About Index-Tied Loan Rates

Use this for automatically changing loan rates of loan account types associated with an index such as the Federal Reserve Prime Rate, for example.

To change interest rates, you must set the **Interest Code** drop-down list set to **F – Fixed Interest Rate** in the individual loan detail records for the loans in the loan account types that you want to change.

You can use CAMS-ii Data Miner to determine which individual loan records have the other Interest Code option, **V-Variable Interest Rate**.

Whether or not you have ever changed rates in bulk for a loan type tied to an index, first review the Items to Consider section that follows.

 In many instances, this may be a new process for you because the Federal Reserve has maintained the same Prime Rate for some time.

Items to Consider

Consider these items before you change the loan rate interest.

- What interest rate and re-amortization changes does your credit union want to make?
- Which loan account types are based on an index do you want to change?
- Are the margins stored accurately on the individual loan record's **Variable Rate Margin** or were they just applied to the loan rate?
- The loan rate should be the actual rate, plus or minus any margins.
- Do you want the loan to be re-amortized after the interest rate change?
  - If you do...
    - When does the new payment amount become effective?
    - Do you have an accurate **Projected Final Payment Date** setting or does this have to be approximated based on other loan fields?

 The **Projected Final Payment Date** setting is the more accurate setting.

- If you want to send the member a notice of the new rate and new payment amount on their loan, have you set up the notice form in Letters/Forms/Documents or Message Narratives?

Once you have reviewed/considered the items, and you have made any corrections or performed any maintenance, you set up the automated change information on the Loans Account Type parameter for the specific loan types that you want to change.

 The system honors the date for loans that have a **Guaranteed Rate Thru Date**. The system also honors Minimum and Maximum rates on the loan record.

Changing the Interest Rate for Index-Tied Loans

Use the following instructions to change the rate change for the Index-Tied Loans.

The rate change occurs during the end-of-day batch processing session that runs prior to the interest rate effective date. The system changes the rates for all of the affected loans in the next day part of batch processing, so you must type the *DATE BEFORE* you want the rate change to occur in the **Rate Effective Date** text box.

To re-amortize loans at the new rate—if you are not already re-amortizing that loan account type on a periodic basis—you must set the **Payment Effective Date** text box to the *DATE BEFORE* you want the re-amortization to begin. For further explanations, see the examples that follow.

Rate Effective Date Example
If you want the rate change to begin on 04/01/20XX, you must set the **Rate Effective Date** text box to `03/31/20XX` because the change process occurs at the end of the business day batch cycle.

XX=any year

Payment Effective Date Example
If you want the system to re-amortize the loan at the new rate, and you want the date of the first payment to as 05/01/20XX—because the rate changed on 05/01/20XX, with the **Rate Effective Date**, you must set the effective payment date for processing on the account type screen to `04/30/20XX`.

If you are changing the **Rate Effective Date** to 03/31/20XX to change the rate on 04/01/20XX, you must change the **Payment Effective Date** to a month later—`04/30/20XX`, in this case—to make the Payment Effective Date 05/01/20XX.

You change the Pay Effective Date to re-amortize a loan *ONLY* if you are not already periodically re-amortizing the loans in that loan account type.

To configure the index-tied loan interest rate:

1. On the Level One menu, click **Back Office**. The Back Office > Standard menu appears.
2. On the Level Three menu, click **Parameters**. The scrolling Level Four Parameters menu appears.
3. On the Level Four menu, click **Account Types/Rates Maint**. The Account Type/Rates Maintenance screen appears.
4. From the **Account Type Selection** drop-down list, select **Loans**. A list of loan account types appears.

5. Click the loan account type that you want to change. The Account Type Code and Rate Maintenance screen appears.

6. Click the **Automated Rate Change Settings** link. The Automated Rate Change Setting screen appears.

7. In the **New Rate** text box, type the new rate, based on either Step 7a or 7b.

   a. If you *have used* the **Variable Rate Margin** option on all the loan records for this loan type, type the new Prime Rate.

   b. If you *have NOT used* the **Variable Rate Margin** option on all the loan records for this loan account type, enter the new variance to the prime rate; for example: `0.25` if the Federal Reserve Prime Rate went up or `-0.25` if the Federal Reserve lowered the Prime Rate.

8. In the **Rate Effective Date** text box, type the date that you want the change occur.

 You can also double-click the **Rate Effective Date** text box to activate the Popup Calendar and set the date.

9. *If you want the system to re-amortize the loan at the new rate*, complete the **Payment Effective Date** text box.

If you are not already re-amortizing the loans on a periodic basis, this is much more involved, changing the settings for **Payment/Term Calculation Method**, **Fixed Term**, **Remaining Term Method**, **Loan Reamortization Trigger**, and so forth come into play

10. From the **Type Rate Change** drop-down list, select the one of the following:

    a. If you have used the **Variable Rate Margin** option on all the loan records for this type, select **M – New Flat Rate Plus Loan Rate Margin**.

    b. If you *have NOT used* the Variable Rate Margin option on all the loan records for this type, select **A – Adjustment to Rates**.

11. Scroll to the bottom of the screen, and click **Accept**. An advisory dialog appears.

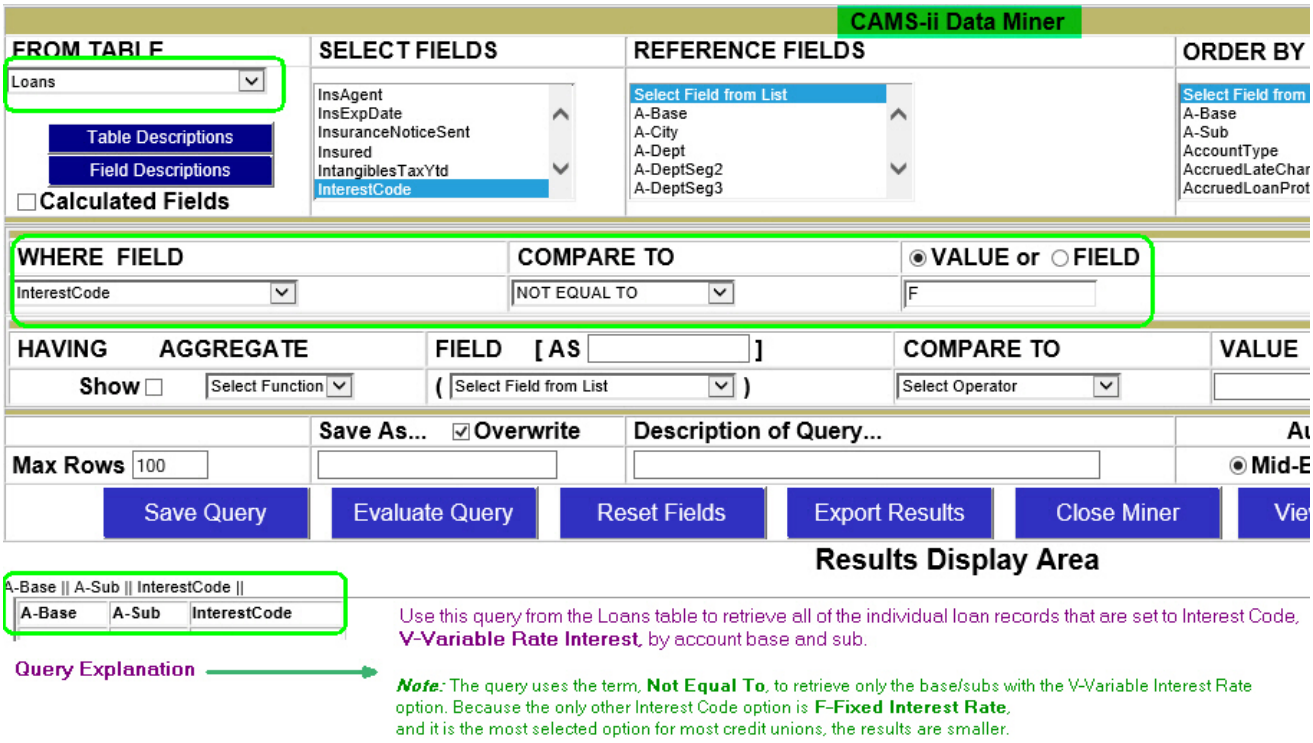
12. Click **OK**. A confirmation dialog appears.

13. Click **OK**.

After the rate change occurs in batch processing, recommend that you check the Exceptions/Pendings > Rate/Pmt Change Items for any exceptions from the automated rate change.

CAMS-ii Data Miner Query for Finding an Loan Record Set to V-Variable

This is a graphic example of a CAMS-ii Data Miner query that you can use to find if any individual loan records are set to the Interest Code, **V-Variable**.



Back Office > Standard > Data Miner

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