Tool	*Features*
Member Inquiry Phone Inquiry	• Pop-up member comments, including configurable automated delinquency comments. • Reverse image and delinquency indicator for delinquent loans. • Display showing the amount needed to bring the loan current. • Account statistics showing delinquency status, including number of times delinquent, fines, notice level, etc. • Command key access to additional loan data, including secured shares, collateral, payroll deduction, automated transfers, trackers, etc. • Payment history and other contract information, including due dates, amounts, daily per diem, interest rate, etc. • Fine flags and delinquency type monitoring codes. *SEE ALSO: Pages 21 and 27*
Trackers for delinquency	• Manually-generated Trackers containing instructions and background on member service issues. • Automated Trackers generated by the system to warn of delinquency, negative balance or over-disbursement situations. • Follow-ups to remind and prompt staff to action. • Collection Card Trackers to maintain an ongoing record of all collections activity. *SEE ALSO: Page 21*
Delinquency Fines	• Designed not just to be punitive to the member, but to help recover the costs associated with the collections effort. • Flexible; configured by the credit union to convey the credit union's style and encourage desirable behavior. • Can be automatically attached to each loan category to ensure consistent use of configured fines. *SEE ALSO: Page 19*
Notices	• Designed to prompt a member to act. • Multiple levels configured by the credit union—the longer the member has been delinquent, the stronger the text can be.

Tool	Features
	• Notices are generated automatically based on delinquency configuration. *SEE ALSO: Page 21*
Freezing Member Access To Accounts	• To prevent additional disbursements on delinquent loans, whether at the teller line or through automated processes such a ATM, Audio or ACH. • To stop a delinquent member from withdrawing share funds that might be required to meet the loan obligation. *SEE ALSO: Page 27*
Household Database	• To ensure that crucial data such as household members, employers, wages, assets and debts are recorded not only for collections efforts but for use by all credit union staff from lending to tellers. *SEE ALSO: CU*BASE Online Help, Index keyword: Household*
Underwriting Comments	• To provide a means of communicating between collectors and loan officers and summarizing the results of collections efforts to aid in making future loan decisions. *SEE ALSO: CU*BASE Online Help, Index keyword: Underwriting Comments*
Loan Classification	• A full classification coding and reporting system that allows the credit union to manage loan loss reserves on line. *SEE ALSO: CU*BASE Online Help, Index keyword: Configure Classification Codes*
Printed Reports	• **Collection Delinquency Report** - An on-demand report showing all of the delinquent accounts as listed on the daily Collections Member Inquiry screen. • **Delinquency Analysis Report** - An on-demand report showing delinquent loans categorized for reporting to examining agencies, such as the 5300 Call Report. • **Delinquency Payment/Credit Activity Report** – The daily PDLQ1 report showing payments made on delinquent loans. • **Delinquency Increase Report** - The daily PDLQ2 report showing the movement of members into, out of and within the collections system. • **Loan Classification Report** - An on-demand report showing loan classifications and calculations for your credit union's reserve amounts. • **Risk Score Analysis Report** - An on-demand report summarizing all delinquent loans using your normal collections aging parameters, grouped by risk score ranges within each aging group. *SEE ALSO: Page 32* *SEE ALSO: CU*BASE GOLD Online Help, Table of Contents, Collections Functions (MNCOLL) and the separate "Online Credit Bureau Access: User Guide" booklet*
Managing Member Payments	• Payment Matrix - used to control how payment funds are distributed among fines due, principal, and interest. • Payroll Deduction, AFT, ACH and Escrow accounts for automating a member's loan payments. *SEE ALSO: Page 14*
Managing Written-Off	• Written-off loans are collectible debt that can still be

Tool	Features
and Charged-Off Loans	serviced via CU*BASE; inquiry on the loan status is available and payments can still be made online. A special loan category is used to make tracking easy, and the accounting is against the credit union's loan loss reserve account. • Charged-off loans are actually closed accounts that are retained in the closed account files to show history of problem debts with the member. Servicing cannot be done via CU*BASE, but history is stored for future reference and analysis. *SEE ALSO: Write-off/Charge-off Tools*
Trackers for Promise to Pay	• Automated review of Promise-to-Pay Trackers. *SEE ALSO: Page 29*

Does your staff know how to make the best use of these tools? Does your credit union have policies and procedures in place to ensure that the tools are used correctly and consistently? Is the data recorded correctly so that it can have the maximum effect? If even your best efforts are not successful, are your bases covered in case of legal action?

Most important, does everyone know what to *do* with the information available?

PREPARING FOR THE BIG GAME:
END OF MONTH

Like the high school football team that devotes time and energy all week long in preparation for Friday's big game, all of your collections activities throughout the month should be in preparation for your big game: end-of-month delinquency reporting. If the goal is to prevent members from appearing on the report, to win that report should be as clean as possible, with no surprises.

- Also keep these preparations in mind when preparing for end-of-quarter and end-of-year.

That's why it's important to work from the daily collections inquiry screens rather than a report that is only printed once during the month. The successful collections team depends on the most up-to-date information so they don't waste time on accounts that have been caught up, and can catch the newly delinquent accounts before they get out of control.

Playing the Percentage Game

Another factor in the collections arena has to do with when loan payments come due, in relation to the monthly reporting time frame. When it comes to the goal of keeping delinquent accounts off the reportable list, one thing that can help is to set loan payment due dates earlier in the month. This can provide more time for a collector to notice the problem and take action before the account makes it to the report, as illustrated below:

Loan Payment Due Date	Number of Days Delinquent at March 31 Monitoring	Comments
January 1	86	These first two loans have been past due without being reported for at least two weeks, allowing more time for the collector to work the accounts before they must be reported.
January 14	76	
January 31	61	This third loan has not been past due as long and will be reported for the first time on almost the same day it actually moved past 2 months delinquent.

This technique is just another weapon in a collections manager's arsenal to keep delinquency under control and present your credit union in the best possible light to reporting agencies and examiners.

Helping a Member to Pay

From the moment a loan is approved, the credit union's goal should be to make it as easy as possible for the member <u>not</u> to become delinquent. Remember these tools in the CU*BASE arsenal to assist your member in making their payments regularly and on time:

Automated Funds Transfer (AFT)	ATM
ACH	Telephone Services (Phone Op)
Audio Response	Loan Coupons
Payroll Deduction	

Motivating the Member to Pay

When planning a collections system, it is important to know when to turn up the heat. These tools can help when the time is right:

Delinquency Fines
Delinquency Notices (automated and on-demand)
Member Comments directing Tellers and MSRs to ask for payments
Freezes to deny the member's access to funds

CONFIGURING LOAN CLASSIFICATION CODES

Managing loan loss reserves can be a tricky process. To track loans where a loss is probable, classification codes are used.   Assigning loan classification codes when appropriate allows a percentage of the loan principal balance to be reserved for potential losses. These loans can also be easily reviewed with the auditor. Remember that preparation is the key to any audit or examination.

Classification codes are also used to organize Troubled Debt Restructured (TDR) loans or Purchased Credit Impaired Loans (PCILs). This will help when gathering the 5300 Call Report data for Page 16 (Specialized Lending-Sections 5 and 6).   The reserve percentage is not used for these loans.

- Find a list of TDR codes on Page 11.

The CU*BASE Loan Classification Codes system allows the credit union to track potential problems on-line, and the information is protected by backup and disaster recovery procedures as part of the credit union's database.

"Loan Classification Code Config" on the Collections Configuration (MNCNFF) menu
Screen 1

Session 0 CU*BASE GOLD Edition - Configure Classification Codes		
Loan classification code		

Code	Description	Classification %
1	NO LOSS	0.000
2	SUBSTANDARD	0.100
3	DOUBTFUL	0.500
4	POTENTIAL LOSS	1.000
5	RECOMMENDED CHARGE OFF	1.000
6	BANKRUPTCY 14	0.000
7	BANKRUPTCY 7	0.000

■ Select   ■ Delete

FR (1763)

This is the first of two screens used to configure Loan Classification Codes. To create or modify a code and its reserve percentage, enter a three-character code (alpha or numeric) at the top of the screen and use Enter to proceed to the second screen.

Classification codes can be set up to handle many different situations:

1. **To calculate the portion of the principal balance to be reserved as potential losses.** *For example:*

    > Code 010 = 10% Loss Potential
    > Code 025 = 25% Loss Potential
    > Code 040 = 40% Loss Potential
    > Code 090 = 90% Loss Potential

Loan Account	Current Balance	Code	Reserve Total
1235-780	10,150.00	010	1,015.00
78945-650	20,525.00	025	5,131.25
98599-780	17,500.00	040	7,000.00
10493-754	100,000.00	090	90,000.00

2. **To track previously classified loans that have returned to a current status.** *For example:*

    > Code 950 = Loan classified in 2013 audit, but current with no reserve %

3. **To track loans that have reserve percentages and the audit year.** *For example:*

    > Code 951 = Loan classified in 2013 audit, with a reserve of 10%
    > Code 969 = Loan classified in 2013 audit, with a reserve of 90%

4. **To track loans that have had documentation problems in the past, and might merit auditor/examiner interest in the upcoming audit.** *For example:*

    > Code 495 = Poor documentation finding in the 2013 audit

5. **To track Troubled Debt Restructured (TDR) or Purchased Credit Impaired Loans (PCILs) for the 5300 Call Report.**

    > *For example:*
    > Code 213 = TDR First Mortgage 2013
    > Code 313 = TDR Other Real Est/LOCs 2013
    > Code 413 = TDR RE also Business 2013
    > Code 513 = TDR Consumer not RE 2013
    > Code 613 = TDR Business not RE 2013
    > Code 700 = PCIL First Mortgage Loans
    > Code 750 = PCIL Other Real Estate/LOCs
    > Code 800 = PCIL RE also Business Lns
    > Code 850 = PCIL Consumer not RE
    > Code 900 = PCIL Business not RE

Screen 2

On this second screen, enter a complete description of the Classification Code. Use the final field to enter a percentage to be used in calculating loan

loss reserve amounts for loans flagged with this classification code. For example:

Loan Account:	12365-780
Current Balance:	10,000.00
Classification Code Reserve %:	25%
Amount Calculated as the Reserve:	2,500.00

If no reserve is needed for loans with this code (such as a code used to report loans with documentation problems for auditors), leave the percentage field blank. When done, use Enter to record the change and return to the previous screen.

> *For information on flagging individual loan accounts with these Classification Codes, refer to the Collections Functions (MNCOLL) in CU*BASE GOLD Online Help Table of Contents*

Once loans are configured with a classification code, a summary of the reserve balance can be viewed in the Classified Loan Summary. This is accessed within the Collections Summary Inquiry screen (***Work Collections*** on the Collections Processing (MNCOLL) menu, then *Summary* (F15)). Use *Classified Loan Summary* (F15) from this screen to access the Classified Loan Summary.

Classified Loan Summary

Loan	Description	Current Balance	Reserved Balance
1	NO LOSS	6,423.36	0.00
2	SUBSTANDARD	1,837.59	183.75
3	DOUBTFUL	18,465.82	9,232.91
4	POTENTIAL LOSS	17,294.84	17,294.84
5	RECOMMENDED CHARGE OFF	1,118.81	1,118.81

	45,140.42	27,830.31
Monitored as of Feb 16, 2013	Outstanding loans	322,930,335.84

(141)

DETERMINING A DELINQUENCY FINE STRATEGY

The number one motivational tool in collecting a loan can be a member's pocketbook. Therefore, the use of fines can be a very effective tool in working with delinquent members. From the cost accounting standpoint, the very fact that you must employ a collections team points to the need to collect funds to offset their efforts.

There are many factors to be considered when configuring fines. Understanding and explaining these factors to members and other credit union staff is an important part of a collector's responsibility.

Three configuration settings have particular importance to how delinquency fines will affect member loans. It is the combination of these settings that can make explaining delinquency fines tricky, so it is important to understand each and how they can interact with each other.

- **Delinquency Control** - This code controls whether or not delinquency is monitored, and if so, whether or not the loan can be paid ahead or if one full payment is required every period in order for the loan to remain current.

- **Payment Matrix** - The system uses this to earmark funds from the loan payment to be distributed among various segments, including interest, principal, fines, escrow and miscellaneous funds (such as sales tax).

- **Delinquency Processing/Partial Pay Setup** - This flag, which is defined in your credit union's CU*BASE master parameters, controls whether or not the payment of a fine is required in order to bring a loan current.

Ultimately, fines are never a positive situation for anyone involved. The credit union reluctantly charges the fine, the member begrudgingly pays the fine, and often the person collecting the fine is stuck in the middle. It is important that a Collections Manager communicate the importance of why fines are used and how they work. Nothing is more embarrassing to a collector than when a member can prove that a fine was charged in error. It is important that the credit union has credibility in the collections process, and that credibility comes from everyone knowing how the system works.

DELINQUENCY CONTROL

This code helps the system determine how the next payment date is advanced on the loan, and thus, whether or not the loan is considered delinquent. There are three different types of delinquency controls:

1 Pmt/Period (P)	The next payment date will not advance more than one payment period. Loans cannot be paid ahead. This method is typically used on open credit loans.
	For example, on March 5 a member makes a $100 payment. The monthly payment amount is only $50 and the member is not delinquent. The system treats this as one payment and advances the next payment due date to April 5.
Pay Ahead (blank)	The next payment date is advanced according to the number of payments made.
	For example, on March 5 a member makes a $100 payment. The monthly payment amount is only $50 and the member is not delinquent. The system treats this as two payments and advances the next payment due date to May 5.
No delinquent calc (N)	The system neither monitors nor controls the next payment date or delinquency on the loan.

These codes are assigned to the Loan Category, but can be modified on an individual loan account if necessary. These are found on the Account Information Update screen accessed via **Update Member Account Info** on the Update Functions 1 (MNUPDT) menu.

PAYMENT MATRIX

The Payment Matrix on a loan determines how the funds from a loan payment are distributed among the various segments: principal, interest, fines, escrow (optional), and miscellaneous funds (optional).

> **Sample Payment Matrix**
>
> 1   Fines
> 2   Interest
> 3   Principal
>
> If the member makes a payment less than the regularly scheduled amount, the system would pay fines first, then interest, then any remaining funds onto principal.

The rules for how these funds are applied are flexible and configured by the credit union. Therefore, you can choose to accelerate the crediting of principal but it may result in other segments receiving less. Generally, credit unions will satisfy outstanding fines first, then interest due, and finally, principal. If a credit union uses the optional escrow or miscellaneous funds segments, the order in which these are satisfied depends on the type of loan.

A payment matrix is determined when a Loan Category is configured, but the matrix can be adjusted on individual accounts as necessary.

Example

A member becomes several months delinquent but then makes six regular payments on time. The credit union views these regular payments as a good faith effort and wants to rewrite the loan to a current status through an extension. However, the examiner feels that the principal should be reduced at an accelerated pace to show further good faith before rewriting the loan.

A compromise using Payment Matrix may be that the loan officer through a "workout" collects a fixed amount of principal first out of every payment before crediting the credit union's outstanding interest. After the member has made the appropriate number of payments to catch up the delinquent principal, the credit union and examiner may agree to rewrite the loan and set the Payment Matrix back to its original order.

DELINQUENCY PROCESSING/PARTIAL PAY SETUP

In the loan category configuration there is a *Delinquency fine in partial payment* checkbox that controls whether or not the payment of fines will affect the loan's delinquency status.

Essentially, this flag controls whether the collection of a fine is necessary in order to move the payment due date ahead to the next period. To better explain the difference between the choices, here are scenarios that show results on the same loan with the flag turned off and with it turned on:

Loan Balance	$1,000.00	Next Payment Due Date:	March 15
Interest Due	50.00	Regular Payment:	$125.00
Fines Due	10.00	Frequency:	Monthly
Payoff	$1,060.00		

☐ Include delinquency fine in partial pay
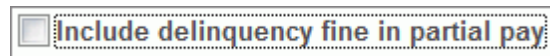
The member pays $125. The system considers it a partial payment of $115 and does not advance the next payment due date. In order to avoid delinquency, the member would have to pay the additional $10.

The member pays $135. The system considers it a full payment of $125 on the loan and $10 on the fine, and advances the next payment due date to April 15.

☑ Include delinquency fine in partial pay
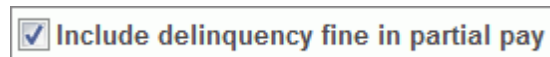
The member pays $125. The system considers it a full payment of $125 toward the loan, even though only $115 goes toward satisfying principal and interest due. The system advances the next payment due date to April 15 because the fine is considered part of the full payment used to advance the due date.

The member pays $135. The system considers it an overpayment: a full payment of $125 toward the principal and a $10 fine credit. Therefore it will advance the next payment due date because at least $125 was paid. A negative effect of this setting is that any time an actual overpayment is made, everything is credited toward the determination of the next payment date, whether or not it was credited to principal or interest.

Because of different state laws governing collection of delinquency fines, CU*BASE offers the option so that each credit union can select the appropriate style. It was designed specifically for states with laws prohibiting the collection of a fine to cause an additional delinquent payment.

HOW PAYMENT MATRIX AND PARTIAL PAY SETUP WORK TOGETHER

The following scenarios illustrate how the combination of a loan's Payment Matrix and *Delinquency fine in partial payment* flags can affect loan delinquency:

Example

Loan Balance	$500.00	Next Payment Due Date:	March 15
Interest Due	50.00	Regular Payment:	$100.00
Fines Due	10.00	Frequency:	Monthly
Payoff	$560.00		

The member needs $100 of credit to move the payment due date forward. Depending on how the member's money is used in making the payment, you may or may not have to subtract the fine from the $100 needed to move the payment forward.

1st Scenario	2nd Scenario Payment Matrix

Payment Matrix:
 	
   1   Interest
   2   Principal
   3   Fines
	Payment Matrix:
	
	   1 Fines
	   2 Interest
	   3 Principal

The member pays $100. The system applies $50 to interest due and takes the remaining $50 and tries to satisfy principal. Because the balance of $500 is greater than the $50 payment, the entire $50 goes toward principal, and no money is credited toward the fine. However, because both interest and principal have been satisfied, the next payment due date is moved forward to April 15.	The member pays $100. The system applies $10 to the fine. From the remaining $90, the system takes $50 and applies it to interest due and $40 toward principal. At this point, the system interprets the Partial Pay Setup flag as to what was applied to principal and interest. If the fine is considered as part of the partial, it adds up $10 plus $50 plus $40 = $100 and the payment moves forward. If the fine is not considered part of the partial, it adds up $50 plus $40 = $90 which is less than the required $100 payment and the payment due date does not move forward. In order to avoid delinquency, the member must pay the additional $10 to satisfy the loan.

To put it another way: a loan's Payment Matrix divides the loan payment into different segments. The system must determine which segments are credited toward moving the payment due date ahead. Interest, Principal, Escrow and Miscellaneous funds are always included; the only segment that is optional and configured by the credit union is delinquency fines.

HOW PAYMENT MATRIX CAN AFFECT LOAN PAYOFF

When determining how to set up the Payment Matrix, one important consideration is how it can affect the final payoff of a loan, if the loan ever incurs delinquency fines throughout its life. For example:

- If fines are taken <u>first</u>, and the member never makes an additional payment to cover the fines, at maturity the member will owe principal and interest due reflecting the amount of the fines (as long as fines are not included as part of the partial payment) and the member would be delinquent. If fines were included in the partial payment, the member would still owe principal and interest but would not be delinquent.

- If fines are taken <u>last</u>, and the member never makes an additional payment to cover the fines, at maturity the member will owe no principal or interest due but will owe the amount of fines never collected. In this case, the Partial Pay Setup flag has no effect.

As any collector knows, it is much easier for a credit union to recover principal and interest still owed on a loan than to collect outstanding fines when the member sees that interest and principal have already been satisfied.

OTHER IMPORTANT CONSIDERATIONS

- Fines are posted to the member inquiry, phone and teller screens as "memo posted" items only. This means that the actual income is not accrued before the fine is paid. It is simply a debt owed by the member but not counted on as credit union income. Therefore, before it is collected the credit union can erase a fine without a corresponding journal entry (this is done using **Update Member Account Infor** on the Update Functions 1 (MNUPDT) menu. Once the fine is paid, the income is recorded using the G/L income account specified in the fine configuration.

- When fines are paid, the system first credits the entire payment to the member's account and then takes the fines and any other funds earmarked for escrow or miscellaneous use and debits these amounts back against the member's loan in separate transactions. This makes member statements and transaction histories much easier to interpret, because the transactions show exactly where the money went.

  In the following example, a payment of $250.00 is made, and then $10.00 is debited to cover a delinquency fine:

Total Payment	Interest $	Principal $	Balance	G/L Offset
			1000.00	
250.00	50.00 CR	200.00 CR	800.00	Cash or 870.xx
10.00		10.00 DB	810.00	Fine Income G/L

  Therefore, if you wish to reverse the collection of a fine, you may simply auto-reverse the individual fine payment transaction. This method is similar to the transactions generated when a member's payroll is credited to a share account and then transferred to cover loan payments, club deposits, etc. This system of individual transactions allows for a clear and easily audited transaction trail.

- Each payment can only be fined once for a delinquent status. To accomplish this, the system uses only one calculation date for fines, based on a payment due date and grace period.

Example

Payment Due Date: January 5
Payment Frequency: Monthly
Grace Period: 10 days
Fine Calculation Date: January 15

If the loan is delinquent on the Fine Calculation Date, the fine is assessed. If the loan is still delinquent on the next Fine Calculation Date of February 15 (February 5 + 10 days grace), another fine is calculated.

CONFIGURING DELINQUENCY FINES

"Loan Fines Configuration" on the Collections Configuration (MNCNFF) menu, Screen 1

This is the first of two screens used to configure delinquency fines. These codes are assigned to a loan note when it is created, and take effect according to the fine configuration when the member becomes delinquent. Enter a one-digit numeric code and use Enter to proceed to the second screen.

> *NOTE: Leave the delinquency fine code field blank on the loan update screens to indicate "no delinquency" (no delinquency fines are assessed). Zero is an available fine code.*

Screen 2

Special Note: These two flags are designed only for certain states that allow these special fine features. Refer to online help for more details.

This second screen lets you set up exactly how and when fines will be assessed, for members whose loans have been flagged with this delinquency

fine code. When done, use Enter to record the changes and return to the previous screen.

> *For complete field descriptions and other tips on completing this configuration, refer to CU*BASE Online Help. Click while working on this screen.*

CONFIGURING DELINQUENCY NOTICE GROUPS (NOTICES SETTINGS AND COMMENTS)

- **IMPORTANT:** This only sets the delinquency notice group. You will still need to configure the notice that is sent to members using a separate configuration. Refer to the Member Notices: Configuring and Printing Laser Notices and e-Notices booklet for more information on the setup and printing of notices.

You can generate delinquency notices for up to four different types of loans by using the four delinquency notice groups: General (your basic delinquent notice configuration), "Mortgage," "Credit Card," and "Other." (The "Other" setting can be used for business loans or a second type of mortgage loan, for example.) With each notice group you can define different time frames of when and how the system should generate notices to warn both the member and credit union staff about a loan that has gone delinquent.

These notice groups are then linked to the loan thought the loan category configuration (Loan Products (MNCNFB) menu). **See Page 24.**

- **Important**: It is not enough to set up the notice groups (covered in this section). You must also set up the appropriate "events" on your notice forms as well. There are sixteen different notice events to include in the notices themselves, four for the "General," four for the "Mortgage", four for the "Credit Card," and four for the "Other" notice group. For more information on configuring the notices themselves, refer to the Member Notices: Configuring and Printing Laser Notices and eNotices booklet which is covered in more detail on **Page 26**.

- All of the notice groups, including "Other" are credit union defined and for that reason they do not necessarily need to follow the group name itself (General, Credit Card, Mortgage, and Other). The loan category associated with the loan is what determines which notice group is used, not the loan itself. **See Page 24.**

CONFIGURATION SCREENS

To begin the setup of your loan delinquency groups (and with your loan delinquency configuration settings) use ***Delinquent Notice Config*** on the Collections Configuration (MNCNFF) menu.

The first screen will prompt you to select one of the four delinquent notice groups.

"Delinquency Notice Config" on the Collections Configuration (MNCNFF) menu, Screen 1

Check one of the boxes provided and press Enter. You will then advance to the configuration screen to set up the notice configuration for that notice group.

"Delinquent Notice Config" on the Collections Configuration (MNCNFF) menu, Screen 2

This second screen is used to define when and how the system should generate notices to warn both the member and credit union staff about a loan that has gone delinquent. In addition to the printed notices generated for mailing to members, the system can also generate Trackers and comments to notify credit union staff.

There are two methods for distributing notices: *Preset Levels*, where a different notice is generated depending on how long the member has been delinquent, and *Recurring Notices*, where the same notice is sent again and again. You may use one method or the other, not both.

> *For complete field descriptions and other tips on completing this configuration, refer to CU*BASE Online Help. Click* [i] *while working on this screen.*

- **IMPORTANT:** This only sets the delinquency notice group. You will still need to configure the notice that is sent to members using a separate configuration. Refer to the Member Notices: Configuring and Printing CU-Defined Notices and e-Notices booklet for more information on the setup and printing of notices.

IMPORTANT CONSIDERATIONS

In order for delinquency notices to have the desired effect, but avoid wasting the credit union's time and money, it is necessary to plan carefully when and how delinquency notices are generated. Because of the expense associated with printing and mailing notices, it is best to avoid using notices as simple "bill paying" reminders.

In addition, it is important to educate all staff as to the procedures to be followed when member comments and trackers are generated. If a teller sees a delinquent loan comment, should it be ignored or should Collections be contacted? Can a payment be accepted? Does the front line staff know how to check a tracker and use the information it contains? Is the notice text you set up a year ago still applicable? Do your notices actually do the job?

To help make your Comments work for you and get results for your collections efforts, CU*BASE allows you to configure custom text to be used in the Member Comments window for delinquent loans, instead of the generic Comment, "THIS LOAN IS DELINQUENT."

You can use this Comment as a way to remind front-line and other staff what to do when a loan is delinquent. In fact, because CU*BASE automatically highlights a loan account on the first day it is delinquent in inquiry and teller screens, you actually have opportunities for two different actions, one after the loan first goes delinquent, and another once the Comment finally appears.

In the following scenario, a Member Comment is set up to appear at the same time that fines begin being charged:

> *ABC Credit Union begins assessing delinquent fines at 14 days delinquent. Member Comments are also set up to appear beginning at 14 days delinquent.*

> *Everyone working at ABC Credit Union knows that the first day a loan becomes delinquent, the loan account will be highlighted on inquiry and teller screens. If they are working with a member and notice this highlighting, they are to offer a "friendly reminder" to the member that the loan payment is past due, and offer any assistance they can.*

> *After 14 days, the Member Comment will also begin to appear. Because the Comment is timed to coincide with the first day fines are assessed, the text is designed to prompt staff to advise the member that a delinquency fine may have been assessed on the loan, and to encourage the member to make the required payment.*

With the configurable Comment text feature, ABC Credit Union can state in the Comment exactly what should be done, such as:

"ADVISE MBR LOAN IS DELINQ AND FINE MAY BE ASSESSED"

You may also choose to correlate the appearance of the Member Comment with the date on which a freeze is put on the loan account, and include instructions in the Comment such as:

"ADVISE LOAN FROZEN DUE TO DELINQ OVER 30 DAYS"

CHANGING COMMENT TEXT (FOR EMPLOYEES): CLEANING UP "OLD" DELQ. COMMENTS

A change to your configured comment text WILL NOT automatically change existing loans with delinquent comments. If you would like to "clean up" all existing delinquency comments from your member accounts, use this one-time procedure:

1. Using one of the above screens, change the *Produce Loan Delinquent Comment after* setting to **999 M** (Months).

    > HINT: This setting means <u>never</u> produce delinquency Comments.

2. During end-of-day processing that night, the system will purge all existing delinquency Comments and, because of the new setting, will not produce new Comments for any accounts.

3. The next morning, return to one of the above screens. Change the *Produce Loan Delinquent Comment after* setting to the correct number of days or months, and enter the desired Comment text. That night, during EOD processing, new Comments will be produced for delinquent loans based on the settings you configured.

LOAN CATEGORY SELECTS NOTICE GROUP

Which delinquency notice group is used for the loan is determined in the loan category configuration's *Delinquency notice group* selection. "General" is the default, but you can select the other notice groups (Credit Card, Mortgage, or Other) from the drop-down menu.

When delinquency monitoring is run, it refers to the loan category of the loan to determine which notice group is associated with the loan. This determines which delinquent notice configuration is used. **See Page 21.**

Delinquent Tracker Sample

This is a sample of a Notice Tracker record created for a delinquent loan:

NOTE: The system creates a new, separate Tracker record each time delinquency monitoring causes a Tracker to be generated (in other words, it does not simply add new notes to an existing Tracker). Memo Type will always be "DQ" regardless of your credit union's configured memo types. Employee ID will be 99. Notice Trackers are found at the account level, not the membership level as with all other Trackers.

Report Sample

Following is a sample portion of the Non-Responsive Delinquent Loan Report:

```
 3/11/97   3:06.14                              CU*BASE  TEST  CREDIT  UNION                       PDLQAN          Page    1
                                      Nonresponsive Delinquent Loan Report                                    User OPER
                                                                                                             Workstation R
     Account                               Current    Interest   *  Delinquent  *    **  Last Transaction  **    Payment
     Number    Member  Information         Balance      Due      Paym     Amount     Date    Type    Amount      Amount
 -----------  ------------------------     -------    --------   ----------------    -------------------------   -------
      69-700  MEMBER        STEVE     S    20,014.3     83.88     1         397.96   2/21/97  60        15.92      397.96
              1234 ANYSTREET                ANYCITY              MI  49000-3404
     148-700  MEMBER        ARTHUR    L    14,667.9     97.02     2         684.08   2/18/97  60        13.68      342.04
              1234 ANYSTREET                ANYCITY              MI  40000-3143
     272-702  MEMBER        SUSIE     Q    12,668.7     16.38     2         302.76   3/04/97  12       222.39      222.39
              1234 ANYSTREET                ANYCITY              MI  49999-1141
 19   1/10/97  60        3.92       97.99
              1234 ANYSTREET                ANYCITY              MI  67890-9300
```

CREATING THE NOTICE ITSELF AND PRINTING NOTICES

The Member Notices: Configuring and Printing Laser Notices and eNotices booklet contains a deeper look at notices, including:

- How to configure the notices forms and events so that they are ready to generate for members.
- How to print the notices.
- Rules for notice printing (such as the fact that notices are not printed for members with their address marked as a "Wrong Email Address" in the system).
- How to send delinquent notices to co-signers.
- And more!

NOTE: Please note that there are sixteen different notice events to include in the notices themselves, four for the "General," four for the "Mortgage," four for the "Credit Card," and four for the "Other" notice group. Notice groups are discussed beginning on Page 21.

Be sure to check out this booklet for more information. The direct URL for this booklet is http://www.cuanswers.com/pdf/cb_ref/Notices.pdf
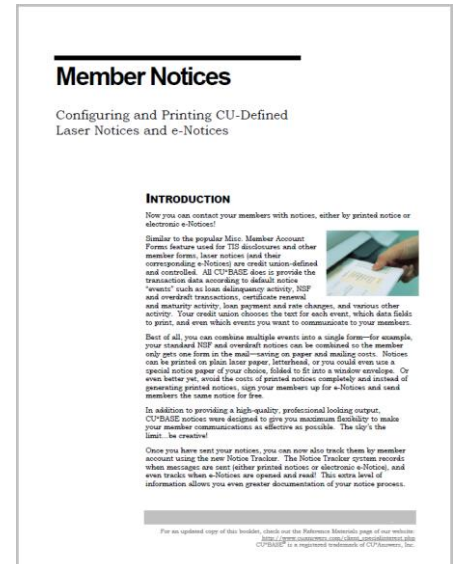
CONFIGURING DELINQUENCY AGING LEVELS AND ACCOUNT FREEZES

"Collection Parameter Config" on the Collections Configuration (MNCNFF) menu

This screen is used to set up the delinquency aging categories and other parameters used by the collections system. The category levels you set up here will be used when inquiring on and reporting delinquency via the CU*BASE system. Unlike the categories required by NCUA and other reporting agencies, these categories can be configured any way your credit union wishes to make collections activity easier to monitor.

The Collection Delinquency report (on the Collection Function (MNCOLL) menu) uses these configured levels when grouping delinquent loans. The Delinquency Analysis report (also on the Collections Functions (MNCOLL) menu) groups accounts according to the NCUA guidelines (30-59 days, 60-179 days, 180-359 days, >=360 days).

> *For complete field descriptions and other tips on completing this configuration, refer to CU*BASE GOLD Online Help. Click* *while working on this screen.*

Important Considerations

- Levels should be set up to include only those accounts that actually require collections activity. Because the Collections Member Inquiry

screen will include all loans, no matter how long they have been delinquent, it is not necessary that the Aging Levels include accounts that have only been delinquent for a few days. The lowest level should begin at the time when collections efforts would normally be initiated, and could correspond with the date on which the first fine would be assessed.

> *Configuring delinquency fines is covered starting on Page 19.*

- To make it easier to separate those accounts which NCUA requires you to report versus those accounts you will not be reporting, a system like the following is recommended: Levels 1 though 3 are used for "preventative maintenance" type activities—those accounts that you want to work to try and keep them off the reportable list. Levels 4 through 6 would be for those accounts you currently report to examiners as delinquent.

PROMISE-TO-PAY COLLECTIONS MONITORING

CU*BASE uses the Tracker feature to allow you to focus your time on follow-ups on *broken* promises and not on accounts where the member pays on time. To use this process you set up a Tracker with a follow-up recording the amount and the date range when the amount is expected. (These fields are available when the feature is activated.) If the member pays the expected amount on time, the system is smart enough to turn off the associated follow-up, *even when the member pays several times toward that final amount.* If the member does not pay the amount in the expected time, CU*BASE does not close the follow-up, alerting you that this member requires further action.To activate this feature, select the Memo Type you want to use to record the amount of deposit, as well as the broken promise. *We recommend you use your Promise to Pay (PP) Memo Type; however, any type of transaction can be monitored for using this feature.*

If the member pays on time, CU*BASE will close the follow-up. If the member does not pay on time, the follow-up will not be closed, alerting the collector that they need to contact this member. In either case, CU*BASE records the result in a Tracker conversation. These are shown on **Page 27**.
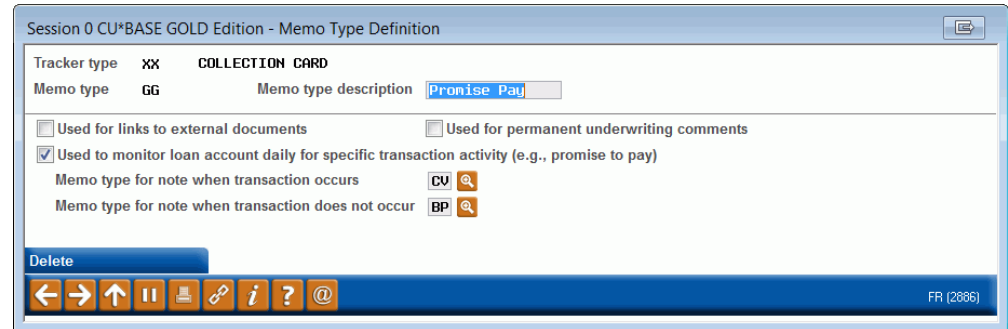
What if two promise-to-pay follow-ups are created for a member at the same time?

If two promise to pay follow-ups are created at the same time, CU*BASE will watch first promise to pay. Once that is met, it will watch for the deposit amount of the second. Similar Tracker conversations will be recorded for each completed promise to pay. Examples of the "completed" Tracker conversation is shown starting on **Page 27**. You can always Query the TKLRAUTO file covered on **Page 27** to research if members met existing promise-to-pay.

CONFIGURATION

In the Memo Type configuration, check *Monitor account for daily transactions* to activate this feature. This checkbox only appears on Memo Types associated with a Collections Tracker Type (XX). Then enter the Memo type you want to use to record a "kept promise" and a "broken" promise.
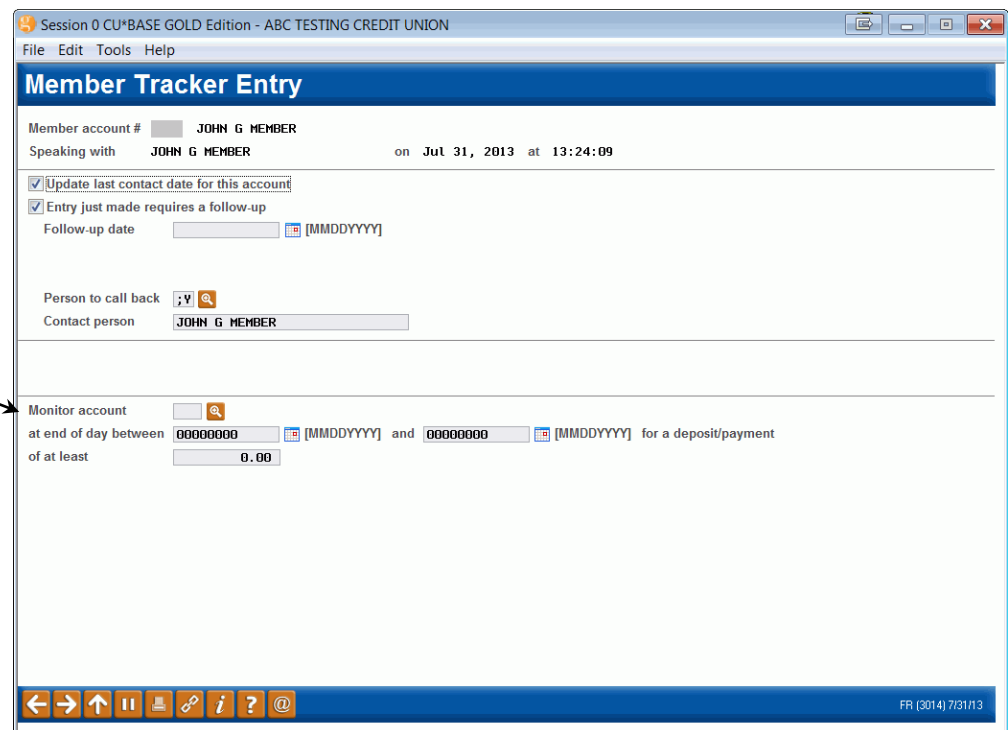
Memo Type Configuration on the Member Tracker Tools (MNTRAK) menu

CREATING THE FOLLOW-UP AND TRACKER CONVERSATION

Then whenever you create a follow-up with this configured Memo Type (again, we recommend you use PP), you will be presented with additional optional fields on the second screen to record the suffix, amount, and the date the amount is due.

These additional fields will appear allowing you to enter the sub account to monitor, as well as the date range and amount.

Each day, during end-of-day processing, CU*BASE will evaluate for the expected transaction. If the member fulfills the amount on time, CU*BASE turns off the follow-up. *Because this process is run at end-of-day processing, it is important to schedule the follow-up the day after you want*

the last evaluation to be run. **This entire process is documented in the member's Collections Tracker.** See following page for examples.

EXAMPLES OF TRACKER CONVERSATIONS

At each step of the process, a Tracker conversation is created.

Tracker created

```
Contact - Date: 03/08/2013   Time: 15:30:59   By Emp: -4
         Name: MICHAEL R                        Memo Type: PP PROMISE PAY
Follow-up - Date: 03/31/2013   Assigned to Emp: 89   Completed: YES
No text entered
Monitor account 110 at end of day between 2/14/2013 and 3/31/2013
for a deposit/payment of at least $99.00
```

Failed promise

```
Contact - Date: 02/27/2013   Time: 12:32:01   By Emp: -4
         Name: CHARLES                          Memo Type: BP BROKEN PROMISE
Member failed to make promised payment by 02/15/2013.
```

Promise met

```
Contact - Date: 02/27/2013   Time: 12:37:26   By Emp: 99
         Name: MATTHEW L                        Memo Type: PK PROMISE KEPT
Promise to pay fulfilled. System processed follow-up closure.
```

REPORTING AND QUERYING DATA OF PROMISE-TO-PAY FOLLOW-UPS

To find members who have met or missed their promise to pays, use *Print Member Trackers* on the Member Tracker Tools (MNTRAK) menu, filtering for the configured memo Types. This will build your report for the members having conversations with these Memo Types and will give you a list of members who either met or missed their promised deposit.

To view only members who are currently being monitored by this feature, you can query the TKLRAUTO file. (Once the payment is either made or missed, this member will be removed from this file.)

RISK-BASED DELINQUENCY ANALYSIS TOOLS

With these delinquency analysis tools, collections managers and credit union leaders can get a true picture of how risk scores relate to delinquency on the membership overall. Are your underwriting guidelines too lenient? Too strict? Are underwriters paying attention to the score as they should?

- **Loan Delinquency Analysis Report**
  This popular report includes two formats, one showing the risk score for all delinquent loans. This report is a quick and easy way to see the relationship between delinquent behavior and the risk score used to make the underwriting decision on each individual loan.

- **Risk Score Analysis Report**
  This report summarizes all delinquent loans using your normal collections aging parameters, and then groups the loans by risk score ranges within each aging group. This is the most valuable tool for analyzing overall performance of your membership's loans compared to risk score statistics, and points to trends that can help keep your underwriting policies in tune with actual member behavior.

LOAN DELINQUENCY ANALYSIS REPORT

"Print Delinquency Analysis" on the Collection Processing (MNCOLL) menu

This report lists all loan accounts which have been delinquent for 2 months or more. There are two report formats available:

- **Risk Score** - This format is used to analyze delinquent loans by Risk score. This format is similar to the Payment format except it does not

show loan payment amount and due date, but rather lists the Risk score as recorded on the loan account record. The value of this format is that you can quickly analyze the relationship between account delinquency and the score used when the initial underwriting decision was made.

- **Payment** - This format shows basic loan payment information such as interest due, payment due date and payment amount.

Remember that unlike the ***Loan Delinquency Report***, also on the Collection Functions (MNCOLL) menu, which is grouped using your credit union's configured categories, accounts on this report will be grouped according to the number of months delinquent. The following delinquency aging groups are used (these are not configurable): 2 to 6 months, 6 to 12 months, and 12 months and over. This report is ideal for reporting delinquency status to your Board or an auditor.

There are actually two separate reports printed: a Detail report (LDQAN2) showing each individual loan account, and a Summary report (LDQAN3) showing a summary by aging group.

> *For complete field descriptions and other tips on completing this configuration, refer to CU*BASE Online Help. Click* *while working on this screen.*

Report Samples

The following samples were printed using the *Risk Score* format and include both loans and open-credit accounts.

Report 1: Detail

```
10/14/99                              DEMONSTRATION CREDIT UNION                        LDQAN2A        PAGE    5
15:12.49        Corporation: 01          DELINQUENT LOAN ANALYSIS                                      DAWNM
                                          ALL LOAN/OPEN CREDIT                                         ** DETAIL **

                                Account    Delinquency Balance In Months  Interest Mon Risk
Member Name                     Number     2 TO 6    6 TO 12  12 & OVER     DUE DLQ Score
------------------------------  ---------- --------- --------- ----------  -------- --- -----

SUSIE S. STEVENSON              544919-786  5000.00                          26.17  2  0727
JEFF J. JOHNSON                 545303-780 23918.96                            .00  3  0000
ERIC E. EVANS                   554022-771  2233.86                           8.03  3  0629
BART B. BROWN                   554093-771   140.11                            .56  2  0668
SUSAN S. SMITH                  554213-772  9677.77                          546.51 2  0572
TARI T. THOMAS                  554271-772              513.45                25.05  9  0584
TIMOTHY T. THOMAS               554297-771  5657.88                          10.85  4  0657
DAVID D. DONALDSON              554653-771  2295.54                          15.75  2  0602
                                    -772    4604.30                          52.92  3  0772
MARK M. MATTHEWS                555898-771             4937.39              393.08  9  0638
                                    -773                        2454.29     115.24  6  0662
MARK M. MATTHEWS, JR.           555940-772  6756.42                          83.25  3  0667
JACKIE J. JONES                 556363-771    13.60                            .00  2  0682
SAMANTHA S. STEVENSON              556428-771   856.86                        33.39  5  0712
JACK J. JOHNSON                 556677-771  9801.49                         118.00  2  0716
ERIN E. EVANS                   556703-786    43.41                           2.16  4  0627
BECKY B. BROWN                  557011-773  3029.67                          47.73  2  0563
SAMUEL S. SMITH                 557049-771             3458.54              133.73  6  0620
TODD T. THOMAS                  557082-773 10544.29                          48.51  2  0675
DENNIS D. DONALDSON             557115-786   100.00                           2.64  3  0603

              * TOTALS --              546102.67*  84248.94*  31414.02* 13510.77*

  * NUMBER OF LOANS DELINQUENT --          111*       20*        4*       135*

        * AVERAGE RISK SCORE --             580       605        674
```

Report 2: Summary

```
10/14/99                              DEMONSTRATION CREDIT UNION                    LDQAN3A            PAGE      1
15:12.51          Corporation: 01            DELINQUENT LOAN ANALYSIS                                   DAWNM
                                              ALL LOAN/OPEN CREDIT                                   ** SUMMARY **
                                            FOR END OF MONTH OCT, 1999

                           ....... TOTAL LOAN BALANCES ........                              ..... NUMBER OF LOANS  ....
DELINQUENCY AGING GROUP         AMOUNT      % OF DLQ.   % OF ALL        AVERAGE RISK SCORE     COUNT   % OF DLQ.  % OF ALL
------------------------   ----------------  ---------  ---------       ------------------    -------  ---------  --------

DELQ/ 2 TO LT 6 MNTS ..      $546,102.67      82.52%      5.48%                580              111     82.22%     6.68%

DELQ/ 6 TO LT 12 MNTS .       $84,248.94      12.73%       .84%                605               20     14.81%     1.20%

DELQ/ 12 MNTS & OVER ..       $31,414.02       4.75%       .31%                674                4      2.96%      .24%

 ** TOTAL DELINQUENT **      $661,765.63     100.00%      6.64%                587              135    100.00%     8.13%

 *** NON-DELINQUENT ***    $9,310,972.96                 93.36%                522            1,526               91.87%

 *** TOTAL ALL LOANS ***   $9,972,738.59                100.00%                550            1,661              100.00%
```

Notice this format also calculates the average risk score for all loan accounts in each aging category.

RISK SCORE ANALYSIS REPORT

"Print Risk Score Analysis Report" on the Collection Processing (MNCOLL) menu

This report breaks the loans down into the delinquency aging categories defined by your credit union. In addition, the report will show a separate category for current (non-delinquent) loans as well as a category including all credit union loans, whether delinquent or not.

> *NOTE: Delinquency aging categories are defined using "**Collection Parameter Config**" on the Collections Configuration (MNCNFF) menu.*

On this screen you can define up to 5 risk score ranges, to group the loans within each aging category according to the risk score on the loan account record. You can also optionally choose to include only loans with certain categories, purpose or security codes, location number or loan officer ID. The screen will retain the last parameters used to make it easier the next time the report is run.

> **IMPORTANT NOTE: In order for the percentage calculations to be meaningful, this report was designed to show <u>only loans that have a risk score</u> recorded on the account record.** If you want to simply see a list of all delinquent loans, with or without a risk score, use the Delinquent Loan Analysis Report described starting on Page 32.

For complete field descriptions and other tips on completing this configuration, refer to CU*BASE Online Help. Click 🛈 *while working on this screen.*

Report Sample

Notice that this credit union only uses 4 of the 6 available aging categories. Under each aging category you'll see the selected risk score ranges, and statistics on the number of delinquent accounts within each range.

```
10/14/99                                  DEMONSTRATION CREDIT UNION (WN)                    LRISK2          Page    1
15:59.28          Corporation: 01              Loan Risk Score Analysis Report                              DAWNM
                                               Report For Month Ending OCT , 1999

Loan Category ALL    Purpose Code ALL   Security Code ALL   Branch/Loc No. ALL   Loan Officer Id: ALL

                                                                    Current    Average Risk  Weighted Avg
                                                                    Balance        Score         Rate
                                                                  ------------   ------------  ------------


Current:                        8 Accts  2.89 % of Total Loans     16876.58        525         9.160 %      The "Current" group
               0000  to  0300   1 Accts   .36 % of Total Loans     10623.76        300         8.999 %      represents all
               0301  to  0400   1 Accts   .36 % of Total Loans      4568.83        350         9.500 %      current, non-
               0401  to  0500   1 Accts   .36 % of Total Loans      1683.99        500         9.249 %      delinquent loans
               0501  to  0600   3 Accts  1.08 % of Total Loans          .00        542          .000 %      where a risk score
               0601  to  9999   2 Accts   .72 % of Total Loans          .00        713          .000 %      has been recorded.

2 MONTHS AND UNDER            155 Accts 56.15 % of Total Loans    937110.92        523        10.509 %
               0000  to  0300  19 Accts  6.88 % of Total Loans    145377.52        300         9.808 %
               0301  to  0400  30 Accts 10.86 % of Total Loans    163409.47        349        12.003 %
               0401  to  0500   4 Accts  1.44 % of Total Loans     17929.33        453         9.867 %
               0501  to  0600  44 Accts 15.94 % of Total Loans    309592.93        562         9.630 %
               0601  to  9999  58 Accts 21.01 % of Total Loans    300801.67        662        10.979 %

2 TO 6 MONTHS                  91 Accts 32.97 % of Total Loans    427500.21        581        11.139 %
               0000  to  0300   4 Accts  1.44 % of Total Loans     18173.89        300        13.414 %
               0301  to  0400   9 Accts  3.26 % of Total Loans     84075.32        391         9.930 %
               0401  to  0500   7 Accts  2.53 % of Total Loans     34567.03        454         8.620 %      These groups are
               0501  to  0600  22 Accts  7.97 % of Total Loans     85554.09        563        12.592 %      taken from your
               0601  to  9999  49 Accts 17.75 % of Total Loans    205129.88        665        11.252 %      collection
                                                                                                            parameters, and
6 MONTHS 1 DAY TO 12 MOS       18 Accts  6.52 % of Total Loans     77291.95        598        10.534 %      may include up to
               0000  to  0300   1 Accts   .36 % of Total Loans     14166.10        300         8.000 %      six delinquency
               0301  to  0400   0 Accts   .00 % of Total Loans          .00                     .000 %      aging categories.
               0401  to  0500   0 Accts   .00 % of Total Loans          .00                     .000 %
               0501  to  0600   5 Accts  1.81 % of Total Loans     21361.37        560        12.493 %
               0601  to  9999  12 Accts  4.34 % of Total Loans     41764.48        639        10.392 %

OVER 12 MONTHS                  4 Accts  1.44 % of Total Loans     31414.02        674        13.000 %
               0000  to  0300   0 Accts   .00 % of Total Loans          .00                     .000 %
               0301  to  0400   0 Accts   .00 % of Total Loans          .00                     .000 %
               0401  to  0500   0 Accts   .00 % of Total Loans          .00                     .000 %
               0501  to  0600   1 Accts   .36 % of Total Loans     15705.39        554        11.000 %      The "All Loans"
               0601  to  9999   3 Accts  1.08 % of Total Loans     15708.63        714        15.000 %      group represents all
                                                                                                            outstanding loans,
All Loans:                    276 Accts100.00 % of Total Loans   1490193.68        549        10.728 %      both delinquent and
               0000  to  0300  25 Accts  9.05 % of Total Loans    188341.27        300         9.975 %      current, where a risk
               0301  to  0400  40 Accts 14.49 % of Total Loans    252053.62        359        11.266 %      score has been
               0401  to  0500  12 Accts  4.34 % of Total Loans     54180.35        458         9.052 %      recorded.
               0501  to  0600  75 Accts 27.17 % of Total Loans    432213.78        561        10.407 %
               0601  to  9999 124 Accts 44.92 % of Total Loans    563404.66        663        11.147 %
```

- Remember that this report will include <u>only</u> those loans that have a risk score recorded on the loan account record.