

**Oracle® Loans**

User Guide

Release 11*i*

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Oracle Loans User Guide, Release 11i

Part No. B16208-01

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## **Glossary**



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**Oracle Loans User Guide, Release 11*i***

**Part No. B16208-01**

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# Preface

## Intended Audience

Welcome to Release 11i of the *Oracle Loans User Guide*.

This guide assumes you have a working knowledge of the following:

- The principles and customary practices of your business area.
- Oracle Loans.

If you have never used Oracle Loans, Oracle suggests you attend one or more of the Oracle Applications training classes available through Oracle University.

- Oracle Self-Service Web Applications.

To learn more about Oracle Self-Service Web Applications, read the *Oracle Self-Service Web Applications Implementation Manual*.

- The Oracle Applications graphical user interface.

To learn more about the Oracle Applications graphical user interface, read the *Oracle Applications User's Guide*.

See Related Documents on page x for more Oracle Applications product information.

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## Structure

### 1 Setting Up Oracle Loans

This chapter provides an overview of Oracle Loans as well as the setup tasks that you need to perform in Oracle Applications for Oracle Loans.

### 2 Creating A Loan

This chapter describes how to create and update a loan.

### 3 Funding A Loan

This chapter describes how to fund a loan.

### 4 Loan Servicing

This chapter describes how to service a loan.

### 5 Billing A Loan

This chapter describes how to bill a loan.

### Glossary

## Related Documents

### Online Documentation

All Oracle Applications documentation is available online (HTML or PDF).

- **PDF Documentation** - See the Online Documentation CD for current PDF documentation for your product with each release. This Documentation CD is also available on *OracleMetaLink* and is updated frequently.
- **Online Help** – You can refer to Oracle Applications Help for current HTML online help for your product. Oracle provides patchable online help, which you can apply to your system for updated implementation and end user documentation. No system downtime is required to apply online help.
- **Release Content Document** - See the Release Content Document for descriptions of new features available by release. The Release Content Document is available on *OracleMetaLink*
- **About Documents** – Refer to the About document for information about your release, including feature updates, installation information, and new documentation or documentation patches that you can download. The About document is available on *OracleMetaLink*.

## Guides Related to All Products

- **Oracle Applications User's Guide** This guide explains how to enter data, query, run reports, and navigate using the graphical user interface (GUI). This guide also includes information on setting user profiles, as well as running and reviewing reports and concurrent processes.

You can access this user's guide online by choosing "Getting Started with Oracle Applications" from any Oracle Applications help file.

- **Financials Glossary:** The glossary includes definitions of common terms that are shared by all Oracle Financials products. In some cases, there may be different definitions of the same term for different Financials products. If you are unsure of the meaning of a term you see in an Oracle Financials guide, please refer to the glossary for clarification. You can find the glossary in the online help or in the *Oracle General Ledger User's Guide*.

## Guides Related to This Product

- **Oracle Payables User Guide:** Use this guide to understand suppliers, payables invoices, and processing payments. The guide also describes how accounts payable transactions are posted to General Ledger from the Payables subledger.
- **Oracle Receivables User Guide:** Use this user guide to learn how to implement flexible address formats for different countries. You can use flexible address formats in the suppliers, customers, banks, invoices, and payments windows in both Oracle Payables and Oracle Receivables. This user guide also explains how to set up your system, create transactions, and run reports in Oracle Receivables.
- **Oracle Receivables Tax Manual:** This manual provides information about calculating tax within Oracle Receivables, Oracle Order Management, Oracle Sales and Marketing, and Oracle Web Customers. It includes information about implementation procedures, setup forms and windows, the Oracle Receivables tax calculation process, tax reports and listings, and tax-specific open interfaces.
- **Oracle Advanced Collections User Guide:** This guide provides information about how to use scoring, status, and strategies to collect on overdue transactions.
- **Oracle *interMedia* User's Guide and Reference:** This user guide and reference provides information about Oracle *interMedia*. This product enables Oracle9i to store, manage, and retrieve geographic location information, images, audio, video, or other heterogeneous media data in an integrated fashion with other enterprise information. Oracle Trading Community Architecture Data Quality Management uses *interMedia* indexes to facilitate search and matching.
- **Oracle Self-Service Web Applications Implementation Guide:** This manual contains detailed information about the overview and architecture and setup of Oracle Self-Service Web Applications. It also contains an overview of and procedures for using the Web Applications Dictionary.

## Installation and System Administration

- **Oracle Applications Concepts:** This guide provides an introduction to the concepts, features, technology stack, architecture, and terminology for Oracle Applications Release 11i. It provides a useful first book to read before installing Oracle Applications. This guide also introduces the concepts behind Applications-wide features such as Business Intelligence (BIS), languages and character sets, and Self-Service Web Applications.

- **Installing Oracle Applications:** This guide provides instructions for managing the installation of Oracle Applications products. In Release 11*i*, much of the installation process is handled using Oracle Rapid Install, which minimizes the time to install Oracle Applications and the technology stack by automating many of the required steps. This guide contains instructions for using Oracle Rapid Install and lists the tasks you need to perform to finish your installation. You should use this guide in conjunction with individual product user's guides and implementation guides.
- **Oracle Applications Implementation Wizard User Guide:** If you are implementing more than one Oracle product, you can use the Oracle Applications Implementation Wizard to coordinate your setup activities. This guide describes how to use the wizard.
- **Upgrading Oracle Applications:** Refer to this guide if you are upgrading your Oracle Applications Release 10.7 or Release 11.0 products to Release 11*i*. This guide describes the upgrade process and lists database and product-specific upgrade tasks. You must be either at Release 10.7 (NCA, SmartClient, or character mode) or Release 11.0, to upgrade to Release 11*i*. You cannot upgrade to Release 11*i* directly from releases prior to 10.7.
- **"About" Document:** For information about implementation and user documentation, instructions for applying patches, new and changed setup steps, and descriptions of software updates, refer to the "About" document for your product. "About" documents are available on Oracle *MetaLink* for most products starting with Release 11.5.8
- **Maintaining Oracle Applications:** Use this guide to help you run the various AD utilities, such as AutoUpgrade, AutoPatch, AD Administration, AD Controller, AD Relink, License Manager, and others. It contains how-to steps, screenshots, and other information that you need to run the AD utilities. This guide also provides information on maintaining the Oracle Applications file system and database.
- **Oracle Applications System Administrator's Guide:** This guide provides planning and reference information for the Oracle Applications System Administrator. It contains information on how to define security, customize menus and online help, and manage concurrent processing.
- **Oracle Alert User's Guide:** This guide explains how to define periodic and event alerts to monitor the status of your Oracle Applications data.
- **Oracle Applications Developer's Guide:** This guide contains the coding standards followed by the Oracle Applications development staff. It describes the Oracle Application Object Library components needed to implement the Oracle Applications user interface described in the *Oracle Applications User Interface Standards for Forms-Based Products*. It also provides information to help you build your custom Oracle Forms Developer forms so that they integrate with Oracle Applications.

#### Other Implementation Documentation

- **Oracle Workflow Administrator's Guide:** This guide explains how to complete the setup steps necessary for any Oracle Applications product that includes workflow-enabled processes, as well as how to monitor the progress of runtime workflow processes.
- **Oracle Workflow Developer's Guide:** This guide explains how to define new workflow business processes and customize existing Oracle Applications-embedded

workflow processes. It also describes how to define and customize business events and event subscriptions.

- **Oracle Workflow User's Guide:** This guide describes how Oracle Applications users can view and respond to workflow notifications and monitor the progress of their workflow processes.
- **Oracle Workflow API Reference:** This guide describes the APIs provided for developers and administrators to access Oracle Workflow.
- **Oracle Applications Flexfields Guide:** This guide provides flexfields planning, setup and reference information for the Oracle Loans implementation team, as well as for users responsible for the ongoing maintenance of Oracle Applications product data. This guide also provides information on creating custom reports on flexfields data.
- **Oracle eTechnical Reference Manuals:** Each eTechnical Reference Manual (eTRM) contains database diagrams and a detailed description of database tables, forms, reports, and programs for a specific Oracle Applications product. This information helps you convert data from your existing applications and integrate Oracle Applications data with non-Oracle applications, and write custom reports for Oracle Applications products. Oracle eTRM is available on *OracleMetaLink*.
- **Oracle Applications Message Manual:** This manual describes all Oracle Applications messages. This manual is available in HTML format on the Documentation CD for Release 11*i*.

## Do Not Use Database Tools to Modify Oracle Applications Data

Oracle STRONGLY RECOMMENDS that you never use SQL\*Plus, Oracle Data Browser, database triggers, or any other tool to modify Oracle Applications data unless otherwise instructed.

Oracle provides powerful tools you can use to create, store, change, retrieve, and maintain information in an Oracle database. But if you use Oracle tools such as SQL\*Plus to modify Oracle Applications data, you risk destroying the integrity of your data and you lose the ability to audit changes to your data.

Because Oracle Applications tables are interrelated, any change you make using an Oracle Applications form can update many tables at once. But when you modify Oracle Applications data using anything other than Oracle Applications, you may change a row in one table without making corresponding changes in related tables. If your tables get out of synchronization with each other, you risk retrieving erroneous information and you risk unpredictable results throughout Oracle Applications.

When you use Oracle Applications to modify your data, Oracle Applications automatically checks that your changes are valid. Oracle Applications also keeps track of who changes information. If you enter information into database tables using database tools, you may store invalid information. You also lose the ability to track who has changed your information because SQL\*Plus and other database tools do not keep a record of changes.



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# Setting Up Oracle Loans

This chapter provides an overview of Oracle Loans as well as the setup tasks that you need to perform in Oracle Applications for Oracle Loans.

This chapter covers the following topics:

- Setting Up Oracle Loans
- Oracle HRMS Setup
- Oracle System Administrator Setup
- Oracle Common Application Components Setup
- Oracle General Ledger Setup
- Oracle Receivables Setup
- Oracle Payables Setup
- Oracle Workflow Setup
- Oracle Loans Setup
- Setting Up System Options
- Setting Up Accounting
- Validation for Loan Accounting
- Accounting Derivation Rules
- Accounting Events
- Setting Up Index Rates
- Enabling Notifications
- Defining Loan Conditions
- Defining Loan Fees
- Defining Oracle Loans Lookups

## Setting Up Oracle Loans

This section provides you with an overview of the setup steps for implementing Oracle Loans.

These setup steps span the following Oracle applications:

1. Oracle HRMS, page 1- 2

2. Oracle System Administrator, page 1- 2
3. Oracle Common Application Components, page 1- 4
4. Oracle General Ledger, page 1- 4
5. Oracle Receivables, page 1- 4
6. Oracle Payables, page 1- 5
7. Oracle Workflow, page 1- 5
8. Oracle Loans, page 1- 6

## Oracle HRMS Setup

In Oracle HRMS:

1. Use the People window to enter basic information for your employees.

See: Entering a New Person (People Window), *Managing Your Workforce Using Oracle HRMS*.

## Oracle System Administrator Setup

In Oracle System Administrator:

### Steps:

1. Run the Replicate Seed Data program for *each* operating unit in which you plan to use Loans.

This step replicates the Loans batch source that you will use during Oracle Receivables setup as well as other data such as receivable activities and reason codes. You should complete this step before configuring the Loans credit memo batch source.

See: Oracle Receivables Setup, page 1- 4

2. Set these profile options:

- LNS: Generate Loan Number

Set this profile option to Yes if you want Loans to automatically generate the loan number when you create a new loan.

The default setting for this profile option is Yes.

- LNS: Disable Loan Class Access

Set this profile option to prevent loan agents from creating loan applications by loan class. You can restrict access to ERS loans or direct loans.

The default setting for this profile option is null.

- Enable Transaction Code

If you set this profile option to Yes, then you can define transaction code defaults when setting up accounting defaults for principal, interest and fees billing. Additionally, a manager can specify transaction codes when defining the accounting on a specific loan.

Transaction codes are typically used by U.S. federal government customers to produce both proprietary and budgetary accounting entries for a given transaction. This feature is currently available only in public sector installations.

- Concurrent Report Access Level

Set this profile option to determine the access privileges to report output files and log files generated by concurrent programs.

If you set this profile option to Responsibility, users can access reports and log files submitted by any user with the same current responsibility.

See: Overview of Setting User Profiles, *Oracle System Administrator's Guide*.

3. In the Users window, define all Loans users, and attach the appropriate responsibilities, either:

- Loan Administration

Use this responsibility to set system options, enter accounting defaults, define loan conditions, fees, interest rates, and notifications.

- Loan Agent

Use this responsibility to create loans, enter credits, view loan information and payment history, view and submit concurrent requests, and answer customer service inquiries.

Functional manager users can also use this responsibility to approve loans and update loan accounting.

**Tip:** Set the Concurrent Report Level profile option to Responsibility to enable both agents and managers using the same responsibility to view each other's concurrent requests, such as billing. See: Concurrent Report Access Level, page 1- 3 .

**Note:** Before users can perform tasks in Loans, you must assign the appropriate roles to each user. See: Oracle Common Application Components Setup, page 1- 4 .

See: Overview of Oracle Applications Security, *Oracle System Administrator's Guide*.

4. In the Descriptive Flexfields Segments window, define context field values, if needed. You can use these values to capture and report on information relevant to your organization.

- Loan Information

Use this flexfield to enter additional information in the General section of Basic Information for a loan.

- Loan Asset Information

Use this flexfield to enter information about an asset in the Asset section of the Borrowers information.

To add additional context values:

1. Uncheck Freeze Flexfield Definition

2. Select Segments to add additional values and select the Enabled check box.
3. Compile. Then re-check Freeze Flexfield Definition.
5. Clear the cache and bounce the middle-tier web server so that Loans reflects the changes made. This step is not required if you change profile option settings at the user level and do not set up descriptive flexfields

## Oracle Common Application Components Setup

Using the CRM Resource Manager responsibility, complete these steps:

### Steps:

1. In the Resource Manager, define your employees as resources.
2. In the Resource Manager, query your resources and add one or more roles to each resource. Loans has two roles, Loan Manager and Loan Agent.

## Related Topics

Overview of the Oracle Resource Manager, *Oracle Common Application Components User's Guide*.

## Oracle General Ledger Setup

If your organization offers loans in currencies other than your functional currency, then you must define those currencies in General Ledger.

See: Defining Currencies, *Oracle General Ledger User Guide*, Oracle General Ledger User Guide.

## Oracle Receivables Setup

### Steps:

1. Define an active credit memo transaction batch source for Oracle Loans for use during the credit, or credit and rebill, process.  
  
Ensure the Type is manual, and set Automatic Transaction Numbering to Yes.  
  
See: Transaction Batch Sources, *Oracle Receivables User Guide*.
2. Query the seeded Loans batch source in the Transaction Source window and, in the Credit Memo Batch Source field, enter the credit memo batch source that you created in the previous step.
3. (Optional) Define three default transaction types for use when billing:
  - Loan principal
  - Loan interest
  - Loan fees

When defining these transaction types, be sure to set:

- Transaction Status to Open

- Creation Sign to Positive
- Tax Calculation to No
- Natural Application Only to Yes.

**Note:** You can use existing transaction types for principal, interest, and fees, provided that you set the Tax Calculation option on those transaction types to No. If you use existing transaction types, then skip this step. Each transaction type must have a Credit Memo Type of Credit Memo defined.

**Note:** When defining transaction types for Loans, do not enter accounting information. Instead, enter default accounting in Loans. See: Setting Up Accounting, page 1- 8 .

See: Transaction Types, *Oracle Receivable User Guide*.

4. Open GL periods so that you can successfully execute billing.

Depending on your loan requirements, you might need to open GL periods for up to one year in advance.

See: Opening and Closing Accounting Periods, *Oracle Receivables User Guide*.

5. Confirm that you have no Revenue Policy system options defined.

In the System Options window, all fields on the Revenue Policy tab must be blank.

See: Revenue Policy System Options, *Oracle Receivable User Guide*.

6. Query the seeded Receivable activity, Loan Conversion, and enter the GL account for loan clearing to be used to automatically adjust an existing receivable when it is converted to a loan. This step is required if you create Extended Receivable Schedule loans and plan to automatically adjust the receivable balance to zero.

## Oracle Payables Setup

Loans integrates with Oracle Payables to disburse funds for a direct loan and seeds Loans as a source for transactions imported to Payables through the interface tables.

- Verify that Loans appears in the Source Lookups in Payables.
- If your organization pays invoices in multiple currencies: then you must:
  - Set up and enable additional currencies.
  - Select Use Multiple Currencies on the Currency tab.
  - Define additional internal bank accounts and remittance documents for each currency you will use.

See: System Setup for Multiple Currency, *Oracle Payables User Guide*

## Oracle Workflow Setup

To be able to use notifications in Oracle Loans, set up Oracle Workflow.

**Tip:** It is recommended that you set up the user e-mail addresses that Workflow uses to send notifications, in Oracle HRMS rather than in Oracle System Administrator.

In order for Oracle Loans to display notifications properly on the dashboard, in Preferences, set the Notification Email Style to HTML Mail for each user.

See: Overview of Required Setup Steps for the Version of Oracle Workflow Embedded in Oracle Applications, *Oracle Workflow Administrator's Guide*.

## Oracle Loans Setup

Log on to Oracle Loans using the Loan Administration responsibility.

Under Loan Administration, click Setup, and complete these steps:

1. Set Up Loans System Options, page 1- 6
2. Set Up Accounting, page 1- 8
3. Set Up Index Rates, page 1-11
4. Enable Notifications, page 1-12
5. Define Conditions, page 1-12
6. Define Fees, page 1-12
7. Next, click Home, then under Loan Administration, click LNS: Lookups, and complete this step:

Define Lookups, page 1-14

**Important:** After you complete your Loans setup, clear the cache and bounce the middle-tier web server so that Loans reflects the setup changes.

## Setting Up System Options

Set the following system options.

**Note:** You must clear the cache and bounce the middle tier server whenever you change profile option settings at any level other than User level, or add or change values that appear in Loans pages.

### General:

#### 1. Day Count Method

Determines the number of days in a period when calculating interest. Select the Day Count method appropriate for your organization. The Actual/Actual and 30/360 day count methods have been verified using industry standard tools.

#### 2. Batch Source

Select Loans. You identify Loans bills in Oracle Receivables by this batch source.

**Note:** In Oracle General Ledger, the batch source for journal entries that are created for loans transactions is Oracle Loans.

## **Billing:**

### **1. Default Transaction Type**

Select the Receivables transaction type for use when billing loan principal amounts. See: Oracle Receivables Setup, page 1- 4 .

### **2. Default Interest Transaction Type**

Select the Receivables transaction type for use when billing loan interest amounts.

### **3. Default Fee Transaction Type**

Select the Receivables transaction type for use when billing loan fee amounts.

### **4. Invoice Generation Timing**

To indicate when you want Loans to generate bills for all active loans, enter the number of days *before* the installment due date.

**Note:** When submitting the LNS: Billing program, this system option populates the To Number of Days to Due Date parameter of the billing program.

### **5. GL Due Date**

Enter the number of days *after* the payment due date to indicate the GL date for Loans transactions.

The GL date is the payment due date *plus* this number of days.

## **Original Receivable Adjustment:**

### **1. Activity Name**

Select the Receivables activity name for the automatic receivable adjustment created when an existing receivable is converted to a loan. This system option is required only if your organization creates loans from receivables (loan class is ERS).

The activity name must have the following parameters:

- Activity Type: Adjustment
- GL accounts set up
- Status: Active

Loans recommends that you use the seeded activity name, Loan Conversion, for audit tracking purposes.

### **2. Transaction Code**

If you follow Federal Financial rules, select the transaction code to be stamped on the adjustment journal entry created in Receivables when a receivable is converted to a loan.

This system option is required only if your organization creates loans from receivables (loan class is ERS). Transaction codes are typically set up only in public sector installations.

See: Oracle System Administrator Setup, page 1- 2

### **Fee Accounting:**

1. Enter the default debit accounting flexfield for Fee Receivable. You can enter only one account. All fees automatically generated by Loans use this debit account.

Enter a transaction code if this is a public sector installation.

## **Setting Up Accounting**

For each combination of loan class and loan type that your organization creates loans for, you *must* define GL accounts. You must set up accounting whether you create Direct loans or Extended Repayment Schedule (ERS) loans.

A loan manager can update the default accounting when working with a specific loan in Origination up until the loan becomes active. After a loan is active, no accounting changes can be made. See: *Viewing Accounting*, page 2-20.

Oracle Loans uses the accounts to derive the accounting information when you:

- Approve a loan
- Fund a loan (direct loans only)
- Bill a loan

See: *Accounting Derivation Rules*, page 1-10

Note that when payments are received for a loan, Oracle Receivables generates the accounting distributions through the receipt application process.

To review the default accounting for a loan, use the Accounting area on the Origination tab. See: *Viewing Loan Accounting*, page 2-20.

Additionally, you can also define default transaction codes, if you have set the Enable Transaction Code profile option to Yes. See: *Enable Transaction Code*, page 1- 2 .

**Note:** You must be familiar with your organization's chart of accounts in order to set up accounting for loans correctly. If you inadvertently select a non-postable or parent account when setting up accounting, journal posting will fail.

### **To set up accounting for direct loans:**

1. Select Direct Loan class and a loan type for the accounting setup and click Create.
2. Enter the GL accounts for loan booking, funding, and billing according to the validation rules. See: *Validation for Loan Accounting*, page 1- 9 .

### **To set up accounting for Extended Repayment Schedule (ERS) loans:**

1. Select Extended Repayment Schedule class and a loan type for the accounting setup and click Create.
2. Enter the GL accounts for loan booking according to the validation rules. See: *Validation for Loan Accounting*, page 1- 9 .

**Note:** You must set up loan creation accounts whether your accounting follows multi-fund accounts receivable (MFAR) guidelines or not. If your installation does follow MFAR guidelines, the accounts you enter in Loan Booking section will be

superseded by the multi-fund account derivation mapping, but are still required.

**Note:** For non-MFAR loans, enter the loan receivable account. The loan clearing account is inherited from the account entered for the original receivable adjustment activity account. This account is set up in Receivables and selected in System Options in Loans. See: Setting Up System Options, page 1- 6 .

3. (Required for installations following MFAR guidelines) In the Multifund Account Derivation Mapping for Loan Receivable Account section, enter the replacement natural account segment. Loans derives the accounting distributions for the loan receivable journal entries by replacing the natural account segment associated with the original receivable lines with this natural account.

**Note:** The loan clearing account is inherited from the public sector adjustment accounts for MFAR receivables. See: Adjustments with Multi-fund Accounts Receivables in *Oracle Public Sector Advanced Features User Guide*.

4. In the Billing - Principal section, enter the distribution accounts.  
Enter accounts for Principal Receivable. Both MFAR and non-MFAR transactions use the accounts entered here for principal receivable.
5. Enter the distribution accounts for the Billing - Interest section.

## Validation for Loan Accounting

To properly account for a loan, you must set up GL accounts according to the following validation rules, before you can approve a loan.

- The account code combinations for Loan Receivable accounts in Loan Booking must be identical to those in Billing.
- The distribution percentage for Loan Receivable accounts in Loan Booking and Billing must equal 100%.
- The distribution percentage for Loan Clearing accounts in Loan Booking and Billing must equal 100%.
- You may have multiple Loan Receivable accounts but only one Loan Clearing account (ERS loans).
- The code combination distribution percentage for each Loan Receivable in Loan Booking must equal the distribution percentage for each Loan Receivable in Billing.
- You can set up only one Principal Receivable account and one Interest Receivable account.
- You can distribute interest income across multiple GL accounts.
- The distribution percentages for Interest Income must equal 100%.

## Accounting Derivation Rules

Loans uses accounting derivation rules to establish accounting distributions when a loan is created.

1. If a loan application is created for existing receivables from a public sector installation of Receivables that is multi-fund enabled, then Loans:
  - Derives the accounting distributions for the loan receivable journal entries by replacing the natural account segment from the original receivable transaction line with the natural segment set up in Multi-fund Account Derivation Mapping.
  - Derives the number of loans receivables accounts from the original receivable and establishes a corresponding number of distribution accounts for each unique receivable line account code combination with a balance greater than zero.
  - Derives the distribution percentages for the accounts from the original invoice's revenue line distributions, rounding to seven decimal places.
  - Uses these accounts and percentages when billing the loan.

## Accounting Events

Loans generates accounting information for events that occur during the lifecycle of a loan. The distributions are based on the accounting set up for the loan class/loan type combination associated with the loan. Loans generates journal entries for a loan event or passes the accounting information to an application such as Receivables or Payables, to create journal entries.

## Accounting for Adjusting Converted Receivables

When you approve an ERS loan, the converted receivables are adjusted automatically in Oracle Receivables with the following journal entries:

### Adjusting Converted Receivables

**Debit** Loan Clearing  
**Credit** AR Receivable

Receivables creates a distribution line for each distinct revenue line on the original receivable.

- For multi-fund account receivables (MFAR), the loan clearing account for each fund is derived from the Loan Adjustment Account in Receivables following the public sector rules for adjustments for MFAR receivables. See: *Oracle Public Sector Advanced Features User Guide*.
- For non-MFAR receivables, the loan clearing account is the account set up for the Receivables adjustment activity you specified in System Options.

## Accounting for Loan Booking

**Important:** Accounting distributions that a manager enters in the Accounting area on the Origination tab always take precedence over the accounting defaults that you enter in Setup. Loans re-derives the accounting distributions for accuracy when you approve a loan. For example, the original receivable amount may have changed since the application process began.

When you approve a loan application, Oracle Loans uses the Loan Creation accounts that you defined for the particular loan's combination of loan class and type to create the following journal entries:

#### **Loan Booking for Direct Loans**

Debit      Loan Receivable  
Credit      Loan Payable

#### **Loan Booking for ERS Loans**

Debit      Loan Receivable  
Credit      Loan Clearing

Loans sends these journal entries to Oracle General Ledger interface table when you run the LNS: GL Transfer program after a loan application is approved.

## **Accounting for Loan Funding**

When you fund a direct loan, Loans uses the Loan Funding accounts that you defined for the particular loan's combination of loan class and type to create the following journal entries:

#### **Loan Funding**

Debit      Loan Payable  
Credit      Loan Liability

## **Accounting for Loan Billing**

When you generate a loan bill, Loans uses the Loan Billing accounts that you defined for the particular loan's combination of loan class and type to create the following journal entries:

#### **Billing - Principal**

Debit      Principal Receivable  
Credit      Loan Receivable

#### **Billing - Interest**

Debit      Interest Receivable  
Credit      Interest Income

#### **Billing - Fee**

Debit      Fee Receivable  
Credit      Fee Income

**Note:** Define the credit for fee billing when you create a fee. See: Defining Loan Fees, page 1-12.

## **Setting Up Index Rates**

Set up the interest rate indices for your loans.

When a loan agent selects an index for a loan application, the rate will default for the index date selected from the index rates you set up.

You can enter interest rates manually or upload a file from an external source.

**Tip:** Save the index name before adding rates or importing rate files.

To upload a rate file, create an Excel spreadsheet with three columns formatted as show in this table:

Start Date	End Date	Rate
dd-Mon-yy	dd-Mon-yy	xx.xx

Use two decimal points for rate percentage. For example, enter 6.25 if the rate percentage is 6.25%. Save the spreadsheet with a .csv file extension.

## Enabling Notifications

Event notifications can be enabled or disabled for an entire loan class or for individual loan types within a class. The default is enabled. You may want to disable notifications for some events to minimize the number of notifications sent to loan agents and managers. You can determine the critical event notifications and disable others to minimize the number of notifications sent to loans users.

**Note:** If you add loan types, you must enable the workflow and business events by linking the new loan type to the seeded workflows. To do this, you add the new loan type to the corresponding LNS\_EVENT\_ACTIONS tables. See: *Oracle Workflow Administrator's Guide*.

- To enable or disable an event notification for an entire loan class, search for events by loan class. Select an event and change the enable flag.
- To enable or disable an event notification for a specific loan type within a loan class, search for a specific event, select the event for the corresponding loan class, and change the enable flag for the loan type.

## Defining Loan Conditions

Define the loan conditions that your agents can attach to a loan application. Condition names must be unique within an operating unit.

You can define conditions using the following types:

- Approval
- Delinquency
- Servicing

You can update conditions at any time.

**Note:** Do not delete a condition that is attached to an approved loan.

To attach a condition to a loan application, see: *Conditions*, page 2-12.

## Defining Loan Fees

Define the fees that your agents can attach to a loan application. Fee names must be unique within an operating unit.

You can define fees for the following categories:

- Memo, page 2-11 (for ERS Loans only)

These fees are for reference only, and are not included when billing the loan. See: Preaccrued Interest, page 1-13.

- Event Based, page 2-11
- Manual, page 2-12
- Recurring, page 2-12

For more information about the types of fees, see: Fees, page 2-10.

When defining a new fee, you indicate the category, event type, currency, event rules, calculation method, amount, billing option, accounting information, and whether the fee amount can be modified by the loan agent. Additional parameters are available based on the fee category selected.

When selecting a billing option, you can bill the fee as due before first loan payment, at origination, with an installment, equally with installments, or recurring. Note that billing options change based on the selected category.

Define rules for a late charge to determine the grace period, minimum fee amount, and whether the fee is calculated for overdue principal or overdue principal and interest.

You can update fee setup at any time.

You cannot delete a fee attached to an approved loan. You can end date fees that you no longer want to use.

If the fee amount varies from loan to loan, set up a fee with a nominal amount and allow updates to the fee amount. Loans agents can modify the fee amount in Servicing.

To attach a fee to a loan application, see: Fees, page 2-10.

Loans displays the fees that you attach to a loan in the loan's amortization schedule. See: Amortization, page 2-13 and Viewing Current Amortization Schedule, page 4-10.

## Defining Credit Accounts for Fees

When you generate a bill for a loan, Oracle Loans uses the debit account you define for Fee Accounting in System Options, and the credit account you define in Fees when you create the fee, to create the journal entries for a fee. All fees debit the same fee receivable account, but you can define a different fee income account to credit for each fee you create. You can define only one credit account for each fee.

**Note:** You can update the credit account when you assign the fee to a loan. See Fees, page 2-10.

See: Accounting Events, page 1-10 and Setting Up System Options, page 1- 6 .

## Preaccrued Interest

If your organization creates loan applications for existing receivables (the funds were already disbursed), then you can optionally set up a *memo* fee for any interest that has already accrued on the receivable. to record for read only purposes.

See: Fees, page 2-10.

## Defining Oracle Loans Lookups

The following table lists the extensible lookup types that Oracle Loans uses.

Define lookups for these types in the Oracle Loans Lookups window.

<b>Meaning</b>	<b>Type</b>
Loan Purpose	LOAN_PURPOSE
Asset Quantity Type for Machinery and Equipment	ASSET_QNT_MACHINERY_EQUIPMENT
Asset Quantity Type for Class Other	ASSET_QNT_OTHER_ASSET
Asset Quantity Type for Class Real Estate	ASSET_QNT_REAL_ESTATE
Asset Quantity Type for Class Securities	ASSET_QNT_SECURITIES
Asset Quantity Type for Other	ASSET_QNT_OTHER_ASSET
Asset Classes	ASSET_CLASSES
Asset Reference Type for Machinery and Equipment	ASSET_REF_MACHINERY_EQUIPMENT
Asset Reference Type for Class Others	ASSET_REF_OTHER_ASSET
Asset Reference Type for Real Estate	ASSET_REF_REAL_ESTATE
Asset Reference Type for Securities	ASSET_REF_SECURITIES
Asset Reference Type for Others	ASSET_REF_OTHERS
Loan Types for Direct Class	DIRECT
Loan Types for ERS Loan Class	ERS

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## Creating A Loan

This chapter describes how to create and update a loan.

This chapter covers the following topics:

- Using Oracle Loans
- Using the Loans Dashboard
- Creating a Loan
- Updating a Loan
- Loan Overview
- General
- Interest Rates
- Fees
- Conditions
- Amortization
- Notes
- Related Loans
- Viewing Borrowers
- Creating a New Organization
- Adding Borrowers and Guarantors
- Creating Assets
- Adding Collateral
- Adding a Payee
- Approving a Loan
- Adjusting Converted Receivables
- Transferring to General Ledger
- Drilling Down to Oracle Loans from Oracle General Ledger
- Viewing Loan Accounting
- Using Notifications

## Using Oracle Loans

Oracle Loans supports the entire loans management life cycle, from loan origination and approval, to servicing and eventual loan payoff.

Use Loans to:

- Track a loan from initial application until approval and funding
- Create approval conditions
- Set up periodic loan billing for all active loans

## Oracle Loans within the Oracle E-Business Suite

Loans is seamlessly architected with other applications within the Oracle E-Business Suite to facilitate all aspects of loan management.

For example, Loans automatically integrates with:

- **Oracle Trading Community Architecture**

Borrowers, co-borrowers, and guarantors are stored in the TCA Registry. When you create a new loan for an new or existing borrower, Loans leverages functionality from the Customer Data Hub to prevent you from creating duplicate borrower records.

When you create a new borrower in Loans, it is automatically entered into the TCA Registry.

**Tip:** Schedule the DQM: Setup Data Synchronization program to run as frequently as every minute in order to be able to search for new borrowers.

See: Oracle Trading Community Architecture Administration Guide for more information.

- **Oracle General Ledger**

Loans provides subledger information to General Ledger. When loans are approved, Loans sends the appropriate debit and credit distributions to GL.

You must periodically run LNS: Transfer to GL concurrent program to transfer and import journal entries for approved loans to General Ledger. You can import in summary or detail. In General Ledger, review and post the interfaced journal entries. From General Ledger, you can drill down to view source transaction detail, Loans T-Accounts and the Loans Summary.

See: Integrating General Ledger Using Journal Import, *Oracle General Ledger User Guide*

- **Oracle Receivables**

When creating a loan application, you can select an existing receivable to create an ERS loan.

See: Creating a Loan, page 2- 4 .

Additionally, billing documents (such as invoices and debit memos) are created in Receivables when you initiate the billing process for loans. These billing documents provide payment amounts for principal, interest, and fees. When payment is remitted, your Receivables clerk applies receipts to these documents. Your

receivables clerk also transfers journal entries for billing and payments the general ledger.

See: Overview of Loan Billing, page 5-1 .

- **Oracle Payables**

Loans integrates with Oracle Payables to disburse funds for approved direct loans. Suppliers are created in the Loan Origination process. Payables invoices are created upon loan approval. Then Payables clerks validate the invoices and process the payments by check, wire or other Payables methods, to disburse funds to a third party agency or directly to the borrower.

See: *Oracle Payables User Guide*.

- **Oracle Advanced Collections**

Loans uses Collections scoring engines to identify when loan payments are overdue and set the status of the loan to Delinquent or In Default, depending upon the severity of the overdue condition. From there, Collections takes over and provides automated dunning or collections strategies to schedule calls and other collection activities for the collections agents. Collections processes payments and promises to cure the troubled loans.

See: Overview of Scoring, *Oracle Collections User Guide* and Using Strategies, *Oracle Collections User Guide*

- **Oracle Credit Management**

Loans displays information from Oracle Credit Management in the Borrower Summary. This information can be used in the loan application and approval process.

See: Credit Management, *Oracle Receivables User Guide*

- **Oracle Common Application Components**

Use Oracle Notes to track comments and customer interactions, during both loan origination and servicing phases.

Use Oracle Attachments functionality to add attachments such as scanned documents or URLs to notes or loan approval conditions.

See: Overview of Oracle Notes, *Oracle Common Application Components User's Guide*.

- **Oracle XML Publisher**

Loans uses XML Publisher to generate statements and reports for Loans. These can be printed in multiple formats and made available to download or forward.

- Statements are used to inform the borrower about their next bill.
- The Loans Portfolio Report provides a listing of all loans along with critical loan summary information.
- The Loans Reconciliation Report assists lending organizations to review billing and payment discrepancies.
- The Loan Agreement Report provides a printable document of all loan details.

See: *Oracle XML Publishers User's Guide*.

## Using the Loans Dashboard

The Loans dashboard is your virtual "home" within the Oracle Loans application.

Use the dashboard to:

- Search for a specific loan.  
Execute a search using different loan attributes, or execute an advanced search.
- Review and respond to notifications related to your loans.  
See: Notifications , page 2-21
- View your recent loan activities.

You can select Show to display additional loan details. You can filter the loans shown in the Dashboard to show only loans with the same status, such as loans in origination or loans in funding. Additionally, you can sort the list by clicking these column headings:

- Loan Number
- Requested Amount
- Loan Currency
- Loan Status
- Start Date

You can personalize the group of loans displayed on the dashboard to match criteria you select. You can change the number of loans displayed and specify parameters to filter the loans displayed. For example, you could personalize your view of loans to show only active loans over a certain amount.

- View a borrower summary for a specific borrower.  
See: Viewing Borrowers, page 2-14.
- Create a new loan application.  
See: Creating a Loan, page 2- 4 .
- Update an existing loan application.  
See: Updating a Loan, page 2- 7 .
- Delete an incomplete loan application.
- View graphs showing loans grouped by status and value.
- Submit and view concurrent requests and reports.
- Navigate easily to main tasks areas through container links and tabs.

For additional information, see: Using Oracle Loans, page 2- 2 .

## Creating a Loan

Use Oracle Loans to create and track loan applications, from origination to payoff.

- You can create an application for a borrower.
- You can create an application for one or more existing receivables in the same currency in Oracle Receivables.

**Note:** Set the class for the loan to Direct Loan or Extended Repayment Schedule to determine which create flow to use, based on your organization's business process.

Creating a loan involves two processes:

1. Creating the loan application.
2. Adding details to the application. See: Updating a Loan, page 2-7 .

**To create a direct loan application for a borrower:**

1. From the Loans dashboard, click Create Loan Application.

See: Using the Loans Dashboard, page 2-4 .

2. Enter the general loan information.

- Select Direct loan class and select a loan type.

The type and class selected for a loan determines the accounting distributions recorded when the loan is created, funding is approved, and loan payments are billed.

- Loan Currency - If the currency for the loan is not your functional currency, then select a currency and enter the exchange date, type, and rate.

**Note:** You can only pledge assets as collateral and assign fees to a loan if the currencies are the same as the loan currency.

3. Enter the borrower information by searching for an existing borrower. If the borrower does not exist, you can:

- Create an organization
- Create an account number
- Create an address to be used as the primary billing address.

**Tip:** In order to search for an address for an existing borrower, the customer must have a Bill To address set up in Oracle Receivables.

- Primary Contact

4. Enter loan details, such as:

- Requested Amount
- Loan Start Date
- Term
- Amortized Term

**Note:** When creating a loan with a balloon payment, enter an amortized term that is longer than the number entered for term of the loan.

- Subtype - to indicate whether the loan is secured by collateral. If you select Secured, enter the loan-to-value ratio required for the loan in Collateral Percentage.

5. Enter the loan terms.

Select an interest rate index and effective date. Loans defaults the index rate percentage based on the index rates you set up in Loan Administration. You can override the defaulted index rate if necessary. See Setting Up Interest Rates, page 1-11.

The interest rate for the loan is the total of the index rate percentage and the spread percentage, if any. If the loan has multiple interest rates, the interest rate percentage is the initial interest rate for the loan.

Select the payment frequency for the loan.

**Note:** When you first create a loan application, the term type is fixed. To create a variable rate loan, update the interest rate on the Origination tab after you save the application. See Updating a Loan.

6. Click Save and Add Details. Loans creates the application and navigates to the Origination tab, where you can update the application. See: Updating a Loan, page 2-7 .

Or, click Apply. Loans creates the application and navigates back to the dashboard.

**Note:** When you create an application, the loan status is Incomplete.

**To create a loan application from an existing receivable:**

1. From the Loans dashboard, click Create Loan Application.

See: Using the Loans Dashboard, page 2- 4 .

2. Enter the general loan information.

- Select Extended Repayment Schedule loan class and select a loan type.

The type and class selected for a loan determines the accounting distributions recorded when the loan is created, and loan payments are billed.

- Loan Currency

If the currency for the loan is not your functional currency, then enter a currency exchange date, type, and rate.

**Note:** You can only select outstanding receivables for a loan if the currency is the same as the loan currency. You can only pledge assets as collateral and assign fees to a loan if the currency is the same as the loan currency.

3. Select a borrower for the loan and then add one or more outstanding receivables. The outstanding receivables must be in the same currency as the loan.

Enter the amount of each receivable that will be used to create the loan. The amount cannot exceed the current receivable amount.

**Note:** When you create a loan for an existing receivable, Loans will automatically adjust the original receivable with the amount of the loan. See: Approving a Loan, page 2-18.

4. Add the borrower details.
5. Enter loan details and terms, such as:

- Transaction type  
Select a transaction type for billing.
- Requested Amount
- Loan Start Date
- Term
- Amortized Term

**Note:** When creating a loan with a balloon payment, enter an amortized term that is longer than the number entered for term of the loan.

- Subtype  
Subtype for a loan to indicate whether the loan is secured by collateral

6. Enter the loan terms.

Select an interest rate index and effective date. Loans defaults the index rate percentage based on the index rates you set up in Loan Administration. See: Setting Up Interest Rates, page 1-11.

The interest rate for the loan is the total of the index rate percentage and the spread percentage, if any. If the loan has multiple interest rates, the interest rate percentage is the initial interest rate for the loan.

Select the payment frequency for the loan.

**Note:** When you first create a loan application, the term type is fixed. To create a variable rate loan, update the interest rate on the Origination tab after you save the application. See Updating a Loan.

7. Click Save and Add Details. Loans creates the application and navigates to the Origination tab, where you can update the application. See: Updating a Loan, page 2-7 . Loans automatically adjusts the original receivable when the completed loan application is approved. See: Approving a Loan, page 2-18.

Or, click Apply. Loans creates the application and navigates back to the dashboard.

**Note:** When you create an application, the loan status is Incomplete.

## Updating a Loan

From the Loans dashboard, click a Loan Number to update a loan.

When you first create a loan application, the status is always Incomplete. After a loan is approved, the status is Active.

If the status is Incomplete and you click Update from the dashboard, then Loans navigates to the Origination tab. Use the Origination tab to enter all required information before you can approve the application.

**Note:** If the loan status is Active, Delinquent, Default, or Paid-off, then clicking Update takes you to the Servicing Center. See: Servicing Center, page 4- 2 .

If the loan status is In Funding, then clicking Update takes you Funding. See: Funding, page 3- 1 .

To access information about the borrower for the loan, click the borrower name hypertext link. See: Viewing Borrowers, page 2-14.

To complete a loan application, use the Overview area on the Origination tab. See: Overview, page 2- 8 .

Use the other areas on the Origination tab to enter additional information about a loan:

- Borrowers  
See: Viewing Borrowers, page 2-14.
- Collateral  
See: Adding Collateral, page 2-16.
- Payee  
See: Adding a Payee, page 2-17.
- Approval  
See: Approving a Loan, page 2-18.
- Accounting  
See: Viewing Loan Accounting, page 2-20.

Finally, when the application is completed and ready for approval, use the Approval area. See: Approving a Loan, page 2-18.

**Note:** Throughout the Origination tab, you can click Save or Apply:

- Click Save to save loan updates and remain on the Origination tab.
- Click Apply to save loan updates and return to the dashboard.

## Loan Overview

The Overview area includes the following sections:

- General, page 2- 9
- Interest Rates, page 2- 9
- Fees, page 2-10
- Conditions, page 2-12
- Amortization, page 2-13
- Notes, page 2-14
- Related Loans, page 2-14

## General

Use this section to update basic loan details.

When you create an application, Loans automatically populates this section with all required values. Note that *before* you submit the application for approval, you can update any defaulted values.

The General section includes the Loan Status History region, which documents all status changes for this loan.

## Selected Terminology

- **Transaction Type** - When creating a loan from an existing receivable, Loans uses this transaction type when billing loan amounts. The default is the transaction type set up in System Options.

If you are *not* converting an existing receivable to a loan, then Loans uses the transaction type from the system option setup for billing purposes. See: Setting Up System Options, page 1- 6 and Overview of Loan Billing, page 5- 1 .

- **Loan Start Date** - Date when you want the loan to start. Default is the current date but you can change it.
- **Context Value** - Loans displays this field only if your system is configured for descriptive flexfields.
- **Class, Type, and Subtype** - Loan classifications. These classifications are automatically seeded. Your implementation team can add additional loan types. See: Defining Oracle Loans Lookups, page 1-14.

## Interest Rates

Use this section to update details regarding this loan's:

- Interest rates and interest rate schedule
  - With fixed rate loans, the rates are known when the loan is created.  
If you select Fixed, then this loan can have either a single interest rate or multiple rates for the loan duration.
  - With variable rate loans, the rates are unknown at the time of loan creation, and are based on future indices, instead.

If you select Variable, then you must indicate the initial interest rate, as well as placeholder rates for subsequent rates.

**Note:** For a loan, you can have one interest rate schedule for all payments using the initial interest rate or you can define additional periods and enter suggested rates in order to complete the Amortization Schedule for the loan. Remember that the suggested interest rates are not binding and change when future interest rates are in effect.

- Use the Interest Only check box to indicate that Loans will bill only interest for the selected installments. A loan can be entirely interest only installments or a combination of interest only and standard installments throughout the life of the loan.

- Interest calculation method

Use these options to specify how Loans will calculate interest for this loan.

You can change the payment start date to any date within the term of the loan. If the new start date is more than one month after the loan start date, the number of payments for the loan and the amortization schedule will be recalculated for the loan. The loan maturity date will not change.

- Terms for Payment

Use these options to indicate how you want to apply payments. You can:

- Specify the order in which you want to apply payments: Fees, Interest, and Principal. You can list a payment application type only once in the order.

**Note:** If your organization charges fees, then you must include Fees in Terms of Payment in order for the billing engine to create the appropriate transaction. You should define the order for all transactions types.

- Decide if you want to reamortize the amortization schedule, if a borrower makes an overpayment. See: Amortization, page 2-13.
- Specify the past due amount at which the loan becomes delinquent. Loans displays the first payment amount as initially calculated by the Amortization Schedule as a default. If you change the interest rate or term for this loan at a later time, you may want to also update this amount. Loans and Collections use this amount when determining if loan payments are overdue and to change the status to Delinquent or In Default. See: Updating Loan Status, page 4- 6 .

## Selected Terminology

**Interest Only** - Select this check box if this an interest-only loan.

**Days Formula** - Determines the number of days in a period when calculating interest. This value defaults from the Day Count Method system option. See: Setting Up System Options, page 1- 6 .

**Payment Start Date** - Loans defaults the payment start date based on the loan start date and payment frequency that you specify for a loan. You can change this date to any date within the term of the loan.

**Delinquency Condition: Amount Past Due** - Loans defaults the monthly payment amount from the initial Amortization Schedule as the amount over which the loan is considered past due. You can change the amount. This field does not update automatically if the monthly payment amount for the loan changes. You must manually adjust the Past Due Amount.

**Reamortize Overpayments** - Select this check box if you want to recalculate the amortization schedule when borrower remits overpayments.

## Fees

You can add applicable fees to this loan.

To add a fee, click Add Fee, then select a fee and add required details.

You can add the following types of fees:

- **Memo** - Fee is added to an ERS loans for information only. A memo fee is not included as part of a loan.  
See: Memo Fees, page 2-11.
  - **Event Based** - Fee is billed automatically based on a seeded trigger event and user defined rules. For example, an origination fee is billed when a loan is approved or a late fee is billed when payment is not received on time.  
See: Event Based Fees, page 2-11.
  - **Manual** - Fee is added manually to an active loan in Servicing.  
See: Manual Fees, page 2-12.
  - **Recurring** - Fee is billed automatically over a range of installments.  
See: Recurring Fees, page 2-12.
- Note:** You must create fees before you can add them to a loan application. See: Defining Loan Fees, page 1-12.

## Memo Fees

Some fees are not billed and do not have any accounting impact in the general ledger through Loans. To view these fees in Loans, you can add a *memo* fee to a loan.

For example, an outstanding receivable that you create a loan for might have already accrued interest. You can add a memo only fee for the preaccrued interest, and indicate how you want the fee to be represented in the repayment (amortization) schedule that you provide to the borrower:

- If you amortize the fee, then Loans lists the fee within the amortization schedule, in the Memo Items column, *alongside* the loan payments and includes the amounts in the Payment column on the Amortization Schedule.
- If you expect payment of the fee before the first loan payment, then Loans lists the fee separately from the amortization schedule.

Loans schedules the fee for repayment *prior* to the loan start date, using the number of installments that you specified when you added the fee.

**Note:** If you set a memo fee to be due before the first loan payment, then the amortization schedule does not include this fee. Instead, Loans presents this fee in the Memo Fees Due Before First Loan Payment region of the Amortization area.

With memo fees:

- You can add only one memo fee to a loan application.
- On the amortization schedule, Loans separates origination fees from memo fees.
- If you amortize the memo fee, then you must select the number of installments that you want the memo fees to be paid along with.

## Event Based Fees

You can add an event based fee to a loan if you want Loans to automatically bill the fee when a loan event occurs. The events that can trigger billing a fee are:

- **Origination:** Billed when loan is approved and status changes to active. You can set up origination fees be billed at loan origination (installment 0) or with the first installment.
- **Late charge:** Billed when loan payment is overdue. Loans calculates the fee for the last payment due and bills the fee the next time you run the Billing program. You can determine the number of grace days allowed before a payment is considered overdue.

Run the LNS: Fee Assessment concurrent program daily to identify and calculate the late charges to be billed. Then the next time you run the billing program, it will bill the late charges. You can also run the LNS: Loan Maintenance and Billing request set from Forms that includes the Fee Assessment and Billing programs.

For event based fees, Loans cannot display the fee amount in the list of fees assigned to a loan until the event trigger has occurred and the fee is billed. For example, you can view the amount of a late fee only after payment is not received on time for a loan and Loans bills the fee.

## Manual Fees

Add a fee manually to a loan in Servicing. A manual fee is billed with the next payment number for a loan. For example, you can add a fee for insufficient funds charge.

To bill a manual fee, you must first add the fee to a loan in Origination. You can add a fee before or after the loan is active. Then, when you need to bill the fee, such as charging the borrower for insufficient funds, add the manual fee in the Fee Details area of Current Amortization. You can view billed manual fees in the payment detail for a specific payment.

## Recurring Fees

Add a recurring fee to a loan to bill a charge over a number of loan installments. Recurring fees are billed at the same time as the monthly installment. You can view the fee amount in the amortization schedule and in the payment detail for a specific payment.

## Managing Fees

You can view all fees assigned to a loan in Origination. You can view billed fees in the Amortization Schedule and in Payment Detail for a specific loan payment in Servicing.

Based on setup parameters, you can edit fee amounts or billing options after fees have been added to loans.

When you assign a fee to a loan, you can update the accounting flexfield and transaction code for the fee's credit account. These changes affect the accounting information for this loan only.

You must enter a credit in Receivables if you need to change a fee that has been billed with a loan. You can view credits in Payment History.

Run the Fee Assessment program daily to identify event based fees

## Conditions

You can add conditions that the loan must meet. For example, you can add conditions that an application must satisfy *before* a loan can be approved.

To add a condition, click Add Conditions, then enter the required condition details. You can add multiple conditions at once.

You can update a condition before a loan is approved by selecting a different condition type or name.

**Note:** You must create conditions before you can add them to a loan application. See: Defining Loan Conditions, page 1-12.

## Amortization

Oracle Loans uses the information that you provided elsewhere in the application to automatically calculate the amortization schedule for this loan.

You can:

- Customize the schedule's individual installments

**Note:** Once you customize an amortization schedule, Loans cannot update it. For example, if the loan start date changes for a loan with a custom amortization schedule, you will have manually update the schedule.

- Download the schedule as a spreadsheet
- Upload a spreadsheet to Loans

Upload content as a .csv file, or as a delimited text file. Use the same column headings that appear in the amortization schedule: Payment Number, Date, Principal, and Interest. Format dates as 31-Mar-2005.

**Note:** To ensure a successful upload, you should download the schedule first, make your updates, and then use that same schedule for uploading.

After the loan is approved, you cannot update the original amortization schedule for a loan shown on the Origination tab. You can view the current amortization schedule from the Servicing tab.

See: Viewing Current Amortization Schedule, page 4-10.

For a description of memo only fees, see: Fees, page 2-10.

## Customizing the Amortization Schedule

Follow these guidelines when customizing the amortization schedule. Click Save to refresh the data shown on the schedule.

- The total of all principal lines entered must equal the loan amount.
- Payment numbers must be consecutive.
- Payment dates must be chronological.
- The number of rows in a schedule must equal the number of installments for the loan.
- Principal and interest amounts must be 0 or greater.
- Fees are always calculated and cannot be edited when you customize the amortization schedule.

Once you customize the amortization schedule for a loan, you must manually maintain any changes. For example, if the loan start date changes for a loan with a custom Amortization Schedule, you must manually change the dates in the schedule. For active loans, you can only update the amortization schedule for unbilled loan installments.

## Manual Bills

If possible, avoid creating a manual bill for a loan with a custom Amortization Schedule. If you create a manual bill, you must actively manage the remaining principal balance of the loan.

If the balance of a loan is less than the remaining principal to be billed shown on the customized Amortization Schedule, then the scheduled billing will not occur. Create a manual bill for the remaining principal, interest, and fees, if any.

## Paying Off a Loan with a Customized Amortization Schedule

You cannot calculate and process a loan payoff if a loan has a custom schedule. Instead you must manually calculate the loan payoff amount and update the next unbilled installment in the Amortization Schedule with the payoff amounts.

## Notes

Using Oracle Notes, you can add comments to loan information, such as your notes about customer interactions, about why you approved or rejected the application, or why you modified a fee amount.

**Note:** See: Overview of Oracle Notes, *Oracle Common Application Components User's Guide*

## Related Loans

Use this section to obtain an overall sense of the borrower, co-borrower, and guarantor's financial exposure from a loan perspective.

This section displays any existing loans that are related to the current loan, via:

- the primary borrower
- the co-borrower
- the guarantor

## Viewing Borrowers

You can access Borrowers to view all information about the borrowers for a loan including the primary borrower, co-borrowers, and guarantors:

- Borrower Details

Select a borrower from the Borrowers table to view the detail information.

- Borrower Summary

To access Borrower Summary, click the borrower name hypertext link in the loan header. You can link to Borrower Summary from the Dashboard, Origination, and Servicing.

- Assets for the borrower. To add an asset, see: [Creating Assets](#), page 2-16.
- Credit Summary: View credit information generated by Oracle Credit Management, if installed.

See: [Setting Up Credit Management](#), *Oracle Receivables User Guide*.

You can perform these tasks related to borrowers:

- Add co-borrowers and guarantors to the loan. See: [Adding Borrowers and Guarantors](#), page 2-15.

Update borrower information. Click the borrower name hyperlink in the list of borrowers associated with this loan.

- Create a new borrower to add to the loan. See: [Creating a New Organization](#), page 2-15.

## Creating a New Organization

Create an new organization to add a new borrower, co-borrower, or guarantor to the Oracle Trading Community Architecture Registry. The new organization appears the appears on the Borrowers page and you can select the role of co-borrower or guarantor.

### Related Topics

[Viewing Borrowers](#), page 2-14

[Adding Borrowers and Guarantors](#), page 2-15

[Using Oracle Loans](#), page 2- 2

## Adding Borrowers and Guarantors

You can optionally add co-borrowers and guarantors to this loan.

This table describes the difference between co-borrowers and guarantors:

Type	Description
Co-borrower	Although bills are sent to the primary borrower on this loan, co-borrowers are <i>equally responsible</i> for loan payments, should the primary borrower default on the loan.
Guarantor	The Guarantor may be contacted if the primary borrower and any co-borrowers stop making payments and cannot be located.

To add a co-borrower or guarantor, click Add Another Row on the Borrowers page and search for the organization in the TCA Registry.

After finding the organization, you can update the existing organization with new details.

To create a new borrower, co-borrower or guarantor, click Create Organization.

You can change the contact for the primary borrower from the Borrowers page.

## Creating Assets

You can create assets for borrowers, co-borrowers, and guarantors. Assets are then added as collateral for a loan and reviewed during the loan approval process. See: Adding Collateral, page 2-16.

If the purpose of the loan is to acquire an asset, the new asset must also be created as part of the borrower's information. For example, if a borrower is applying for a loan to purchase a piece of commercial property, then create an asset for the property and enter the associated loan number in the Acquired For field.

The following table show the classes and types that Loans provides to group assets.

Class	Types
Machinery and Equipment	Commercial, Personal, Others
Real Estate	Land, Property, Personal, Others
Securities	Bonds, Personal, Stocks, Others
Others	Agricultural, Cash, Others, Personal

You can define additional values for class, type, quantity, reference fields as needed for your business process. If you define a new class, you must also define the quantity and reference lookup values for the class.

You can enter a custodian or lien holder information for the asset by searching for a party or creating a new organization.

You can update asset information throughout the life of the loan.

## Selected Terminology

- **Class:** Main asset categories
- **Type:** Subgroup of Class
- **Reference:** Enter identifying information for the asset, such as VIN number for a vehicle or ticket symbol for a security.
- **Acquired for:** Enter the loan number if the purpose of the loan is to acquire this asset.
- **End Date:** The date the asset was sold. If the purpose of a loan application is to acquire an asset and the application is rejected, Loans automatically enters the rejection date to end date the asset.
- **Next Valuation Date:** The date for the next appraisal or revaluation of the asset.
- **Context Value:** Use this descriptive flexfield to enter user-defined parameters to group assets for reporting purposes. See Step 5 in Oracle System Administrator Setup, page 1- 2 .

## Adding Collateral

You can add collateral for a loan. Collateral is required if the loan subtype is Secured.

Collateral consists of a list of assets belonging to the borrower, co-borrowers, and guarantors that support the loan. A lender can seize the collateral if the borrower defaults on the loan.

You must add an asset to a borrower's information before you can add it as collateral for a loan. See: *Creating Assets*, page 2-16.

When you search for assets to add as collateral, only assets in the same currency as the loan currency are available.

You can pledge some or all of an asset's value for a loan.

To remove an asset from an active loan, you must first pledge additional assets to fulfill the loan to value ratio *before* you can remove the asset.

## Selected Terminology

- **Amount Pledged:** Amount of asset pledged as collateral for a loan.
- **Amount Available:** The difference between the asset's worth and the total amount pledged on this or other loans.
- **Loan to Value Ratio:** The ratio of the value of the assets to the total loan amount. For secured loans, the borrower must pledge assets as collateral that equal this value. Enter this percentage when you create a loan application.

When you submit a loan for approval, Loans validates that the loan to value ratio is met.

- **Current Loan to Value Ratio:** Pledged collateral as percentage of the loan amount.
- **Remaining Collateral Needed:** Remaining amount of collateral that must be pledged to meet the loan to value ratio for a loan.
- **Total Collateral Amount:** Total amount of all collateral pledged for the loan.

## Adding a Payee

Add payee information to disburse the funds for a direct loan when it is approved. A payee can be the borrower or a third party such as an escrow company. Oracle Loans integrates with Oracle Payables to disburse payments.

To add a payee, you can select from the list of existing suppliers in Payables or create a new payee. All new payees are automatically entered into Payables.

**Tip:** For frequently used payees, such as escrow companies, set up payees as suppliers in Payables with a supplier type of Third Party Closing Company or other supplier type that you define.

No changes can be made to payee information after submitting the loan funding advice.

## Selected Terminology

- **Payment Method:** Payment can be made any payment method supported by Payables, such as check, electronic funds transfer, and wire.

## Approving a Loan

On the Approval tab, review any mandatory conditions that must be met before you can submit the application for approval.

For each condition, you can also add attachments so that, when a loan manager completes the application review process, any required documents are available online for easy access.

Use the Funding Option check box to automatically disburse funds when loan is approved. Otherwise, Loans uses the prioritized funding process.

Select the Completed boxes to indicate that mandatory conditions are met. Then, click Submit for Approval.

The loan status changes to Pending Approval, and the application requires a loan manager's review. The manager can approve or reject the application, or ask for additional information:

- If the loan manager requests additional information, then the status remains Incomplete.
- If the manager approves the loan, then the status changes based on type of loan.
  - Direct loans with automatic funds disbursement - status changes to In Funding
  - Direct loans with prioritized funds disbursement - status changes to Approved.
  - ERS loans - status changes to Active

If the loan was created from an existing receivable, the original receivable will be adjusted automatically by the amount of the loan by the LNS: Adjust Converted Receivable concurrent program. If the program fails to complete successfully, your loans administrator must correct the problem and manually re-run the program. See Adjusting Converted Receivables, page 2-18.

- If the loan manager rejects the loan, then the status changes to Rejected, and you can no longer update the application.

The borrower must complete a new application for loan consideration.

**Note:** Any notes that you add from the Approval tab are visible from the Notes tab in Overview or Servicing. See: Notes, page 2-14.

## Adjusting Converted Receivables

The LNS: Adjust Converted Receivable program runs automatically when you approve a loan. It calls the Receivable Adjustment API to adjust the original receivable, for which the loan was created, by the amount of the loan. If an error occurs and the adjustment is not created, contact your system administrator to identify the problem. Then submit the LNS: Adjust Converted Receivable program manually.

**Note:** This program is used only for Extended Repayment Schedule (ERS) loans.

## Prerequisites

- Identify that an error occurred and the original receivable was not adjusted when approving a loan. Correct the error.

## To submit the LNS: Adjust Converted Receivable program:

### Parameters

Select the loan number for which you want to adjust the original receivable. If an original receivable has been successfully adjusted, the loan number will not appear in the list of loans.

1. Using the Loan Agent responsibility, click the Requests button and navigate to the Submit tab.
2. Select the LNS: Adjust Converted Receivable program, and enter required parameters.

## Related Topics

Approving a Loan, page 2-18.

Accounting for Adjusting Converted Receivables, page 1-10

## Transferring to General Ledger

After you approve a loan, submit the LNS: Transfer to GL concurrent program to transfer the accounting information for the newly created loan to General Ledger. This program transfers the journal entries to the General Ledger Interface table and runs the Journal Import concurrent program to create unposted journal entries in General Ledger.

**Note:** When you bill a loan, Receivables transfers accounting entries for billing principal, interest, and fees to General Ledger.

You can transfer loan transactions to General Ledger in summary or detail.

## Prerequisites

- Define your system options. See: Setting Up System Options, page 1- 6 .
- Define default accounting. See: Setting Up Accounting, page 1- 8 .
- Approve a loan. See: Approving a Loan, page 2-18.

## To submit the LNS: Transfer to GL program:

The LNS: Transfer to GL program transfers accounting information for all active loans that match the entered parameters.

Enter at least one parameter to run the transfer:

- Borrower
- Loan Number
- From/To GL Date

Select the posting detail for the transfer. If Posting in Detail is set to Yes, the General Ledger Import program creates one journal entry for each GL account in the same period and currency. If set to No, the program creates at least one journal entry for each transaction.

1. Using the Loan Agent responsibility, click the Requests button and navigate to the Submit tab.

2. Select the LNS: Transfer to GL program, and enter required parameters.
3. After the transfer is complete, note the batch name, listed in the log file for the concurrent request, if you want to be able to view accounting information for the transferred transactions from within General Ledger.

## Drilling Down to Oracle Loans from Oracle General Ledger

From General Ledger you can drill down to view accounting line information and subledger information for the approved loans you have transferred to GL. The journal source for transactions originating in Loans is Oracle Loans.

You will need the batch name from the log file for the GL Transfer program in order to search for transactions.

1. From the Journal Entry window in General Ledger, query the batch with the batch name for the transactions you want to view.
2. Click Review Journal.
3. Select a journal line. From the Tools menu, select View Accounting to view accounting information
4. To drill down to view the summary information for the loan, select Drilldown from the Tools menu.

See: Drilling Down to Subledger Detail, *Oracle General Ledger User Guide*.

See: T-Accounts, *Oracle General Ledger User Guide*.

## Related Topics

Viewing Loan Accounting, page 2-20

Transferring to General Ledger, page 2-19

## Viewing Loan Accounting

The Accounting area lists the GL accounts that are used for:

- **Loan Booking**

Periodically run the LNS: GL Transfer concurrent program to transfer journal entries for approved loans to the General Ledger. Oracle Loans updates the Oracle General Ledger interface table with the GL accounts entered here and runs Journal Import to move the records into the general ledger. You can import journals in summary or detail.

**GL Date** - The date used by Loans when posting journal entries for approved loans to the general ledger. This date defaults to the system date and is displayed once you approve a loan. Loan managers can enter a date before loan approval or override the date after loan approval.

See: Submitting the LNS: GL Transfer Program, page 2-19.

**Tip:** The group ID number for the journal import batch is displayed in log file created when you run LNS: GL Transfer. Make a note of the number so you can search and view journal entries in General Ledger.

See also: Integrating General Ledger Using Journal Import, *Oracle General Ledger User Guide*

- **Loan Funding**

When a loan is approved and funded, Loans uses the GL accounts entered here

- **Billing**

Each time you bill the borrower for this loan, Oracle Receivables uses the GL accounts entered here for the loan principal and interest.

Loans uses default rules to establish the accounting for a loan. For a description of these rules, see: *Setting Up Accounting*, page 1- 8 .

Note, however, that a manager can update any defaulted accounting on this tab before a loan becomes active by. Once a loan is active, the accounting cannot be changed.

## Using Notifications

Use notifications to automatically inform loan agents and managers about critical events that occur during the life of a loan. When the status of a loan changes, a business event is raised in Oracle Workflow, which then sends a notification to the recipient based on user roles.

Each notification event is associated with a loan class and type. Loans seeds and enables notifications for the combinations of loan class and type shown in the following table.

Loan Class	Loan Type
Extended Repayment Schedule	Extended Repayment Schedule
Direct Loan	Agriculture
Direct Loan	Business
Direct Loan	Real Estate

**Note:** If you add loan types, you must enable the workflow and business events by linking the new loan type to the seeded workflows. To do this, you add the new loan type to the corresponding LNS\_EVENT\_ACTIONS tables.

**Note:** You can disable notifications for a loan type or class. See *Enabling Notifications*, page 1-12.

Loans automatically generates the text for a notification based on the message parameters seeded in Workflow.

See: *Oracle Workflow Administrator's Guide* and *Oracle Workflow User's Guide*.

The five most recent notifications from your worklist appear in the Notifications section of the dashboard. A notification remains on your worklist until the due date of the notification or until you indicate you have reviewed the notification by clicking OK.

**Tip:** If you don't want to delete the notification from the worklist or dashboard, then use the Dashboard link to return to the dashboard.

Select the Notification hyperlink to view the notification details. To navigate to the loan section associated with the notification and the most current loan information, select Loan Details in the Reference section.

**Tip:** You must perform several steps in Oracle Payables to process the funding request for a loan. See Loan Funding for more information.

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## Funding A Loan

This chapter describes how to fund a loan.

This chapter covers the following topics:

- Overview of Loan Funding

### Overview of Loan Funding

Oracle Loans integrates with Oracle Payables to disburse funds to borrowers or third party closing companies when a loan is approved. Funding is available for direct loans only.

After the loan manager approves a loan application, the loan funding officer authorizes a funding advice to disburse funds from Payables. The funding advice can be generated automatically when the loan is approved or submitted manually. Loans allows only one funding advice for a loan.

- Use an automatic funding advice if you want to automatically generate and submit a funding advice when the loan is approved and not allow any changes to funding information after loan approval.
- Use a prioritized funding (manual) advice if you prioritize or schedule funding events to control cash flow, or want to select whether to fund on the loan approval date or the funding date. If your business process requires updates to payee information after a loan is approved, use prioritized funding.

**Tip:** Use the Funding Option check box on the Approvals page to select automatic funding advice.

Select a payment method for disbursing funds when you enter the payee information. Funds can be paid using payment methods supported by Oracle Payables, such as check, electronic funds transfer, and wire transfer.

See: Adding a Payee, page 2-17.

### Funding Process Flow

The following lists the steps in the funding process.

- Loan agent completes loan application.
- For automatic funding, Loan agent creates payee information, selects the Auto Funding check box, and submits the loan for approval

- Loan manager approves the loan.
- Loans automatically creates invoice in Oracle Payables.
- Payables clerk reviews and validates the invoice.
- Payables clerk processes invoice payment and disburses loan funds.

If an error occurs during invoice import or validation, Payables updates loan status to Funding Error.

**Note:** For prioritized funding, when the loans manager approves the loan, the loan application appears in the Dashboard’s Funding Queue with a status of Approved. The loans manager then reviews the application and, creates the payee information in Funding, and clicks Submit to create the invoice in Oracle Payables.

## Updating Funding Status

Loans uses the LNS: Update Funding Status concurrent program to check the status of a funding advice in Oracle Payables and update the loan status in Loans. When a funding advice disbursement is fully paid, this programs updates the loan status to Active and updates the Loan Start Date and Payment Start Date. For a description of all loan statuses, see Updating Loan Status.

The program runs automatically when you navigate to the Funding tab and displays the current status of the funding advice. Select the Funding Advice Number hyperlink to view the funding status and details. You can also schedule this program to run periodically.

The following table describes the relationship between funding status and loan status.

Event	Funding Status	Loan Status
Submit funding advice. Invoice is inserted in AP Interface table.	Funding Advice Submitted	In Funding
Invoice imported to AP Invoice table and validated.	Invoice Created	In Funding
Error occurs during import and validation.	Invoice Error	Funding Error
Invoice is partially paid.	Partially Paid	In Funding
Invoice is paid in full.	Fully Paid	Active

## Funding and Loan Dates

When you create a loan application, you enter estimated dates for the loan start date and the first payment date. When a loan is fully funded and its status is Active, Loans updates these dates and establishes the funding date.

- **Loan Funding Date**  
Loans updates this date with the actual date funds were disbursed for the loan.
- **Loan Start Date**

Loans updates this date to be the same as the Loan Funding Date.

- **Payment Start Date**

The Payment Start Date must be later than the Loan Start Date. If Loans detects that the Payment Start Date entered on the loan application is earlier than the updated Loan Start Date when the loan is funded, it uses the following formula to update this date:

New Payment Start Date = New Loan Start Date + the number of days between the original Loan Start Date and Payment Start Date.



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# Loan Servicing

This chapter describes how to service a loan.

This chapter covers the following topics:

- Overview of Servicing Loans
- Servicing Center
- Loan Overview
- Loan History
- Accounting History
- Using Reports
- Updating Loan Status
- Running Scoring to Update Loan Status
- Payments
- Accounting for Loan Payments
- Processing Loan Payoffs
- Viewing Current Amortization and Payment History
- Memo Fees Due Before First Loan Payment
- Amortization Schedule
- Outstanding Bills
- Creating Manual Bills
- Creating Credits
- Credit and Rebill

## Overview of Servicing Loans

Use the Servicing tab to access information and perform servicing tasks for *existing* loans.

The Servicing tab includes two areas:

- Servicing Center, page 4- 2
- Payments, page 4- 8

## Servicing Center

The Servicing Center provides information for a loan that you select from the Loans dashboard or from a basic or advanced search. You can service loans with a status of active, delinquent, or in default. Most collections activities and troubled loan status changes are handled through Oracle Collections functionality. You can view paid-off loans for historical purposes.

The Servicing Center displays the most current interest rate, loan balance, and billing information for a loan.

### If you use Oracle Collections:

You can run Oracle Collections scoring engines to identify delinquent loan payments and automatically update loan status based on the Amount Past Due value specified in the Delinquency Conditions for a loan.

For information about updating loan status, see [Updating Loan Status](#), page 4- 6 .

### Using the Service Center:

The Servicing Center includes the following sections:

- Overview, page 4- 3
- Loan History, page 4- 4
- Accounting History, page 4- 4
- Notes, page 2- 9
- Related Loans, page 2-14

From the Servicing Center, you can quickly:

- View information about the borrower for the loan.  
See: [Viewing Borrower Summary](#), page 2-14.
- Update information for borrowers and guarantors  
See: [Updating a Loan](#), page 2- 7 .
- Review loan information, including:
  - Loan details  
See: [Basic Information](#), page 2- 8 .
  - Original amortization schedule  
See: [Amortization](#), page 2-13.
  - Current amortization schedule  
See: [Viewing Current Amortization Schedule](#), page 4-10.
- Service loans:
  - Enter a new interest rate  
See: [Interest Rates](#), page 2- 9 .
  - Pay off a loan

See: Calculating Loan Payoffs, page 4- 9 .

- Create a manual bill

See: Creating Manual Bills, page 4-12.

## Loan Overview

### Summary

In the Summary section, you can view basic loan information including loan start date, loan class and type, term, loan amount, and loan officer for the loan.

### Payment Overview

The Payment Overview section shows the next payment due for the loan. This payment was created when the billing program was last run for the loan.

- **Summary** - This section details the remaining amount and number of payments for the loan as well as the amounts of principal, interest and fees paid since the loan began.
- **Next Payment** - The Paid On Time Amount is the total amount of principal, interest, and fees due if the payment for this bill is received by the due date.
- **Overdue Payment** - This section shows the total amount of overdue principal, interest and fees as of the last billing cycle, the date of the oldest overdue payment and the number of overdue payments. The Last Payment Amount represents the last receipt posted against a single transaction, so if you generate multiple transactions for principal, interest and fees, this amount only reflects the last of these transactions to be paid.
- **Year to Date** - Total amounts paid by the borrower for principal, interest, and fees for the current calendar year.
- **Last Year** - Total amounts paid by the borrower for principal, interest, and fees in the previous calendar year.

### Payment History

In Payment History, you can view bills, credited bills, and payments received for the loan.

- To re-sort the Payment History table, click Payment Number, Paid Date, or Due Dates column heading.
- You can view billing details for each loan payment by clicking the payment number hypertext link. If payment has not been received for the bill, then the Payment Activities section will be blank. See: Payment Detail, page 4- 4 .
- You can view or print a statement for a loan payment. Loan statements provide information about the loan, borrower, paid amounts, and amounts due, in addition to delinquency details such as overdue amounts and the number of missed or short payments. Loans derives this information by reviewing all payments that are billed and due by the statement date, but have not yet been fully paid.

Loans automatically generates statements for each installment when the LNS: Billing programs is run.

- Select Include Credited Bills to display bills that have been reversed.
- Principal Balance shows the latest outstanding balance.

You can also view Payment History from the Current Amortization section of the Payments page, as well as from the Loan Summary page.

See also: Viewing Payment History, page 4-10.

See also: Overview of Loan Billing, page 5- 1 .

## Payment Detail

Billing Summary shows the principal, interest, and fees billed for the loan.

Payment Summary shows amounts received for the payment number and the source of the payment.

- Receipts - cash applied
- Netting Credit Memos - from AR/AP netting process
- Loan Payment Credit Memos - credit memos with a reason of loan payment
- Other Credit Memos - usually credit memos canceling payments
- Adjustments - adjustments created in Receivables, such write-offs

Payment Activities shows payments for principal, interest or fees. In the description field, *Entire Transaction* means that the payment receipt was applied at the transaction level, not at the line level. It does not mean that the invoice was completely paid. This applies to transactions that follow multi-fund guidelines.

## Loan History

Loan History shows events that have occurred over the life of a loan, including loan creation, approval processing, and changes in loan status.

Event information includes:

- Date of change
- Change event that occurred for the loan, showing the original and new value
- Loan agent who made the change, if involved
- Role of agent

## Accounting History

Use Accounting History to view the accounting entries generated for a loan. This section displays all debits and credits recorded in the general ledger for the loan.

- You can view accounting entries for a loan only after the entries have been transferred and imported to General Ledger
- You can view accounting entries for billing principal, interest, and fees for a loan only after the entries have been transferred from Receivables to General Ledger.

See: Setting Up Accounting, page 1- 8 .

## Using Reports

You can generate reports for loans by submitting a request. Each report uses a template to format the report. You can create and register additional templates or copy and modify existing templates, using XML Publisher.

To submit a report request, select Submit Request from the Dashboard.

**Tip:** If you add a report template, you can preview the report with sample data, if configured, to determine if the template meets your reporting needs.

For the Loan Portfolio Report and the Loan Reconciliation Report, you must specify the operating unit, loan class, loan type, and currency and then select additional parameters. For the Loan Agreement Report, specify the loan number. Report output can be in PDF, RTF, or a spreadsheet format.

- LNS: Loans Portfolio Report

Use this report to view all loans in your portfolio grouped by status, based on the selected parameters. Deleted loans are not included.

This report provides the number and value of all loans your organization manages in each phase of the loan lifecycle. Report parameters include:

- Loan number
- Borrower name
- Account number
- Loan start date and end date
- Loan status
- Display a graph

- LNS: Loans Reconciliation Report

Use this report to reconcile Loans information with Receivables information. It compares the loan balance and related billing events originating in Loans with the payments, netting credits, other credits, and adjustments applied in Receivables. Report parameters include:

- Loan number
- Customer name
- Account number
- Bill due date range

- LNS: Loan Agreement Report

Use this report to provide a document of all loan details that can be used to obtain the borrower's signature as part of the loan closing process.

This report contains all critical loan information about the borrowers, loan details, interest rates, collateral, fees, conditions, amortization schedules, funding, and outstanding receivables, if applicable. After the loan is active, the details for Loan Agreement cannot be changed.

## Updating Loan Status

Loan status is determined by business events that occur throughout the life of the loan. These events can occur within Loans, such as loan approval, or outside of Loans, such as becoming delinquent. The status of a loan can be:

- **Incomplete** - Loan application has been started but not completed.
- **Pending Approval** - Completed loan application has been submitted for manager's approval.
- **Approved** - Direct loan application has been approved and if using prioritized funding, is in funding queue.
- **Rejected** - Loan application has been rejected.
- **Deleted** - Loan application was withdrawn and not completed.
- **In Funding** - Loan funding advice has been generated and is to be paid in Payables.
- **Funding Error** - An error prevented funding from completing successfully.
- **Active** - For Direct loan, loan has been approved and funded. For ERS loan, loan has been approved.
- **Delinquent** - (available if you use Oracle Collections) Loan has an overdue amount equal to or greater than the amount entered for Past Due Amount on the loan application. This is typically one month's loan payment.
- **In Default** - (available if you use Oracle Collections) Loan has an overdue amount equal to or greater than twice the Past Due Amount. Typically this amount equals two loan payments.
- **Paid Off** - Principal loan balance has been completely paid.

## Oracle Collections and Loan Status

If you use Oracle Collections, Collections monitors when loan payments are due but not yet paid through standard integration with Oracle Receivables. Oracle Loans monitors business events raised by Collections when payments are late or when they are paid and leverages Collections' scoring engine to determine a change in a loan's status.

Oracle Collections and Oracle Loans use the amount entered in the Amount Past Due field when you set up a loan, to determine when a loan becomes delinquent or in default. When you create a loan application, Loans defaults an amount equal to the total due for a single monthly payment for a loan into this field. You may enter a different amount based on your business practices. Loans does not automatically update this amount if the interest rate or payment amount for the loan changes during the application process or during life of the loan.

The seeded scoring engine in Collections, Default Invoice Delinquency Management Engine, determines whether a loan transaction is delinquent, paid, or closed, and automatically raises a business event if a new delinquency has been created or an existing one closed. Using the Workflow Agent Listener concurrent program, Loans monitors the business events and compares the outstanding amount due for loan to the delinquency conditions defined when a loan is set up to determine and update the status for each loan. For example, if a monthly loan payment is \$1000, then Loans determines a loan's status as shown in the following table:

Loan Amount Overdue	Status
Less than \$1000	Active
\$1000 - \$1999	Delinquent
\$2000 and more	In Default

**Note:** You must set the Collections profile option, IEX: Enable Raising Customer Status Change Event to Yes in order for Loans to monitor changes in loan status. Additionally, verify that the Workflow Agent Listener concurrent program is enabled. Collections generates a business event for each delinquency created or closed. Loans uses the business events to update loan status.

Optionally, you can create strategies for borrowers with delinquent or defaulted loans using standard Oracle Collections functionality. You must run strategies at the Party level as Collections does not currently provide loan-level strategies.

For information about how to run Collections scoring engines, see *Running a Scoring Engine to Update Loan Status*, page 4-7 .

For information about creating scoring engines and strategies to meet your business needs, see *Overview of Scoring, Oracle Collections User Guide*.

See also: *Overview of Loan Billing*, page 5-1 .

## Running Scoring to Update Loan Status

If you use Oracle Collections, you automatically update loan status in Loans by running the following programs.

- Run Scoring Engine Harness, page 4-7 in Collections to determine delinquent and in default loans.
- Run Workflow Agent Listener, page 4-8 in Loans to update loan status.

See also: *Updating Loan Status*, page 4-6 .

## Prerequisites

- Install Oracle Collections. See *Oracle Collections Implementation Guide*.
- Enable Collections profile option, IEX: Enable Raising Customer Status Change Event to create business events for Loans to monitor. See *Set Up Oracle Collections Profile Options, Oracle Collections Implementation Guide*.

### To run a scoring engine in Oracle Collections:

#### Parameters

Select the Default Invoice Delinquency Management Engine.

The Scoring Engine Harness program runs the scoring engine you select to score loan transactions to determine if there is a change in loan status based on unpaid loan amounts.

If you want to create your own scoring engine, components, and filters, see Overview of Scoring, *Oracle Collections User Guide*. Your scoring engine must, however, create and close delinquencies in order to raise the proper business events.

1. Using the Collections Forms Administrator responsibility, select Submit Request and click Open.
2. Select IEX: Scoring Engine Harness and enter the required parameters.

### **To run Workflow Agent Listener program:**

#### **Parameters**

Agent Name: WF\_DEFERRED

Correlation ID: Null

AQ Wait Period: Enter zero or other value as needed.

1. Using System Administrator responsibility, select Submit Request and click Open.
2. Select Workflow Agent Listener and enter the required parameters.

## **Payments**

Oracle Loans reflects all loan payments (receipts) that are entered and applied in Oracle Receivables. Loan payments can include:

- On-time payments
- Late payments
- Short pays
- Overpayments

**Note:** If your business uses AR/AP netting, loan payments can also include credit memos. You can identify credit memos applied for netting because the transaction number includes the prefix NET.

From the Payments tab in Loans, you can:

- Calculate a loan payoff  
See: Calculating Loan Payoffs, page 4-9 .
- View payment history  
See: Viewing Payment History, page 4-10.
- View memo fees for a loan  
See: Memo Fees Due Before First Loan Payment, page 4-11.
- View current amortization schedule for a loan  
See: Viewing Current Amortization Schedule, page 4-10.
- Download amortization schedule
- View outstanding bills
  - Create a manual bill for a payment  
See: Creating Manual Bills, page 4-12.

- Reverse an outstanding bill  
See: Creating Credits, page 4-13.
- Credit and rebill an outstanding bill  
See: Credit and Rebill, page 4-13.

## Accounting for Loan Payments

When you enter a receipt for a loan payment bill, Receivables creates the following journal entry:

### Payment

Debit   Cash  
Credit   Principal Receivable  
Credit   Interest Receivable  
Credit   Fee Receivable

**Note:** Accounting information for billing and payments received for a loan is generated in Receivables and must be transferred to the general ledger.

See: Overview of Loan Billing, page 5- 1 .

## Viewing Loans Transactions from General Ledger

After posting journals for loan billing from Receivables, General Ledger enables users to drill down to Receivables to view the source transactions for the journal entries.

See: Drilling Down to Oracle Receivables from Oracle General Ledger, *Oracle Receivables User Guide*.

## Processing Loan Payoffs

You can calculate payoff amounts for a loan and automatically create the appropriate payoff documents. Loans generates invoices or debit memos in Receivables for the remaining principal and interest, and creates credit memos, if needed, to clear billed but unpaid interest. Loans applies the payoff receipts to these transactions, and updates the loan status to Paid Off. Receipts to pay off a loan can be in the same currency as the loan or the set of books.

When a loan is paid off, Loans end dates any collateral pledges attached to the loan as of the payoff date.

Loan payoff affects the Current Amortization Schedule.

To pay off a loan:

1. Calculate the loan payoff amounts.
2. Notify borrower of total payoff amount.
3. When payment is received, select Process Payment to view the payoff transaction amounts and add receipts.
4. Submit the payoff request.

## Calculating Payoff Amounts

The expected payment date for a payoff must be:

- after the loan origination date
- within the term of the loan
- between five days before and 365 days after current date
- before or on the same date as the loan maturity date
- after the last activity date, such as after the last billing date

Using the days formula for the loan, Loans calculates the total payoff amount based on any billed but unpaid principal and interest for the loan, the payoff date, and the remaining principal balance.

**Note:** See Interest Rates, page 2-9 for information on day/count methods used in Oracle Loans.

Loans does not save calculated payoff amounts because a borrower may or may not remit payment or may send payment earlier or later than initially discussed. When you know that the loan payoff payment has been received by Receivables, recalculate the payoff amount for the date the receipt was recorded in Receivables and continue with the payoff process.

## Viewing Current Amortization and Payment History

You can view payment history, memo fees, and the current amortization schedule for a loan in the Current Amortization section. You can also view fees scheduled to be billed and add manual fees to future installments.

## Viewing Payment History

Consult the Payment History to view all loan payments (bills), credits (credited bills), and payments (receipts) received for a loan.

Payment History is also available in the Overview section of the Servicing tab. See: Payment History, page 4-3.

The Payment History displays the latest, unpaid loan balance when a bill is created, and then updates the loan balance after receipts are applied. Select Include Credited Bills to display payments (bills) that have been reversed.

For example, the table below shows the payment history for a loan of \$1000. The monthly loan payment is \$110. Three payments have been billed. Payment was received and applied for payment number 1 and principal balance reflects the applied principal amount for the payment. Principal balance for payments 2 and 3 is \$900 because payment number 2 has not been received.

Payment Number	Due Date	Paid Date	Principal Balance	Amount Due	Amount Paid	Amount Remaining	Source	Credited
1	10-Jan	9-Jan	900	110	110	0	Scheduled	No
2	10-Feb		900	110	0	110	Scheduled	No
3	10-Mar		900	110	0	110	Scheduled	No

The following table shows the change in principal balance when payment number 2 is received and applied. Principal balance for payment number 2 reflects the applied principal and is now \$800. The principal balance for payment number 3 is \$800 because a payment has not been received.

Payment Number	Due Date	Paid Date	Principal Balance	Amount Due	Amount Paid	Amount Remaining	Source	Credited
1	10-Jan	9-Jan	900	110	110	0	Scheduled	No
2	10-Feb	8-Feb	800	110	110	0	Scheduled	No
3	10-Mar		800	110	0	110	Scheduled	No

When you create a manual bill, Loans does not update the principal balance amount shown in payment history schedule until payment has been received and applied.

## Selected Terminology

**Due Date** - The date payment is due for a bill

**Principal Balance** - Latest unpaid principal amount

**Amount Due** - The amount due for this bill

**Amount Paid** - Amount applied to the bill including receipts, adjustments, and credit memos for netting.

**Amount Remaining** - Amount due less amount paid

**Credited** - Indicates if the bill has been reversed.

## Memo Fees Due Before First Loan Payment

Loans displays this section only if you create loans from existing receivables, and memo fees exist for the loan. Loans does not bill or generate accounting entries for memo fees.

## Amortization Schedule

Use the Amortization Schedule to view current unbilled payments for a loan. Throughout the life of a loan, this schedule dynamically reflects changes to principal, interest, and fees due to events such as loan approval, interest rate changes, extra payments, short payments and late fees.

The beginning balance for the first payment shown in the Amortization Schedule always reflects the latest unpaid loan balance. Loans calculates principal and interest based on the beginning balance amount. When a receipt is applied, Loans moves the payment to the Payment History section and updates the beginning balance for the first unbilled payment.

## Fee Details

The Fee Details table shows the fees scheduled to be billed with the payment selected in the Amortization Schedule. To add a fee, select Add Manual Fee and assign a manual fee to be billed with this payment number. To add a manual fee, you must first assign the fee to the loan. See: Manual Fees, page 2-12.

## Outstanding Bills

From Outstanding Bills, you can view all unpaid loan payments (bills) for a loan. Payments with partial amounts applied will not appear on this screen.

You can also:

- Create a manual bill for an overpayment or additional principal payment.  
See: Creating Manual Bills, page 4-12.
- Create a credit for billing errors.  
See: Creating Credits, page 4-13.
- Credit an outstanding bill and rebill with revised amounts for principal, interest, and fees.  
See: Credit and Rebill, page 4-13.

## Creating Manual Bills

When borrowers remit overpayments, you can create a manual bill for additional principal amounts for the loan.

Note that you create the manual bill *after* you receive the receipt.

- You create a manual bill for principal.
- The payment number for a manual bill defaults to the same payment number for last bill created.
- You can view a manual bill in Outstanding Bills. Loans does not store completed manual bills in the Create Manual Bill window.
- When payment is applied, Loans reduces the beginning balance for the next payment to be billed and recalculates the remaining principal amounts.

If a borrower remits an overpayment, first apply any regular loan payment amounts to outstanding transactions in Receivables. These transactions can include invoices and debit memos for principal, interest, and fees. Then create a manual bill for the overpayment amount in Loans. Finally, in Receivables, apply the payment to the manually created bill.

### To create a manual bill:

To create a manual bill, do not submit the LNS: Billing program. Instead, complete these steps:

1. Click Create Manual Bill
2. Click Add New Manual Bill.
3. Enter the amount and date for the bill.

**Note:** Loans defaults the current principal balance only in the amount field. If you are creating a bill for a purpose other than to pay off the loan, be sure to update the amount field with the correct amount.

Loans associates the bill with the last outstanding payment number.

4. Click Submit.

Loans automatically creates a manual bill when you click Submit, and Receivables then creates the invoice for principal.

**Note:** Manual bills, like other billing transactions, must be interfaced from Receivables to General Ledger. You will be able to drill down from General Ledger to Loans and view transaction details for a manual bill only after the interface program has been run.

## Creating Credits

You can reverse an outstanding bill by crediting the bill.

When you enter a credit for a loan payment, Loans reverses the loan principal, interest, and fee amounts for the bill by creating credits in Receivables, and recalculates amortization to reflect the change.

You can credit only the most recent loan payment. You must credit the most recent loan payment first, because the credit affects amounts on the amortization schedule.

## Credit and Rebill

Use Credit and Rebill to correct principal, interest, and fee amounts for a loan payment, after payment applications have been made in Receivables.

For example, a borrower's payment for loan payment 4 was incorrectly applied, and loan payment 5 was already billed. The receivables clerk then corrects the error for payment 4. You must credit and rebill payment 5 to recalculate the amounts due for principal and interest.

Select Credit and Rebill for the outstanding bill that you want to rebill.

In the example above, you can credit and rebill an outstanding bill only *after* the receivables clerk corrects payment 4. If you want the amortization schedule to accurately reflect the principal and interest for the loan *before* payment 4 is corrected in Receivables, then simply credit payment 5. You can submit the LNS: Fee Assessment and LNS: Billing program at a later time to rebill payment 5.

See: Submitting the LNS: Reverse Last Bill Program, page 5- 5 .

## Related Topics

[Overview of Loan Billing, page 5- 1](#)

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## Billing A Loan

This chapter describes how to bill a loan.

This chapter covers the following topics:

- Overview of Loan Billing
- Integration with Oracle Receivables
- LNS: Fee Assessment Program
- LNS: Billing Program
- Submitting the LNS: Billing Program
- Submitting the LNS: Reverse Last Bill Program

### Overview of Loan Billing

You must periodically bill your active loans to automatically generate the proper documents in Oracle Receivables. Your borrowers pay against these documents in Receivables.

Use the LNS: Fee Assessment program to assess late fees for overdue loans. You should run this program before you run the billing program. See: LNS: Fee Assessment Program, page 5- 2 .

Use the LNS: Billing concurrent program to submit the billing process for your active loans in Oracle Loans. See: Submitting the LNS: Billing Program, page 5- 4 .

The LNS: Billing program bills only those loans whose status is active, delinquent, or in default.

**Note:** As the Loans Agent, you can also bill loans by submitting the LNS: Loans Maintenance and Billing request set from a Forms application such as Oracle Receivables. This program set first runs the LNS: Fee Assessment program and then the LNS: Billing program.

### Integration with Oracle Receivables

When you bill a loan, Loans reviews your system options setup to determine how many documents to create in Receivables.

For example, Receivables can create *multiple documents* for each bill:

- An invoice for loan principal

- An invoice or debit memo for loan interest
- An invoice or debit memo for loan fees

See: Setting Up System Options, page 1- 6 .

With these Receivables documents, you can:

- Optionally send loan repayment reminders to your borrowers for each billing period
- Apply, to these documents, the payments (receipts) that your borrowers eventually remit
- Transmit the proper accounting distributions from the loan to the general ledger

When billing, Loans creates accounting distributions based on the accounting setup, and passes those distributions to the related Receivables documents. Your Receivables clerk posts these documents to the general ledger.

You define default loan accounting during setup. See: Setting Up Accounting, page 1- 8 . Also, see: Viewing Loan Accounting, page 2-20.

## Drilldown between Oracle Loans and Oracle Receivables

You can view both the billing that Receivables generates, as well as the payments that are applied in Receivables to loans, from several locations in the Loans application:

- Servicing tab
  - Servicing Center, in the Overview section
  - Payments area, in the Current Amortization section

## LNS: Fee Assessment Program

Submit the LNS: Fees Assessment program to identify, calculate, and apply late charges for overdue loans. This program checks all loans to assess whether the conditions exists to assess a late charge.

You should run this program daily and before you run the billing program to determine the fees for the billing program to bill.

**Note:** As Loans Agent, you can also run the LNS: Loans Maintenance and Billing request set from a Forms application such as Oracle Receivables. This request set runs both the LNS: Fee Assessment and the LNS: Billing programs. This request set is not available from the Loans application.

## Related Topics

Event Based Fees, page 2-11

LNS: Billing Program, *Oracle Loans*

## LNS: Billing Program

Submit the LNS: Billing program in Oracle Loans to create bills (Receivables documents) for your active loans.

You can create bills for a single loan or borrower, or for a range of loans, borrowers, or dates.

Using standard request submission, you can schedule billing to run at a specific time, or to run periodically.

Submit the LNS: Billing program from either the Forms-based Submit Request window, or the HTML-based Submit Request page. See: Using Standard Request Submission, *Oracle Applications User's Guide*.

For more information, see: Overview of Loan Billing, page 5- 1 .

## Hints

- In general, do not specify a borrower or loan when submitting the LNS: Billing program. Instead, you should run the program for all borrowers and loans.  
You might, however, need to run the program for an individual borrower or loan to correct isolated billing issues.
- Use a combination of the From/To Number of Days to Due Date parameters with Standard Request Submission's scheduling options to complete the billing for your active loans.  
For example, you can schedule the LNS: Billing program to run everyday, for all loans whose installment due date falls 15 days before and after the system date.
- To bill loans with back-dated start dates, set only the To Number of Days to Due Date parameter. The billing program will pick up all loans that should have been billed as long ago as the date you created the loan. Since the Loans billing program only creates one bill per loan, you may need to submit the program multiple times to make sure you generate bills for all periods required.

See: Running Reports and Programs, *Oracle Applications User's Guide*.

## Parameters

The LNS: Billing program creates a bill for all active loans that match the entered parameters.

Enter at least one parameter to run billing:

- Borrower

**Note:** Parameter searches are not interdependent. For example, searching by borrower name does not restrict the loan values available, if you then search by loan number, to just loans for that borrower.

- Loan
- From/To Number of Days to Due Date

The numbers that you enter here represent the number of days between the system date and the payment due date, and can be positive or negative.

As a default, From Number of Days to Due Date is blank. The default for To Number of Days to Due Date is the value of the Invoice Generation Timing system option. If you run the billing program using the defaults, Loans generates bills for loans with

due dates that range from any date before the system date to the number of days specified in Invoice Generation Timing system option.

## Loan Payment Due Date

For each loan, Loans calculates the *payment due date* using the payment start date plus the payment frequency option that you defined during loan creation. See: Interest Rates, page 2- 9 .

For example, if the loan start date is May 25, the payment start date is June 25, and the Payment Frequency is Monthly, then the due dates for each subsequent billing period are June 25, July 25, and so on.

If you submit the LNS: Billing program on June 29 and specify a two week range of seven days (-7) before and seven days (+7) after the system date), then Loans selects for billing the example loan mentioned above, because its due date (June 25) falls within the specified two week range (June 22 through July 6).

## Billing Periods

The LNS: Billing program creates only one bill per loan, per billing period:

- If you have not run the billing program for several billing periods, then you must run the program once for each bill that you want to generate.
- You can create the next bill for a loan only *after* the due date for the current bill has past.

Even if the Invoice Generation Timing system option falls within the parameters that you entered in the billing program, Loans will create a new bill *only if* the due date for the previous bill has already passed. This lets Loans correctly calculate the interest due for the new bill.

## Submitting the LNS: Billing Program

Submit the LNS: Billing program in Oracle Loans to create bills (Receivables documents) for your active loans.

You can create bills for a single loan or borrower, or for a range of loans, borrowers, or dates.

Using standard request submission, you can schedule billing to run at a specific time, or to run periodically.

Submit the LNS: Billing program from either the Forms-based Submit Request window, or click Submit Requests from the Dashboard. See: Using Standard Request Submission, *Oracle Applications User's Guide*

For more information, see: Overview of Loan Billing, page 5- 1 .

## Prerequisites

- Define you system options.  
See: Setting Up System Options, page 1- 6
- Define default accounting.  
See: Setting Up Accounting, page 1- 8

- You must have active loans.

See: Approving a Loan, page 2-18

- Run LNS: Fee Assessment program. See: LNS: Fee Assessment Program, page 5- 2 .

## To submit the LNS: Billing program

### Parameters

The LNS: Billing program creates a bill for all active loans that match the entered parameters.

Enter at least one parameter to run billing:

- Borrower

**Note:** Parameter searches are not interdependent. For example, searching by borrower name does not restrict the loan values available, if you then search by loan number, to just loans for that borrower.

- Loan
- From/To Number of Days to Due Date

The numbers that you enter here represent the number of days between the system date and the payment due date, and can be positive or negative.

As a default, From Number of Days to Due Date is blank. The default for To Number of Days to Due Date is the value of the Invoice Generation Timing system option. If you run the billing program using the defaults, Loans generates bills for loans with due dates that range from any date before the system date to the number of days specified in Invoice Generation Timing system option.

1. Using the Loan Agent responsibility, click Submit Requests on the Dashboard.
2. Select the LNS: Billing program, and enter required parameters.

## Related Topics

LNS: Fee Assessment Program, page 5- 2

## Submitting the LNS: Reverse Last Bill Program

If a bill that you issued to a borrower is incorrect, then you must use the LNS: Reverse Last Bill concurrent program to credit the original bill.

You can optionally rebill the loan at the same time.

Alternatively, you can complete the credit, or credit and rebill, process from within the Servicing tab. See: Outstanding Bills, page 4-12.



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# Glossary

**account code combination**

A series of segments that identifies the General Ledger account. The code combination is generally made up of a Balancing Segment, Natural Account Segment, Cost Center Segment, and Intercompany Segment. There may be up to 30 segments on an account code combination.

**allotment**

Funds within an apportionment designated for specific programs or projects in an agency.

**amortization**

The gradual reduction in the principal amount owed on a debt.

**amortization creation date**

The date the amortization schedule is created. The amortization schedule is often generated several times with different parameters before a loan is finalized.

**amortization schedule**

A loan repayment schedule that identifies the number, amount due, and date for payments a borrower will make for a loan. The schedule displays the total amount due for each payment plus the amounts for principal, interest, and fees.

**annual percentage rate (APR)**

The annual cost of a loan to a borrower, expressed as a percentage of the loan amount. It includes interest and other charges and fees to reflect the total cost of the loan for the borrower.

**AR/AP netting**

Receivables and Payables Netting is a feature that allows agencies to manage the collection of receivables by offsetting receivables against payables for vendors who are also customers. Loans leverages AR/AP Netting by allowing borrowers to have payables netted in lieu of sending in the monthly payment.

**balancing segment**

One of the segments in the account code combination string that defines the segment that automatically balances all journal entries for each value of this segment

**balloon loan**

A short-term loan with smaller payments for a certain period of time, and one or more large payments at the end of the loan period

**billing**

The events that occur upon generating installments for the loan. Running of the billing program results in the creation of one or more transactions (invoices or debit memos) detailing the amount of principal, interest and fees that are due for a single installment payment.

**borrower**

The party (organization or person) who is requesting the loan. The borrower has primary responsibility for repaying the loan as per terms and conditions.

**cap**

A limit on how much a variable interest rate can increase. It limits the amount payments can increase in an adjustment period and over the life of the loan.

**co-borrower**

An additional party (organization or person) who assumes equal responsibility for repayment of a loan and is fully obligated under the terms of the loan. This person also has equal rights to the proceeds of the loan.

**cohort**

Direct loans obligated or loan guarantees committed by a program in the same year, even if disbursements occur in subsequent years or the loans are modified. Modified pre-1992 direct loans constitute a single cohort; modified pre-1992 loan guarantees constitute a single cohort. For loans subsidized by no-year or multi-year appropriations, the cohort may be defined by the year of appropriation or the year of obligation. For information on proper determination, the Office of Management and Budget (OMB) can be contacted.

**collateral**

An asset used for securing the repayment of a loan. The borrower risks losing the asset if the loan is not repaid.

**collections scoring**

In Oracle Collections, users create scoring engines to identify what loans are delinquent or in default, and then to select the appropriate collections strategy to try to cure the impaired loan.

**collections strategy**

In Oracle Collections, a defined set of steps to cure a delinquent or defaulted loan. Each strategy consists of a series of manual and automated work items such as sending dunning letters, making collections calls or scheduling site visits to verify assets or to repossess them.

**commitment**

The reservation of funds in anticipation of legal obligations.

**credit report**

A record of an individual's debts and payment habits. It helps a lender determine whether or not a potential borrower is a good business risk.

**credit score**

A number rating the quality of an individual's credit. Lenders calculate this number as part of the process of assigning rates and terms to the loans they make.

**cross-servicing**

Passing a debt to a designated collections center or private collections agency in an effort to collect the amount due.

**Debt Collection Act of 1982**

A set of regulations governing the receivables management and collections practices of federal agencies.

**Debt Collection Improvement Act of 1996 (DCIA)**

The DCIA provides that any non-tax debt or claim owed to the U.S. Government that is 180 days delinquent, with certain exceptions, will be referred to the Department of Treasury for collection. Debt that is in litigation or foreclosure with a collection agency or designated Federal debt collection center or that will be disposed of under an asset sales program is exempt from transfer to the Secretary.

**direct loan**

In direct loan programs, the Federal Government makes a direct disbursement to an approved borrower and services the loan and collects the loan.

**equity**

The difference between the fair market value (appraised value) of your home and your outstanding mortgage balances and other liens.

**ERS loan receivable**

An outstanding receivables of an organization converted to a loan.

**extended repayment plan**

A type of loan offered by some Federal Government and State & Local Governments. Generally, the borrower owes money to the government and requests a loan in order to pay back their debt. The extended repayment plan is initiated by selecting an outstanding receivable, converting it to a loan and adding appropriate terms and conditions for repayment.

**fixed rate**

Interest rate that remains unchanged for the life of the loan.

**forbearance**

Act of surrendering the right to enforce a valid claim usually in return for a binding promise to perform a specified act. Forbearance sometimes refers to an agreement by a lender to refrain from taking legal action when a mortgage is in arrears, as long as the borrower complies with a satisfactory arrangement to pay off the past due balance by a future date.

**foreclosure**

An involuntary payment of a debt secured by collateral by seizing the collateralized property.

**fund type**

Major classification for the different account types, such as General Fund, Clearing Account, and Special Fund.

**funded amount**

The amount of an approved loan. Funded amounts include requested principal amount plus other fees that have been added to the loan.

**funds available**

A procedure in Federal Financials for agencies to view funds available at both detail and summary levels and to compare budget amounts to actual fund values.

**funds available**

In Oracle Financial Applications, the amount budgeted less actual expenses and encumbrances of all types. Oracle Financials lets you check funds available through online inquires or generated reports

**funds available**

In Oracle General Ledger, the difference between the amount you are authorized to spend and the amount of your expenditures plus commitments. You can track funds availability at different authority levels using Online Funds Available inquiry window, or you can create custom reports with the General Ledger Financial Statement Generator.

**funds checking**

The process of certifying funds available. You can check funds when you enter actual, budget or encumbrance journals. When you check funds, Oracle Financials compares the amount of your transaction against your funds available and notifies you online whether funds are available for your transaction. Oracle Financials does not reserve funds for your transaction when you check funds.

**general ledger date**

The date used to determine the correct accounting period for your transactions. The Oracle Receivables posting program uses this date when posting transactions to your general ledger.

**GL Date**

The date, referenced from Oracle General Ledger, used to determine the correct accounting period for your transactions. In Oracle Payables and Receivables, you assign a GL Date to your invoices and payments when they are created.

**GL Date Range**

An accounting cycle that is defined by a beginning and ending GL Date.

**guaranteed loan**

Guaranteed loan programs utilize private sector lenders to originate and service loans, with all or a portion of the interest and loan repayment guaranteed by the Government in case of borrower default.

**guarantor**

The party (organization or person) who is held accountable for the repayment of the loan if the borrower and co-borrower(s) default.

**index**

A measurement used to decide how much the annual percentage rate will change at the beginning of each adjustment period. Common indices are LIBOR, Euribor, Prime, and Treasury.

**inheritance**

The behavior or set of rules the accounting may be derived from with respect to certain properties of the loan. Federal Government agencies, for example, adhere to multi-fund accounts receivable (MFAR) guidelines that require specific accounting standards be adhered to for budget year and treasury funds.

**interest**

The amount charged by a lender for borrowing money.

**interest income account**

A revenue account reflecting the amount of interest due to an organization.

**interest rate**

Cost for the use of a loan, usually expressed as a percentage of the loan, paid over a specific period of time. It does not include fees charged for the loan.

**interest rate cap**

A limit on how much the variable interest rate can increase at any one point in time.

**interest receivable account**

An asset account reflecting the amount of interest due to the organization

**invoice creation date**

The date that the Loans billing engine creates an invoice or debit memo to identify the amount of principal, interest, and fees due.

**installment due date**

The date the Loans billing engine indicates that the invoice or debit memo is due.

**invoice number**

Oracle Loans inserts the loan number into the invoice number or debit memo transaction number.

**joint financial management improvement program (JFMIP)**

The joint financial management improvement program (JFMIP) is a joint undertaking of the U.S. Department of the Treasury, the General Accounting Office (GAO), the Office of Management and Budget (OMB), and the Office of Personnel Management (OPM), working in cooperation with each other and other agencies to improve financial management practices in the Federal Government. There are JFMIP requirements for Direct and Guaranteed Loans programs.

**journal import**

A General Ledger program that creates journal entries from transaction data stored in the General Ledger GL\_INTERFACE table. Journal entries are created and stored in GL\_JE\_BATCHES, GL\_JE\_HEADERS, and GL\_JE\_LINES.

**late charge**

The penalty charged to the borrower when a payment is made past the due date and any allowable grace period.

**loan amount**

The amount of debt, not including interest.

**loan conditions**

Contractual agreements between the lending organization and the borrower(s) and attached to the loan. The conditions must be adhered and may be related to the approval of a loan or apply when the loan is in its active or servicing phase.

**loan fees**

Additional charges that may be applied against a loan. The fees may related to loan origination and due up front or amortized, or they may be related to loan servicing and due following events such as missed payments or returned checks. Memo fees are a special type of fee which are used to list non-billable items that are sometimes included in repayment schedules for informational purposes only.

**loan to value ratio**

The ratio of the value of the assets to the total loan amount.

**loan term**

The period of time during which a loan must be repaid.

**loan transactions**

Oracle Loans' billing engine creates transactions for principal, interest and fees. Deploying lending organizations configure what transaction types are used (invoices or debit memos) and whether or not multiple transactions are used.

**loans clearing account**

An account used to accumulate total charges or credits so that they can be distributed later among the accounts to which they are allocable or so that the net differences can be transferred to the proper account.

**loans receivable account**

An asset account reflecting amounts that have been loaned to individuals or organizations external to the originating organization, including notes taken as security for such loans.

**margin**

The number of percentage points the lender adds to the index rate to determine the interest rate. Lenders make a profit on a loan based on its margin.

**maturity date**

The day on which all outstanding principal, interest, and other fees must be repaid. The maturity date is the date of the final payment is due.

**memo item fees**

A fee related to a loan and amortization schedule, but not billed by the Loans billing engine. Memo item fees can be for initial accrued interest for a loan but a separate debit

memo is used to track the actual amount due and for cash application purposes. Memo item fees are presented with or within the Amortization Schedule so the loan agent and borrower can view all amounts due for each payment.

**multi-fund accounts receivable (MFAR)**

multi-fund accounts receivable is part of the Oracle public sector advanced features module. It allows receivables invoices, receipts, debit memos, credit memos, miscellaneous receipts and adjustments to be balanced by Treasury Fund.

**natural account**

The Natural Account segment is used to properly classify all accounting transactions. It is used to indicate whether an accounting line is recorded as an expense, revenue, asset, or liability.

**negative amortization**

The result when monthly payments don't cover all the interest due on the loan. The unpaid interest is added to the unpaid balance, which means that the borrower will owe increasingly more than the original amount of the loan.

**offset account**

An offset account is used to balance journal entries in your General Ledger.

**origination**

The events that occur upon establishment or approval of the loan. This can include creation of loan application; setting terms and conditions; identifying borrower, co-borrower and guarantors; recording collateral and debt information; creating and assigning appropriate accounting; performing credit evaluation; submitting and approving loans; and funding of approved loans.

**origination fee**

A fee imposed by a lender to cover certain processing expenses in connection with making a loan, usually expressed as a percentage of the loaned amount.

**outstanding balance**

The balance owed on a debt on a given day.

**paid late amount**

The amount of the payment owed if the borrower does not remit a loan payment by the due date, or due date plus grace days. It generally includes additional charges, such as late fees.

**paid on time amount**

The amount of payment due if the borrower makes a payment by the due date, including grace days if any.

**party**

A person, organization, relationship, or collection of parties that can enter into business relationships with other parties.

**payment number**

The sequential number assigned to the repayment of a loan. A payment number can also sometimes be called an installment number.

**pre-accrued interest**

Interest that has accrued before a loan is approved and can be from an earlier debt. Pre-accrued interest is generally not added to the loan amount, but paid up-front in several installments prior to the actual start of the loan repayment. Pre-accrued interest is a common component of extended repayment (ERS) loans.

**principal**

The amount of money borrowed on the loan.

**principal receivable account**

An asset account reflecting the amount of principal due to the organization.

**rate**

The rate of interest on a loan, expressed as a percentage of 100.

**rate cap**

A limit on how much the interest rate can change, either per adjustment period or over the term of the loan.

**remaining amount**

The amount that the borrower must remit in order to pay off the loan. This amount is generally principal only, but may include accrued interest and fees.

**remaining principal**

The amount that the borrower must remit in order to pay off the loan principal.

**responsibility**

A level of authority set up by your system administrator in Oracle Applications. A responsibility lets you access a specific set of windows, menus, set of books, reports, and data in an Oracle application. Several users can share the same responsibility, and a single user can have multiple responsibilities.

**secured loan**

A loan that is supported by collateral, which the lender can seize if the borrower fails to repay the loan.

**statement**

Loan account information provided on a periodic basis to coincide with the billing program. Details include next payment information, payment in arrears details, payment history, and more.

**status**

The status of the loan identifies what phase it is in. Standard statuses include incomplete, pending approval, active, delinquent, in default, or paid off.

**subsidy**

Estimated long-term cost to the government of a direct loan or loan guarantee, calculated on a net present value basis, excluding administrative costs. In net present value terms, it is the portion of the direct loan disbursement that the government does not expect to recover; or the portion of expected payments for loan guarantees that will not be offset by collections. The subsidy may be for post-1991 direct loan obligations or loan guarantee commitments, for re-estimates of post-1991 loans or guarantees, or for modifications of any direct loans or loan guarantees.

**TCA registry**

The central repository of party information for all Oracle Applications. Party information includes details about organizations and people, the relationship among the parties, and the places where the parties do business.

**term**

The time period, agreed to by the lender and borrower, required to pay off a loan. The loan term is used to determine the payment amount, repayment schedule, and total interest paid over the life of the loan.

**term loan**

The full amount of the loan is given to the business up-front. The business then makes pre-determined monthly payments to the lender for a percentage of the principal plus interest.

**transfer to GL**

The process of transferring accounting entries from Oracle subledger applications to the GL\_INTERFACE table in General Ledger. When entries are transferred from the subledgers, the subledger system marks the entries in the subledger tables as posted, even though they have not been posted in General Ledger. Entries modify General Ledger balances only when Journal Import is run and the subsequent entries are posted.

**unsecured loan**

A loan without collateral that is granted to a business on good credit alone.

**variable rate**

An interest rate that may fluctuate or change periodically, often in relation to an index, such as the prime rate or other criteria. Payments may increase or decrease accordingly.

**write-off**

An event that occurs when an agency officially determines, after all appropriate collection tools and techniques have been used, that a debt or portion of a debt is uncollectable. The uncollectable amount is removed from an entity's receivables; however, collection attempts can be made after receivables are removed.

