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# Automating Monthly Income for 90-Day Delinquency

## INTRODUCTION

Now a time-consuming monthly chore is more comprehensive, more precise, and more consistent...it's now also as fast as pushing a few buttons. No more custom Queries or reports, no more complicated spreadsheets to calculate the amounts, no more manually typing what can potentially be hundreds of individual G/L entries.

In a nutshell, this tool automates the process of calculating and posting journal entries to account for interest due that is likely to be unpaid (loans more than 3 months past due). You can choose whether to post detailed entries to each individual income G/L according to loan category, or to a single designated income account, with an offset to a designated accrual G/L. Entries can be posted consolidated into one branch location or by member branch. And yes, we'll even prepare the reversing entry for you. All you have to do is post!

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Revision date: April 14, 2011

For an updated copy of this booklet, check out the Reference Materials page of our website:  
[http://www.cuanswers.com/client\\_reference.php](http://www.cuanswers.com/client_reference.php)  
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# A BALANCE SHEET THAT REFLECTS THE TRUE VALUE OF YOUR LOAN PORTFOLIO

Every month credit unions do their very best to present through their balance sheet a *quality* report on the value of their *adjusted* loan portfolio and accrued interest. The adjusted value of the loan portfolio is based on a statement of your members' total outstanding balances minus the balance of the credit union's provision for loan losses. This net number represents the credit union's best estimate of the loan principal you anticipate will actually be paid off by members.

The adjusted value of the outstanding accrued interest is handled in the same way. The balance sheet reflects the total amount of accrued interest owed by members. This is offset by a monthly entry that represents the interest the CU reckons is not likely to be collected. The formula for calculating this is based on any interest owed on loans that are more than 3 months delinquent.

With the loan loss provision, the balance is carried into the future and adjusted only by additional credits or debits approved by the Board, as members either get caught up or you choose to write off their loans. The accrued interest adjustment, on the other hand, is a one-day balance sheet entry based on an estimate of outstanding accrued interest as of the last day of the month. The adjustment is then reflected on your month-end financial reports. Since loan delinquency fluctuates all month long, the number is not carried through the entire month: on the first day of the next month, last month's entry is reversed from the credit union's books.

In the past this was pretty simple: run a report showing loans over 3 months delinquent and make a single G/L entry for the total amount of interest due on all loans (one total applied for all branches). But over the years CUs have become more sophisticated with their loan portfolios and member branch accounting. The simple approach isn't always the best approach anymore.

- For example, say your credit union has 25 loan categories and 4 member branches. Your interest accrual adjustment affects two general ledger accounts, accrued interest and income. That's about 200 different journal entries to post every month (plus 200 more to reverse them!).

## AUTOMATING A TIME-CONSUMING CHORE

With this tool, CU\*BASE automates the entire process and refines it to include breakdowns by branch and loan category. The G/L entries can then use a more sophisticated and comprehensive approach to identifying which loans, in which categories, in which branches, are over three months delinquent. This improves the ability of the CU to calculate yield by product,

or even yield by member branch if needed. And it does it in seconds, with all the calculations done automatically, including the corresponding reversing entry automatically dated for the first day of the new month. Give the figures a quick once over, generate the entries, then post them.

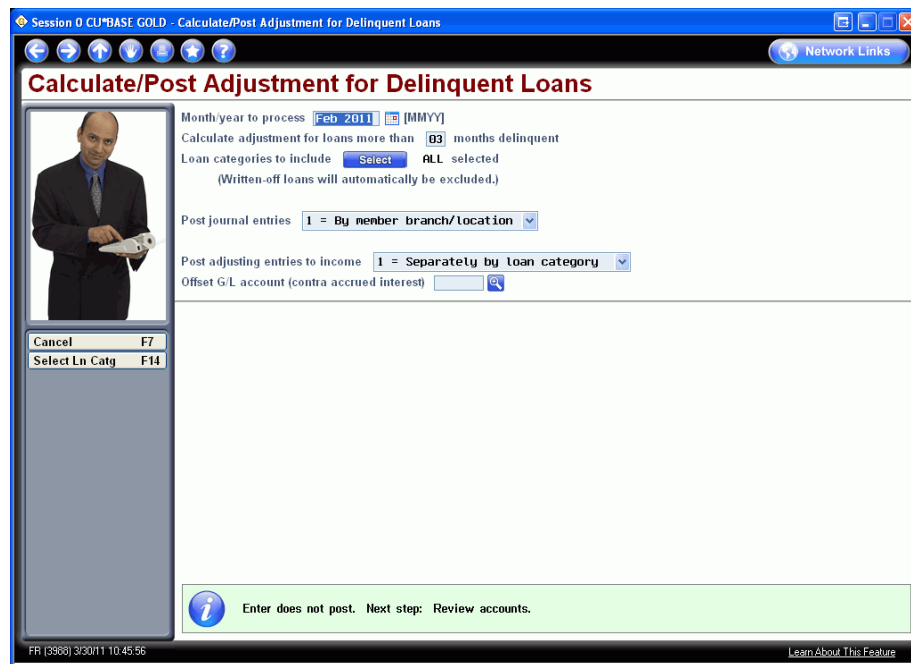
This tool gives a credit union CFO or accountant an automated and quick process while at the same time creating two journal entries and the accounting detail that every complex loan portfolio needs today. It's a time saver and it's precise.

# THE PROCESS

## CONFIGURING THE ADJUSTMENT

First you will need to select the settings to determine which loans are included in the adjustment (delinquency date range and category), whether to post journal entries by individual branches or a single branch, whether to post the entries by category or G/L, and which offset G/L to post the adjustments to. Enter your criteria and press Enter to move to the next screen to review the adjustments.

- The flexibility of this selection screen allows you to run this adjustment process more than one time, for example for different General Ledger accounts.



### Field Descriptions

Field Name	Description
Month/year to process	Select the month/year of the loans to be included.
Calculate the adjustment for loans more than X months delinquent	<p>Select the months delinquent to be included in the adjustment. Three months is entered by default.</p> <ul style="list-style-type: none"> <li>• NOTE: This calculation is not exactly identical to the delinquency calculation of the Loan Trial Balance on the Reports E menu (MNRPTE). The adjustment calculation looks specifically for loans that are 3 <i>months</i> delinquent. The Loan Information report also evaluates delinquency using the <i>days</i> field.</li> </ul>

<i>Field Name</i>	<i>Description</i>
Loan categories to include	<p>Select the loan categories to include in the adjustment. Use the Select button to select specific categories to select. This will reveal a screen allowing you to select the Categories. (Hold down the Ctrl key to select multiple categories.) Use the Select key to return to the first screen. The adjustment screen will then record the number of categories selected.</p> <ul style="list-style-type: none"> <li>NOTE: Suspended and written-off categories will appear in this listing. Written-off loans will not be included in the adjustment.</li> </ul>
Post journal entries	<p>Select to post the journal entries:</p> <ul style="list-style-type: none"> <li>By member branch location This selection will post separate adjustment entries by branch. This selection assists you to calculate changes to separate G/Ls at separate branches.</li> <li>All to branch location (this selection will reveal a Branch # field to enter the specific branch – will default to Branch 00). Use this selection to make adjustments for the General Ledger of a single branch.</li> </ul>
Post adjusting entries to income	<p>Select from the following:</p> <ul style="list-style-type: none"> <li>Separate by loan category This allows you to make individual adjustments for each loan category.</li> <li>To a single G/L account This selection will reveal a field to enter the single G/L account that the adjustments will be made to.</li> </ul>
Offset G/L account (contra accrued interest)	Enter the Offset G/L to receive the adjusted interest amount.

## DISPLAYING RESULTS

Once you have configured your settings for the adjustment, press Enter to view the adjustment entries.

Listed on this screen is a listing of the adjustments for which journal entries will be generated.

- The selection on the previous screen for the screen above was by member branch and separately by category.

From this screen, you can select F14-Report to print a listing of the entries included on the screen. After review, use F5-Create J/E to confirm the screen and move to the next screen where you can select to generate the entries.

Session 0 CUMBASE GOLD - Calculate/Post Adjustment for Delinquent Loans

**Calculate/Post Adjustment for Delinquent Loans** Feb 2011

Corp ID 01

Loans more than 03 months delinquent Loan categories included ALL

Total adjustment to be posted to G/L account 751.99 Amount 91,148.83

Branch	Income G/L Account	# of Accounts	Current Balance	Interest Due	
10	111.30 INT INCOME - SECURED CLOSED END LOANS	1	563.57	1.00	
11	111.30 INT INCOME - SECURED CLOSED END LOANS	2	33,140.48	2,003.53	
01	111.04 INT INCOME - SIGNATURE LOANS	27	220,663.19	8,233.47	
03	111.04 INT INCOME - SIGNATURE LOANS	6	41,275.76	2,154.89	
04	111.04 INT INCOME - SIGNATURE LOANS	6	60,647.81	4,346.53	
05	111.04 INT INCOME - SIGNATURE LOANS	9	75,941.86	6,822.76	
06	111.04 INT INCOME - SIGNATURE LOANS	4	43,670.29	1,529.40	
08	111.04 INT INCOME - SIGNATURE LOANS	6	20,875.54	1,361.12	
10	111.04 INT INCOME - SIGNATURE LOANS	3	11,845.80	431.48	
11	111.04 INT INCOME - SIGNATURE LOANS	1	3,075.21	188.90	
01	111.22 INT INCOME - FIXED RATE MORTGAGES	1	53,219.16	2,077.98	
05	111.22 INT INCOME - FIXED RATE MORTGAGES	1	194,196.33	5,908.28	
01	111.21 INT INCOME - CLOSED END HOME EQUITY	3	197,314.99	14,001.94	
03	111.21 INT INCOME - CLOSED END HOME EQUITY	1	57,600.00	502.36	
04	111.21 INT INCOME - CLOSED END HOME EQUITY	2	213,858.12	7,941.46	
04	111.35 INT INCOME - RECREATIONAL VEHICLE	1	22,417.30	936.61	
01	111.40 INT INCOME - OVERDRAFT PROTECTION	6	7,961.00	740.98	
03	111.40 INT INCOME - OVERDRAFT PROTECTION	2	3,765.35	286.71	
04	111.40 INT INCOME - OVERDRAFT PROTECTION	1	489.50	29.10	
<b>Totals</b>			<b>170</b>	<b>2,261,628.51</b>	<b>91,148.83</b>

Backup F3  
 Create J/E F5  
 Cancel F7  
 Print Report F14

(3987) 3/30/11 11:28:02 [Learn About This Feature](#)

# Report Example from F14-Print Report

3/30/11 12:49:02	SUCCESS CREDIT UNION INCOME ADJUSTMENT FOR DELINQUENT LOANS	LLNDLQARG	PAGE USER
FOR FEBRUARY 2011			
CORP ID 01 SUCCESS CREDIT UNION			
LOANS MORE THAN 03 MONTHS DELINQUENT			
LOAN CATEGORIES INCLUDED (EXCLUDES ALL WRITTEN OFF LOANS): ALL			
BRANCH	INCOME G/L ACCOUNT	# OF ACCOUNTS	CURRENT BALANCE
			INTEREST DUE
10	11130 INT INCOME - SECURED CLOSED END LOANS	1	583.57
11	11130 INT INCOME - SECURED CLOSED END LOANS	2	33,140.48
01	11104 INT INCOME - SIGNATURE LOANS	27	220,663.19
03	11104 INT INCOME - SIGNATURE LOANS	6	41,275.76
04	11104 INT INCOME - SIGNATURE LOANS	6	60,647.81
05	11104 INT INCOME - SIGNATURE LOANS	9	75,941.86
06	11104 INT INCOME - SIGNATURE LOANS	4	43,670.29
08	11104 INT INCOME - SIGNATURE LOANS	6	20,875.54
10	11104 INT INCOME - SIGNATURE LOANS	3	11,845.80
11	11104 INT INCOME - SIGNATURE LOANS	1	3,075.21
01	11122 INT INCOME - FIXED RATE MORTGAGES	1	53,219.16
10	11146 INT INCOME - FIXED RATE MORT 5 YR 30	1	137,684.62
08	11154 INT INCOME - USED VEHICLE TC	1	3,143.08
08	11155 INT INCOME - SIGNATURE LOAN TC	1	7,475.59
08	11157 INT INCOME - SEC CLOSED END TC	1	3,264.73
TOTALS		170	2,261,628.51
			91,148.83
***END OF REPORT***			

## CREATING THE JOURNAL ENTRIES

Selecting F5-Create J/E from the previous screen allows you to generate the journal entries themselves. Enter the appropriate J/E ID. Then select F5-Create J/E to create the journal entries.

- NOTE:** This does not post the entries. After generating them, you will also need to post these entries via the Create/Post Journal Entries option the General Ledger menu (MNGELE). Posting these entries will create a reversal entry to be posted at the beginning of the next month.

### Field Descriptions

<i>Field Name</i>	<i>Description</i>
Effective posting date	The last day of the previous month
Reversal date	The first day of the current month
J/E ID	<i>Defaults to blank.</i> Enter a two-character identifier used to separate batches posted on the same date. This is generally the initials of the person entering the data, or some other code determined by credit union policy.
J/E ID #	A six-character identifier, also referred to as Batch ID, used to further identify the batch. Although any system can be used, it is generally used to record the date (yymmdd) when the batch was actually typed. <ul style="list-style-type: none"> <li>Using this field to record the date that data was entered can be extremely valuable later when searching for specific journal entries or performing other research or analysis. Be sure to use the yymmdd format, so that sorting is performed properly.</li> </ul>

Once you have entered your JE/ID, there will be one final confirmation prior to the journal entries being created. Use F5-Add/Update to complete the process.

