

# **Oracle® Banking Loans**

Functional Overview

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Oracle Banking Loans Functional Overview, Release 2.9.0.0.0

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# Preface

Oracle Banking is a one-stop solution for a bank for its core banking operations, across retail and business banking operations. It is designed to help banks respond strategically to today's business challenges, while also transforming their business models and processes to reduce operating costs and improve productivity across both front and back offices.

Oracle Banking provides a unified yet scalable IT solution for a bank to manage its data and end-to-end business operations with an enriched user experience. It is a composed set of different modules wherein each of the modules is serviced by a set of services and other subsystems.

This preface contains the following topics:

- [Audience](#)
- [Documentation Accessibility](#)
- [Related Documents](#)
- [Conventions](#)

## Audience

This guide is intended for the users of Oracle Banking Loans.

## Documentation Accessibility

For information about Oracle's commitment to accessibility, visit the Oracle Accessibility Program website at <http://www.oracle.com/us/corporate/accessibility/index.html>.

### Access to Oracle Support

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## Related Documents

For more information, see the following documentation:

- For installation and configuration information, see the Oracle Banking Platform Localization Installation Guide - Silent Installation guide.
- For a comprehensive overview of security, see the Oracle Banking Security Guide.
- For the complete list of licensed products and the third-party licenses included with the license, see the Oracle Banking Licensing Guide.
- For information related to setting up a bank or a branch, and other operational and administrative functions, see the Oracle Banking Administrators Guide.
- For information related to customization and extension, see the Oracle Banking Extensibility Guide for Host, SOA, and UI.

## Conventions

The following text conventions are used in this document:

Convention	Meaning
<b>boldface</b>	Boldface type indicates graphical user interface elements associated with an action, or terms defined in text or the glossary.
<i>italic</i>	Italic type indicates book titles, emphasis, or placeholder variables for which you supply particular values.
monospace	Monospace type indicates commands within a paragraph, URLs, code in examples, text that appears on the screen, or text that you enter.



# 1 Overview

Oracle Banking Loans supports various types of loans including fixed rate, floating rate, secured and unsecured loans. The application supports multiple lending products such as personal loans, home loans, interest in advance loans, bridge loans, while providing significant productivity and customer service advantages.

The application provides robust loan processing support by allowing creation of different types of products, setting up of appropriate servicing parameters in tune with credit guidelines and policies of the lender organization.

Oracle Banking Loans can also interface with any third-party system through an industry standard interface to support any up-stream or down-stream systems.

The application provides comprehensive and flexible processing of disbursement, payment and ongoing service of the product. It also supports extensive status tracking features for overdue loans at the installment level as well as loan account level.

## 1.1 Key Benefits

Oracle Banking Loans has been conceptualized and integrated with other modules within Oracle Banking that provides the following advantages:

- Streamlined Origination process
- Extremely flexible pricing to offer Loan products with innovative Interest, Fee and Charge processing features:
  - Interest benefits based on the following new facts:
    - Based on repayment instructions capture in the loan account
    - Based on cosigner captured in the loan account
  - Differential fees based on state codes
- Product Manufacturing Unit to Launch new Loan products in the market quickly
- Centralized support for Limits and Collateral Management
- Document Management System to manage documents related to Loan accounts
- Full support for Multi-Entity and Multi-Branding Setups
- Supports customer notification of important events through Alerts
- 100% compliance with SOA standards
- Compatible with other Oracle ERP systems



# 2 Key Features

This chapter describes the key features of Oracle Banking Loans.

## 2.1 Parameterization

This section explains the parameterization available in Oracle Banking Loans.

### 2.1.1 Define Loan Product

Bank can define Loan Products according to the market requirements. Product parameter definition gives flexibility to define different products having different attributes. A sample list of product parameters that can be configured is as follows:

- Control Parameters
- Allowed Term
- Allowed Currencies
- Fixed or Variable period Parameters
- Economic Cost Parameters
- Auto Debit for Installment
- Asset classification Parameters
- Fee Treatment Preferences
- Delinquency Parameters
- Allowed Facilities
- Statement Parameters
- Currency Parameters
- Alert/Document Parameters
- APR Applicable

### 2.1.2 Installment Rule Details

Installment rule maintenance provides options to define different installment types that can be used to draw the repayment schedule. A computation formula is associated with each installment type which is used to calculate the principal or interest amount to be paid by the customer. Following computation formulas are supported in Oracle Banking Loans:

- Interest Only Installment (IOI)
- Moratorium (MOR)
- Equated Periodic Installment (EPI)
- Adjustable Rate Mortgages (ARM)
- Interest and Principal Installment (IPI)

- Post Maturity (PMI)
- Interest Only Advance (IOA)
- Flexible Repayment Schedule (FRS)
- Equated Interest Principal Installment (EIPi)

### 2.1.3 Loan Schedule Setup

Loan Schedule type setup enables the bank user to define different repayment schedules that can be attached to a loan offer. Repayment schedule specifies the amount, number and type of installment that the customer has to pay as a part of loan repayment.

This enables the user to define repayment parameters such as the number of installments, interest frequency, the number of repayment stages, interest due frequency and repayment stage types. They are as follows:

- Moratorium Stage
- Interest Repayment Stage
- Principal Repayment Stage
- Post Maturity Stage

### 2.1.4 Define Loan Offer

Loan offer is the saleable form of product and has all the customer impacting attributes. A sample list of offer parameters that can be configured to suit requirements of customers is as follows:

- Facilities
- Penalty Parameters
- Quote Parameters
- Amount Parameters
- Alert/Document parameters
- Allowed Rate types
- Restricted Transactions
- Account Level Preferences
- Allowed Access Channels
- Allowed Fund Transfer Options
- Offer Type

## 2.2 Disbursement

Oracle Banking Loans supports both Automatic and Manual disbursement in a loan account. Disbursement can be done as of the current date or instruction can be set up for a future date.

Disbursement can be made through any of the following settlement modes:

- Current Accounts and Savings Accounts (CASA)
- External account



- Cash
- Bank Draft
- GL

Loan disbursements can be done either in full, scheduled partial, or ad hoc online.

### **2.2.1 Full Disbursement**

Bank can pay out the entire sanctioned amount of loan account as a part of a single transaction.

### **2.2.2 Scheduled Partial Disbursement**

Loans can also be disbursed through multiple partial disbursements as a part of pre-decided amounts over a period of time. User can track disbursements through the system to validate that the total amount paid by the bank to the customer through the systematic payouts is equal to or less than the sanctioned loan amount.

### **2.2.3 Ad hoc Online Disbursement**

Online disbursements are ad hoc disbursements that are supported by the application. These can be done as and when the customer requests or depending on the bank's decision.

## **2.3 Repayments**

Oracle Banking Loans enables repayments in a loan account. It is used for setting off the dues that have been created in the loan account through different arrears. Following types of repayments are supported:

### **2.3.1 Manual Installment Payment**

Oracle Banking Loans provides the ability to perform installment payments manually using Make Payment, once the arrears are raised in an account.

### **2.3.2 Automatic Installment Payment**

Bank user can also set up the instructions for loan repayment. Oracle Banking Loans invokes the due amount from the specified account on the installment due date. This provides the flexibility to the customer to ensure that arrears raised are settled on the repayment dates.

### **2.3.3 Advance Payment**

This feature enables the customer to make additional payments in a loan account over and above the existing arrears. Additional payment is done in order to get interest benefits or to keep an amount in the account for upcoming installments.

### **2.3.4 Partial Payoff**

Partial Payoff is an option through which a customer can pay off a part of his loan's outstanding balance. Customers normally choose to do partial payoffs to get the following benefits:

- It reduces the interest base of the loan account hence resulting in reduced interest amount for the remaining term of the loan.

- The loan schedule is redrawn providing the customer a benefit of either a decrease in the periodic installment amount or a decrease in the loan term based on the product specifications.
- Bank can charge a partial payoff fee to the customer.

### 2.3.5 Partial Payoff from RPA

RPA (Repayment Pending Appropriation) is a bucket internal to the loan account where advance payments are kept. Option is available to the customer to use these funds and make a partial payoff in the account.

### 2.3.6 Allocated Payment

This feature enables customers to make allocated payment towards Principal, Interest, and Fees to the extent of arrears in the arrear component. Payment received towards allocated payment is appropriated to the specific arrear components, overriding the appropriation sequence maintained in the loan product. Allocated payments are treated as installment payments while updating the payment tracker, and the delinquency counter is updated accordingly.

### 2.3.7 Early and Final Settlement

Customer can settle the loan before maturity date using Early Final Settlement (EFS) feature. Payment can be made for the entire outstanding loan amount along with the arrears due, EFS fees and any other applicable costs to close the account. Customers have the flexibility to make an EFS payment greater than or equal to the computed EFS amount. The EFS payment can be either current dated or backdated.

A Backdated EFS is supported where, the closure value date is before the transaction processing date of the loan.

The following business scenarios are considered with respect to closure of a loan account before maturity:

- Online closure of the loan account.
- Customer requests the bank to generate a Payoff quote as of a particular date and it is valid till that particular date.
- Generate a request to the appropriate authority, as configured by the bank to negotiate with the customer for retaining the loan account.
- Automatic closure of loan account from payment through standing instructions (Savings or Current Account) or payments from external accounts with a provision for buffer days (number of days or confirmation to customer) to ensure the loan does not close immediately.
- Early Repayment Fee, if the loan is closed within a certain period.

## 2.4 Other Loan Transactions

This section describes other loan transactions supported in the Oracle Banking Loans.

### 2.4.1 Excess Refund

This option is used to payout any residual credit balance left in the account post loan account closure.

Customer can make payment from an external account into the loan account. If the payment amount is more than the amount required (closing the account) and if Auto Closure function is enabled, the system closes the account thereby leaving a credit balance in the loan account.

### 2.4.2 Repayment Holiday

Repayment holiday is the feature where in the customer gives an instruction to the bank for not debiting the installment provider account (repayment account) for a specified period. Customer pays the upcoming installments during that period in advance and an amount is kept in RPA bucket of the loan.

During the repayment holiday period, system appropriates funds equal to the installment amount on due dates from RPA bucket. Customer's provider account is not debited even though auto repayment instructions are maintained in the account.

### 2.4.3 Loan Rescission

Loan Rescission is the feature by which the customer or bank is given an option to cancel a loan that has already been disbursed. This feature is useful when the bank user has committed some errors while opening the loan account. This feature is also useful in case the customer wishes to cancel the loan subsequent to disbursement and the bank is willing to accept such request. In both these cases, rescission is allowed within the time period specified at the product level.

### 2.4.4 Accelerated Payments

Accelerated payment is a value added facility extended to the customers. On the repayment due dates, the borrower is allowed to pay more than their contracted installment amount to obtain interest benefits.

This is set up as an instruction and additional amount can be in terms of percentage of the contracted amount or can be an absolute amount over and above the contracted amount.

Accelerated payment is allowed both in Fixed and Variable rate period of loan based on configuration.

### 2.4.5 Redraw Transaction

Loan redraw is a feature by which the customer is allowed to withdraw funds available in the RPA bucket.

If the payment amount is greater than the existing arrears in a loan account, then the excess amount remains in Repayment Pending Appropriation (RPA) bucket.

### 2.4.6 Loan Reschedule

Repayment schedule is drawn for an account to arrive at the number of installments to be paid, frequency of installments and amount to be paid in each installment.

Account can be rescheduled on customer's request to give effect of increased or decreased interest rate or capitalized components. Option is available to capitalize existing arrears, recalculate installment amount or recalculate account term as part of reschedule function.

Repayment schedule type code cannot be changed as part of this function.

### 2.4.7 Loan Restructure

Loan restructure is a function wherein the repayment schedule type attached to a loan account can be replaced into by a new repayment schedule type.

This may happen on customer's request or bank may decide to restructure a loan, if the customer is unable to repay the loan for some period of time because of hardship or other reasons.

The option to capitalize all existing arrears is available. Also, the option to revise installment amount or reduce installment amount during restructure is provided. A new repayment schedule is drawn from the restructure date. A restructure of an account can be either current dated or backdated.

### 2.4.8 Loan Deferment

Loan deferment is a function where the bank can defer the installment payment in a loan account for a specified number of installments. It can be the result of a hardship relief approved by the bank.

Two types of deferment are supported in the application:

- During the deferment period, a moratorium period is introduced, interest is accrued for the period and either capitalized to the account or raised as arrears at the end of the deferment period. On completion of the deferment period, account is rescheduled and a new repayment schedule is applied.
- If arrears for the deferment period are raised as arrears at the end of the deferment period, on completion of the deferment period, account is rescheduled and a new repayment schedule is applied.
- Installment amount for the account post deferment remains the same, if the user chooses to capitalize arrears for the deferment period. Any additional amount due (due to the balance being increased due to capping of the arrears for the deferment period), is raised in the last installment due (on the loan maturity date).
- During the deferment period, an interest only period is introduced and only interest is charged to the account. On completion of the deferment period, account is rescheduled and a new repayment schedule is applied.

### 2.4.9 Loan Account Preferences and Indicators

Offer level preferences are inherited by an account by default. This function allows the user to modify any of the following preferences for an account based on requirement, except Next Repayment Review Date and Regulated Loan account.

- Accelerated Payment
- Redraw Facility
- Principal Offset
- Repayment Grace Days
- Next Repayment Review Date
- Statement Required
- Statement Frequency
- Appropriation Sequence for Performing accounts
- Appropriation Sequence for Non performing accounts
- Account Indicators
- Employee Account
- Employee Referred Account
- Restricted Account
- Regulated Loan Account

### 2.4.10 Principal Offset

Principal offset is the function where customers can link their Transaction Accounts to their loan account for getting the interest benefit.

The interest in loan account is calculated after reducing the linked account balance from the outstanding balance of the loan account.

Multiple offset accounts can be linked to a loan account. Balances of all linked offset accounts are considered while arriving at the loan balance on which interest is computed.

Interest on the excess balance held in the Transaction Accounts offset account, after reducing the principal remaining in the loan account is eligible for credit interest. In cases where there are multiple Transaction Accounts linked as offset accounts, the Transaction Accounts is prioritized to configure which offset account should receive credit interest first, if the Transaction Accounts balance is more than the loan balance.

A new Transaction Account (eligible for offset), which is in the same submission as the new loan account, is linked as offset account to the new loan account during loan account configuration.

### **2.4.11 Refund of Fees**

This function can be used to refund a fee that has already been applied to the account. Partial refund or full refund of fee can be done using this screen. Fee refund happens from the date it has been applied, that is, a backdated credit is given in the loan account and all other transactions happened after that date are replayed till the current date.

### **2.4.12 Servicing Fees Breakup in Account Configuration**

Loans module displays the breakup of servicing fees with the fee behavior for each of the servicing fee applicable for the loan account. This is displayed in account configuration and in settlement instruction.

## **2.5 Loan Account Variations**

This section describes the loan account variations in Oracle Banking Loans.

### **2.5.1 Change Repayment Type and Rate Type**

Change Repayment Type and Rate Type is an option through which the user can move the account from an existing repayment and rate type combination to another repayment type and/or rate type. For example:

- Current repayment type: IOI
- Current rate type: Fixed

Account with the above configuration can be moved to:

- New repayment type: EPI
- New rate type: Variable

Note that movement to the new repayment type can happen, only if it is present in the repayment schedule linked to the account.

Credit Assessment is optionally triggered when repayment type changes from P&I to Interest Only stages.

### **2.5.2 Offer Swap**

Offer swap is a function where an account can be moved from one offer to another on customer's request. This is done to avail certain benefits available in the new offer. This is applicable for the loan account with interest rate type Variable.

### 2.5.3 Amend Account

The Amend Account function enables to perform the following variations to the account:

- Account Title
- Increase Approved Loan Amount
- Decrease Approved Loan Amount
- Increase Loan Term
- Decrease Loan Term
- Amend Repayment frequencies

### 2.5.4 Split Loan

Split function enables the user to split an existing loan account into two accounts. A new account is opened with the specified amount as a result of Split Loan transaction. New account can be configured as per the requirements, with respect to the rate type and repayment stage type.

This is requested by the customer in cases where part of the existing loan amount is required to be fixed to avail the fixed interest rate benefits.

Fee treatment for the Loan Split event is defined in loan product preferences. Based on fee treatment behavior defined, the split loan fee billed or capitalized.

### 2.5.5 Consolidate Loans

Multiple loan accounts under the same facility can be consolidated into a single loan account using this option. Survivor account is called as the parent account and its sanctioned amount is increased to the extent of accounts being consolidated.

Accounts getting consolidated into the parent are paid off (closed) as part of this transaction.

### 2.5.6 Change Line of Credit to Term Loan

This function enables the bank user to convert an existing Line of Credit account into a term loan account. Term loan is opened under the same facility. Hence, no credit assessment is done as part of this variation. User has the option to specify the required attributes as part of loan account configuration. A new loan account under the existing facility is opened and is disbursed for an amount equal to the outstanding Line of Credit account balance. Line of Credit account is paid off using the disbursed amount and facility is delinked from the Transaction Account. Transaction Account continues in the system.

### 2.5.7 RPA balance Retention During Restructure

Loans module does not dip into RPA balance as part of restructure transactions, that is, loan consolidation, offer swap and loan restructure if the parameter Retain RPA as part of Restructure is marked as Y in loan offer definition. If it is defined as Y, that is, checked, the components such as unbilled interest, unbilled penalty interest (if any), periodic fees (in offer swap), economic cost and event fees are capitalized to the loan account without affecting RPA balance.

## 2.6 Inquiries

This section describes the various inquiry options available in Oracle Banking Loans.

### 2.6.1 Loan Balance Inquiry

This inquiry provides details of different components that constitute loan balances. It is classified into three categories:

- **Arrears**
  - Principal arrears
  - Interest arrears
  - Other arrears
  - Fee arrears
- **Unapplied credits**
  - Amount paid today
  - Funds in RPA
  - Contribution amount
  - Unclear funds
  - Unclear funds for contribution
  - Interest in advance
- **Unbilled**
  - Interest
  - Penalty interest
  - Uncollected Interest

### 2.6.2 Current Schedule Inquiry

This inquiry is used to view the repayment schedule details for a loan account. It covers stage details and entire schedule details.

### 2.6.3 Fee Amortization Inquiry

This inquiry provides details of fee amortization. Fee deducted upfront from the customer during the first disbursement is amortized to spread the income over the entire life of the loan.

### 2.6.4 Account Arrear Inquiry

Arrears raised in a loan account can be inquired for a date range using this inquiry. Arrear types filter available to the user are as follows:

- Principal
- Interest
- Fee
- Paid
- Unpaid

- Other
- All Arrears

### 2.6.5 Overdue Aging History Inquiry

Arrear overdue aging history for a date range can be inquired using this inquiry.

### 2.6.6 Early Final Settlement Quote Inquiry

User can inquire the already generated quote in an account using this inquiry. Details available include:

- Status
- Generation date
- EFS amount
- Effective date

## 2.7 Calculators

This section describes the different calculators available in Oracle Banking Loans.

### 2.7.1 Accelerated Payment Calculator

This calculator is used to simulate time and interest saved by making the extra (additional) payment over and above the loan repayments. The additional payments can be done using the accelerated payment function.

### 2.7.2 Mortgage Offset Calculator

This calculator is used to simulate the interest amount saved due to mortgage offset. Offset can be achieved by using the principal offset function available in servicing.

### 2.7.3 Split Loan Calculator

Split loan calculator is used to derive the amount payable in fixed rate period and variable rate period for the specified amount.

### 2.7.4 New Loan Calculator

New loan calculator is used to simulate the repayment stage configuration and to identify the repayment amount for specified amount and term.

## 2.8 Internal Processes

This section describes the types of Internal Processes.

### 2.8.1 Arrear Raising and Appropriation

Arrears (principal, interest and fee) are raised in the loan account depending upon the repayment type and frequency. Arrears are raised on a specific date (called as the due date or repayment date for loan account) as per the repayment schedule.



Payments made in a loan account are appropriated against the arrears depending upon the appropriation sequence.

### **2.8.2 Auto Amend Repayment Holiday Expiry Date**

The repayment holiday duration is automatically amended by the system when there is a change in the repayment amount of the account. Repayment amount can change due to any event such as repayment review, reschedule, rollover and loan restructure. It increases the installment amounts thereby the number of installments for which the customer can avail a repayment holiday is reduced.

### **2.8.3 Inclusion of Periodic Fee during Schedule Generation**

Oracle Banking Loans supports the process of applying periodic fees for a particular period on loan accounts. Based on the stage in schedule, the periodic fees can be either capitalized or charged to loan account.

## **2.9 Batch Process**

List of activities or events that can be configured in a batch process are as follows:

- Interest Accrual
- Interest Charging
- Interest Capitalization
- Interest Compounding
- Fee Amortization
- Accelerated Payment Review
- Account Payment Instruction Execution
- Contribution Pay in Instruction Execution
- Disbursement Instruction Execution
- Settlement Payout Execution
- Split Loan Transaction Execution
- System or Customer Initiated Rollover
- Repayment Review Generation and Application

## **2.10 Backdated Transactions**

Backdated transactions are done in order to rectify the operational errors and to support the business cases in a de-centralized setup where the request capture and execution happens on two different dates.

Following backdated transactions are supported in Oracle Banking Loans:

- Backdated Installment Payment
- Backdated Advance Payment
- Backdated First Disbursement
- Backdated Subsequent Disbursement
- Backdated Offer Swap

- Backdated Change Repayment type/Rate type
- Backdated User Defined Margin (UDM)
- Backdated Index Rate Change
- Backdated Settlement Instruction
- Backdated Payment in Post Maturity (PMI) stage
- Backdate Early Final Settlement
- Backdate Allocated Payment
- Backdated Revised Installment

## 2.11 Backdated Reversals

Backdated reversals are done to rectify the operational errors. Backdated reversals are supported in Oracle Banking Loans for the following transactions:

- Installment Payment
- Advance Payment
- Subsequent Disbursement
- Drawdown
- Standing Instruction
- Periodic Credit
- File Upload
- Cheque Credit

## 2.12 Delinquency Counters

Delinquency counters provide important information to understand the customer's payment patterns and risk behavior. Understanding the delinquency history of an account provides useful information in servicing a customer's account. Delinquency counters count the number of dues which are past due during a defined period of time. Loans module supports display of delinquency counters at account level.

Oracle Banking Loans has the ability to treat unclear funds as cleared when a payment is made to a loan account on due date and not apply a delinquency counter. In case the payment is dishonored on a later date, the delinquency counter is updated to apply to the account. This applies to payments made through Cheque or Electronic payments.

## 2.13 Amend Loan Account as part of Facility Amendment

Loan account can be amended as a part of the existing facility amendment. A new repayment schedule is generated and displayed in account configuration while amending the account. Following changes can be done in the account as part of Amend:

- Increase Sanctioned Amount or Term
- Decrease Sanctioned Amount or Term
- Change repayment Frequency

- Offer swap
- Add or update principal offset instruction
- Add or update accelerated payment instruction
- Add or update account repayment details
- Update communication preferences
- Link affiliates and holder preferences
- Add or update operating instructions
- Change repayment type or rate type
- Add or update periodic credit instruction
- Capture cosigner account holder and statement preferences
- Capture of regulatory parameters

## 2.14 Annual Interest In Advance Loans

Annual Interest In Advance loans are generally offered with fixed rate terms of one, two, three, four or five years. On completion of Interest only period, the loan is typically converted into an equated monthly installment repayment schedule.

System supports the option to collect the first year's interest and fees in advance for IOA stage.

The subsequent period's interest and fees are expected to be paid by the customer in the beginning of period that is start of second year, third year, and so on depending upon the IOA term.

## 2.15 Fees Based On Rate Type

Oracle Banking Loans support charging different fees in fixed and variable rate period for an event. The fee income is reported into different GLs for fixed and variable rate period.

Also, if the account is a part of a bundle then the benefits in terms of margins and fee discounts can be different for fixed and variable rate period.

## 2.16 Penalty

Oracle Banking Loans support charging of penalty fee in case if customer defaults on repayments. This fee is charged to the loan account at the end of grace period. Depending upon the fee treatment, this fee can be raised as bill or can be capitalized in the loan account.

Loans module compares arrears with penalty tolerance defined at loan offer definition and check if the total arrears are greater than the penalty tolerance before calling interest module to start penalty computation. If the arrears are greater than the penalty tolerance value, then the penalty interest computation takes place.

## 2.17 Non Financial Transactions in Statement

The following non financial transactions are displayed as part of the statement:

- Statement Period Interest
- Restructure

- Reschedule mode - Recalculate term
- Reschedule
- Offset Benefit
- Movement from one offer to another
- Loan Split
- Loan Deferment
- Loan Account Reopen
- Loan Account Rebooking
- Inward Payment final return before value date
- Interest Rate changes
- Fee Waived
- Facility of Accelerated Payment for the loan account
- Delink Offset Account
- Current dated Offset Linkage
- Consolidate Loans
- Change Rate Type/Repayment Type
- Auto-Closure of a Loan Account
- Account Branch Transfer
- Interest Rate Changes
- Change in Loan account preferences
- Change in Installment Payment amount
- Offset Linkage and Offset Delinkage
- Offset Benefit
- Loan Account Variations

## 2.18 Payout Quote

Oracle Banking Loans support generation of a payout quote for Early Final Settlement (EFS) for a particular date. If the EFS transaction is done within the period (from the quote generation date till the specified date), the amount specified in the quote needs to be applied.

This saves the customer from any bank-initiated changes like rate change that may increase the final payout amount. However, if a customer-initiated transaction changes the final payout amount and it exceeds the tolerance limit, the quote becomes invalid. A backdated or a future dated EFS quote can be generated up to 90 days.

## 2.19 Periodic Credit to Loan

Oracle Banking Loans support setting up of periodic credit instruction to a loan account. The provider account can be an internal account or external account, an account from the other bank.

Periodic credit instruction can be set up for a fixed amount and for a period with defined frequency. Multiple periodic credit instructions can be maintained for a loan account.

A new transaction account, which is in the same submission as the new loan account, is linked as Periodic Credit Account to the new loan account during loan account configuration.

## **2.20 Bundle Recommendation During Split and Account**

Oracle Banking Loans support recommendation and selection of bundle as part of split loan and account opening within arrangement variations. Account is linked to the selected bundle on successful execution of the variation request.

## **2.21 LTV and Outstanding Exposure Based Interest Margins**

Oracle Banking Loans support interest margin definition and applicability based on the Loan to Value ratio and Outstanding Exposure values. These are used as facts and setup can be done using the same.

## **2.22 Rate Change during Moratorium Period**

Oracle Banking Loans support current dated as well as backdated index rate change for accounts in moratorium (no charging period) stage.

## **2.23 Offset Benefit Adjustment in Statement**

Oracle Banking Loans support re-computation of offset benefit and it is displayed in the statement for all backdated transactions where a payment, reversal, or variation is done in the account with backdated effect. This ensures that the correct offset benefit figures are displayed in the statement. The cumulative offset benefit amount is also re-computed and updated in the inquiry screen.

## **2.24 Reversal of a Backdated Settlement**

Oracle Banking Loans support the reversal of a backdated account or application level first settlement on the same day using the reversal function, both settlement payout as well as contribution amount are reversed.

## **2.25 Term Extension**

Oracle Banking Loans support the extension of term in case of reschedule in the account. As part of extension, the rate type of last stage is considered, and extended period has the same rate type as that of the last stage.

## **2.26 Variation Within First Charging**

Oracle Banking Loans support variations in a loan account before the first charging (principle and interest) has happened. This enables the bank to perform variations as per customer's request immediately after disbursement is done in the account.

## **2.27 Backdated Settlement with Contribution**

Oracle Banking Loans support backdated settlement instruction with contribution. This enables the bank to settle a backdated loan account using backdated contributions.

## 2.28 Net Rate Change Display

Oracle Banking Loans support the display of net rate change due to any event in loan account. It is displayed as part of the account statement.

## 2.29 User Discretionary Margin in Fixed Rate Loan

Oracle Banking Loans support application of user discretionary margin for fixed rate period of a loan account. This enables the bank to change net interest rate even in fixed rate loans.

## 2.30 Simulators

The application supports the following simulators:

- Early Final Settlement
- Partial Payoff
- Rate Change
- Payment Appropriation

## 2.31 Consumer Credit Insurance

The application supports Consumer Credit Insurance (CCI). The customer can apply for CCI along with the Loan product. Such policies offer protection against death, disability, unemployment, and so on. Customer can apply for the Insurance product in the Loan Origination process. CCI can be one-time or periodic.

- For one-time CCI, as part of account configuration, capitalized CCI premium amount is added to the loan amount of the nominated account (for capitalization). The repayment schedule of the loan account is generated during disbursement, considering the capitalized CCI premium amount.
- For periodic CCI, the repayment schedule of the loan account is generated considering a new bucket called Premium. The insurance premium's outstanding balance is maintained separately. This does not increase the outstanding principal, but it is included to arrive at the Total loan outstanding balance. The loan repayment schedule is re-drawn after the premium schedule is drawn, displaying the premium repayment amount in the Insurance column of the repayment schedule. When the premium repayment schedule is drawn, if the premium review date falls on a date that is greater than the Loan maturity date, the system aligns the premium review date to the loan maturity date and draws the premium repayment schedule.
- CCI Recalculate Premium parameter at Loan Bank Policy level controls whether a revised insurance premium is required during the following loan servicing events to reschedule the account. Based on the parameter, the loans module refers to the revised insurance premium from the Limits module.
  - Change Repayment type or Rate Type
  - Loan Split
  - Loan Consolidation
  - Offer Swap
  - Rescission
  - Early and Final Settlement (EFS)

- Restructure
  - Increase or Decrease Amount or Term
  - Change Repayment Frequency
- In amend flow of origination, the customer can purchase a new CCI policy, if there is no existing policy linked to the facility.

## 2.32 Customized Rates

Customized rates are rates provided from the Treasury for big ticket loans. During account configuration, the user can input rates for customized rate loans. Customized rates are applicable only for fixed rate type. These rates can have options such as, For or Till (Optional). If the rate validity is maintained as For date, then the customized rate is applicable for the account only when the disbursement happens on the particular date. In case disbursement does not happen on the maintained For date, a new customized rate is to be entered on disbursement.

If the rate validity is maintained as Till date, then the customized rate is applicable for the account only when the disbursement happens before or on the date maintained. In case disbursement happens after the Till date maintained, a new customized rate is to be entered on disbursement. Customized rates for loans are applicable in all variation events where re-pricing is applicable. The For or Till options are not applicable for customized rates for variation events.

## 2.33 Internal Refinance

The bank or customer may choose to refinance an existing loan of the customer. In such cases, the purpose of the loan is internal refinance. The part or full proceeds of such loans goes towards the settlement (full or partial) of existing loan of the customer within the bank. In these loans, the amount to the extent of refinance amount is disbursed and credited towards the partial or full closure of the existing loan accounts.

Internal Refinance is permitted during both New Origination and Amend Lending Facility.

## 2.34 Risk Indicators

Risk Indicators functionality can help the banker to automate the actions that need to be taken as a prudent banker, when certain identified indicators of warnings are maintained. The features of risk indicators are as follows:

- Risk Indicators are defined at Loan Account, Facility, and Collateral Level.
- Banks can set up and modify Risk Indicators at facility, party, or account level which is applied on the loan account. Using the loan module the bank user can link or delink loan accounts to Risk Indicators.
- Impacts such as Prevent Disbursement, Prevent Redraw, Prevent Excess Refund, Stop Credits, Prevent Deferments, Prevent Change Repayment Date, Prevent Change Frequency, Prevent Restructure, Stop Periodic Credit, and Stop Repayment Instructions are available for loans.
- All the variation events are prevented if there are any Risk Indicator impacts with respect to account or party level risk indicators.

## 2.35 Multiple Interest Stages

Multiple interest stages (MOR, IOA and IOI) can be configured in stage configuration for a loan account. Repayment schedule is generated considering multiple interest stages.

The allowed combinations of multiple stages are as follows:

- MOR + (any one P and I) +PMI
- IOA+ (any one P and I) +PMI
- IOI+ (any one P and I) +PMI
- (Any one P and I) +PMI
- IOA+IOI+ (any one P and I) +PMI
- IOI+IOA+ (any one P and I) +PMI
- MOR+IOI+ (any one P and I) +PMI
- MOR+IOA+ (any one P and I) +PMI
- MOR+IOA+IOI+ (any one P and I) +PMI
- MOR+IOI+IOA+ (any one P and I) +PMI

## 2.36 Flexible Repayment Schedule (FRS)

Flexible Repayment Schedule (FRS) is a stage in loan repayment schedule where the following repayment methods can be used:

- **Balloon:** At the time of loan establishment, a single principal installment is determined and made due on loan expiry date (always on loan expiry date).
- **Bullet:** The entire loan term is defined as interest only and the principal outstanding is demanded on maturity.
- **Fixed/Flexible Seasonal Payments:** Along with the Interest only installments, optional principal payments in a particular season as fixed/flexible payments are configured.
- **Moratorium Interest Limit:** A type of loan where customer need not pay principal and interest (Moratorium period) up to a limit (limit is set for interest and interest + fee). Once the interest (+fees) limit is reached, then the repayment of interest only period starts and on maturity of the loan, the principal amount is demanded.
- **Escalated Payment:** At the time of loan establishment, it is decided to reduce the loan principal amount to a certain amount in certain period.

Variation events (Loan Split, Loan Consolidation, Offer Swap, Line of Credit to Loan and Change Repayment Type and Rate Type), Accelerated payment and bundling are not allowed in FRS accounts. One time and Periodic CCI are not supported in FRS accounts.

Loan Restructure is allowed in FRS accounts. Backdated transactions are allowed in FRS accounts. Backdated transactions beyond reschedule/restructure event are not allowed and Backdated Subsequent disbursement reversals are not permitted.

## 2.37 Cross Offer Checks

Customers may be required to hold certain accounts mandatorily, if they wish to avail certain other accounts. For example, Banks may mandate customers to hold specific types of Transaction Accounts to avail certain Home Loan offers. A setup is built to handle such cross product or offer linkages. During account configuration, a check is performed to evaluate cross offer dependency. If the opted offer is dependent or mandatory offer, then a check is performed on other accounts or offers of account holders (applied or



existing). If the check is successful, then account configuration is allowed. This is also applicable in case of Offer Swap and Line of Credit to Loan variation events.

## 2.38 Fixed Period and Interest Only Period Control

The application is enhanced to define Minimum and Maximum Fixed Term and Interest only period controls at Loan Offer level. The Fixed periods and Interest periods set up for a loan account has to be within the prescribed terms at Offer level. These validations are checked during the following account configuration and other variation events:

- Origination, Structure Solution: Loan Account Configuration (new account)
- Origination, Amend lending facility: Open new loan account
- Manage facility within arrangement: Open new loan account
- Change Rate type and Change Rate Type and Repayment Type
- Loan Split
- Loan Consolidation
- Loan Offer Swap
- Manage Repayment Schedule: Restructure
- Amend Loan Account (Increase or Decrease - Term or Amount)
- Fund Flow Calculators: New Loan Account
- Line of Credit to Loan Account

The above validation is not checked in loan term extension in Reschedule (without selecting schedule code and with capitalize option) event.

## 2.39 Reschedule

Loan account can be rescheduled with or without capitalizing the outstanding arrears. During reschedule, user can input the installment amount (increase or decrease the existing installment amount) and draw a schedule.

## 2.40 Arrears Persistence Control

Bank level loan policy parameter Allow Consolidation or Offer Swap or Restructure when Arrears Exist is defined. This parameter controls the transaction with the following options:

- Allow loan consolidation when arrears exist and capitalize arrears on consolidation
- Allow loan consolidation when arrears exist and do not capitalize arrears on consolidation
- Prevent execution of the transaction

The arrears persistence check is performed while performing loan offer swap, loan consolidation and restructure events.

## 2.41 Purchase Rate Lock Agreement

Rate lock quote is a function where the customer can purchase an interest rate, which can be used within a specified period. It expires after the specified period. Customer can choose an existing rate lock quote if it is

available or can purchase a new rate lock quote while performing re-pricing events like loan split, change rate type or repayment type. Purchase rate lock quote can be deleted before saving the transaction. Rate lock quote is applicable when the loan is in fixed rate type. If the net rate applicable is lower than the locked rate, the bank can configure the rate which is to be applied to the loan account. Rate lock fee can also be collected from the settlement account for loan account opened through Origination flow.

## 2.42 Regulatory Codes

The US market consists of certain regulatory requirements that pertain to Community Reinvestment Act (CRA). The relevant regulatory code pertaining to each regulation can be captured and saved at the account level.

## 2.43 Annual Percentage Rate (APR)

The annual percentage rate is a measure of the cost of credit, expressed as a yearly rate, which relates the amount and the timing of value received by the consumer to the amount and the timing of payments made.

APR provides borrowers with a bottom-line number that they can easily compare to the rates charged by other potential lenders.

## 2.44 Cosigner

A cosigner is a person other than the principal borrower, who signs for a debt and assumes equal liability for the same. The main difference between the cosigner and the guarantor is that the lender can attempt collection from the cosigner for the debt practically as soon as the bill is overdue while the guarantor does not become liable until the bank has exhausted all other means of collection from the original borrower.

Oracle Banking Loans provides the option to capture account holder and statement preferences for cosigners also.

## 2.45 Loan Billing

Bills are created to notify the borrowers of amounts due on a loan account. The bill is required to provide information to the borrowers to meet their information needs. Apart from the borrowers, the bill is sent to the co-signer and guarantor wherever applicable.

Bills sent to the borrower for each scheduled payment due can be sent as a notification in the case of an auto debit and can be sent as a maturity bill when the last payment is due. Bills are also sent to the customer post maturity at predetermined intervals.

A bill is sent to the borrower based on the lead days configured in Oracle Banking Loans. The billing lead days are linked to the repayment frequency. Billing is supported for different repayment frequencies.

Bill is generated during the tenure of the loan, which includes pre and post maturity periods, till the account is Closed or Written off.

The following information is included in the bill:

- Date of Bill
- Account Number
- Total Outstanding Balance
- Principal

- Interest
- Fees
- Insurance
- Late Charges
- Balance in RPA
- Current Due
- Total Amount due
- Total Past Due
- Payment Due Date
- Pay by Date
- Loan Maturity Date
- Net Interest Rate

Oracle Banking Loans provides the option to view the details of bills generated for various dates through the Inquiry option.

## 2.46 Avoid Pyramiding of Late Fees

When a borrower does not pay the loan due within the due date, banks charge late fees. The bank cannot pyramid late fees that is, charge a late fee again if the customer has paid all other dues and not paid the previously charged late fees.

Oracle Banking Loans keeps track of the late fees charged on an account and prevents further charging of late fees if the customer has paid all other dues within the due date.

## 2.47 Non Due Fees

Non Due fees are fees which are not included for penalty routine and delinquency tracking. These fees even if unpaid on the due date of bill are not included for penalty computation and delinquency tracking.

Oracle Banking Loans supports this functionality through parameter in the Loan Product Maintenance. This is applicable for all event based fees.

## 2.48 Payment Tolerance

Payments made to loan account within the tolerance percentage or flat amount maintained at the loan product level are treated as complying payment towards the dues. Short payments made within the tolerance limit are not subject to delinquency tracking.

## 2.49 Charged Off Status

When the borrower defaults on loan payments for certain number of days, the account is marked as charged off. Charging off an account is an accounting event which debits the Profit and Loss of the bank and credits the Loan Asset GL. The borrower is still liable to pay off the entire dues on the account.

There are restrictions on the transactions that can be posted to an account with Charged Off status.

## 2.50 Deferred Approval

For a certain list of identified transactions (mentioned below), Oracle Banking Loans provides the capability of deferred approvals and allows the users performing such teller operations to proceed with their teller batch closure, even when such transactions are pending approval.

When the approval request for these transactions is approved on (future) posting date, the transaction is approved and posted on the posting date when the approval is completed. However, the value date of the approval request of such a transaction is the posting date on which the initiator has posted the transaction.

There is a deferment period within which the approval cycle for such transaction needs to be completed. If this is not completed, then such approval requests are marked as expired and the original requests are appropriately canceled.

This functionality is applicable to only specific identified transactions listed below:

- Loan Offer Swap
- Close Loan Account
- Modify Interest Rate Type and Repayment Type
- Execute Back Dated Reversal of:
  - Loan Installment Payment
  - Loan Advance Payment
  - Loan Subsequent Disbursement
  - Loan Drawdown
  - Loan Payment through Standing Instruction
  - Loan Payment through Periodic Credit
  - Loan Payment through File Upload

## 2.51 Credit Assessment on Loan Variation Events

The application triggers credit assessment during the following loan variation events, if the new repayment schedule has Interest Only component. Move to IOI or IOA parameter at Bank Policy determines if credit assessment has to be triggered.

- Change Rate Type and Repayment Type
- Loan Split
- Loan Consolidation
- Loan Offer Swap
- Manage Repayment Schedule: Restructure
- Manage Repayment Schedule: Deferment
- Change Line of Credit to Term Loan

## 2.52 Maturity Rollover

Loan Maturity Rollover is the functionality where the customer requests to renew the loan for a further period of time, especially in cases when the borrower cannot service the loan based on the current terms of

payment. Maturity Rollover is initiated by the borrower a few days before the maturity date.

- Maximum Maturity Rollover Period parameter at Product level defines the maximum period for which a loan can be rolled over.
- Maturity Rollover can be either online on the posting date or on a future date, where an instruction is captured for the future date.
- The rate type (Fixed or Variable) as on Maturity Rollover date is stamped for the loan extended term.
- The repayment type (EPI, EIPI, ARM or IPI) as on Maturity Rollover date is stamped for the loan extended term.
- System does not reprice the loan account. The net rate including all components as on rollover date is retained for the rate for the maturity rollover execution, for the new term.

## 2.53 Fee Amortization

Two types of fee amortization are supported in the application.

- Straight Line Method:
  - Origination fees and first disbursement fees are considered for fee amortization through Straight Line method.
  - The fee is amortized on the calendar month end.
- Effective Interest Rate (EIR or XIRR) method:
  - Origination fees and first disbursement fee are considered for fee amortization through XIRR method.
  - Only non-refundable fees are amortized.
  - Each fee is amortized individually.
  - Frequency of Fee Amortization frequency can be set to occur on every repayment date, or on the end date of every month.
  - Fee Amortization is stopped when an account is in Suspended status.

## 2.54 Maturity Date Intact

A parameter at Offer level for Maturity Date Treatment is maintained for the following events with options such as Intact and Change. If defined as Intact, then the maturity date of the account remains intact post the variation event. If defined as Change, then the maturity date is extended post the variation event.

- Change Rate Type and Repayment Type
- Loan Split
- Loan Consolidation
- Loan Offer Swap
- Restructure
- Deferment
- Change Repayment Date
- First Disbursement

## 2.55 Account Purpose Code

An account purpose code is captured during account configuration. The purpose code can be either Owner Occupied or Investment. This account purpose is used to provide margin in interest rate or different base interest to the loan account.

The account purpose code is editable during the life cycle of the account.

Based on the account purpose code, the account has different maximum interest only period.

## 2.56 Statement Handoff

Oracle Banking Loans has the capability to handoff account statement information to external systems for production of account statements to the bank's customer.

## 2.57 Modification and Deletion of User Defined Margins

Oracle Banking Loans allows to modify and delete User Defined Margin (UDM) for Regular as well Penal Interest. The loan account is rescheduled based on the modification and deletion of the User Defined Margin.

## 2.58 Expense Amortization

The following two types of expense amortization are supported in the application:

- **Straight Line Method:** The expense is amortized on the calendar month end.
- **Effective Interest Rate (EIR or XIRR) method:** The expense is amortized on the repayment date.

## 2.59 Concession Group

Oracle Banking Loans provides the ability to stamp the Concession Group on the loan account. This fact is sent to Oracle Banking Relationship Pricing for margin rates and/or fees, as applicable.

## 2.60 Financial Reward

During new account configuration, if financial reward is applicable, it is stamped on the loan account. The credit of financial reward happens during first disbursement.

## 2.61 Documents View

The Documents section in Manage Loan Account page provides a view of the documents generated for the loan account during the origination of the loan.

## 2.62 Rebook Account

Oracle Banking Loans has the ability to rebook a loan account with all the details of the old account copied to the new account. All Pricing (Interest and Fees), Bundle, Insurance, Facility, and Party details are cloned to the new rebooked account.

## 2.63 Reopen Account

Oracle Banking Loans has the ability to reopen a closed loan account. The reopening of the loan account happens on the date of the closure or after elapse of some days. The maximum number of days within which a loan account can be reopened is configurable.

## 2.64 Charge Off Account

Oracle Banking Loans has the ability to charge off a loan account either partially or in full. The below points are applicable:

### Full Charge Off:

- When full charge off is performed on loan account, catch up accrual of interest and fees is calculated till date.
- Separate status as Charged off is stamped to the loan account.
- All transactions on fully charged off accounts are stopped.

### Partial Charge Off:

- When partial charge off is performed on the loan account, arrears appropriation sequence is ignored and first the principal arrears is reduced. If there is any amount remaining after this, it reduces the principal balance.
- Partial charge off does not change the status of the loan account.
- Partial charge and Active balance are displayed as two separate buckets in the loan serve, loan payment, and inquiry pages.
- Partial charge off can be followed by another partial charge off or full charge off.
- Payments are allowed to be made on partially charged off account.

## 2.65 Generate Periodic Instruction in Advance to Collect EMI/Dues from Other Banks Using the NACHA Network

In case of periodic credit instruction, where the loan repayments are to be expected from an External account, the instruction is initiated in advance as per the parameter maintained at bank level in payments module. When the funds are received from the counter party bank, the same is processed as Inward payment for the loan account.

## 2.66 Charge Fee for a Cheque Payment towards Loan Account Returned in Clearing

Oracle Banking Loans has the ability to charge fee when cheque payment towards loan installment is returned in clearing due to insufficiency of funds. This is applicable for cheque returns before value date and post value date clearing process.

## 2.67 Repayment Grace Days based on State

Oracle Banking Loans has the ability to support repayment grace days based on State as fact. The solution provides the capability to define a rule and maintain repayment grace days based on State.

## 2.68 Iterative Method of Installment Computation

Oracle Banking Loans has the ability to compute installment amount due for an account by Actual/Actual method. Installments are computed considering the actual number of days in the year.

## 2.69 First Payment after x Days

Oracle Banking Loans has the ability to capture first payment date for a loan account which can be after 30, 45, 60, 75 and 90 days, after first disbursement. Loan payment schedule is drawn considering the first payment date selected.

## 2.70 Balloon Payments

Oracle Banking Loans allows balloon payments for loans with EPI schedules. Balloon payment is a predetermined principal installment due on the loan maturity date. Balloon amount is captured during account configuration.

## 2.71 Charge Fee for Outward Collection Return

Oracle Banking Loans has the ability to charge fee when Outward Collection transaction towards payment of loan installment is returned to originating bank. This is applicable for collection returns before value date.

## 2.72 Charge Late Fee as Percentage of Installment Amount

Oracle Banking Loans has the ability to support charging of late fee as percentage of the installment amount as well as percentage of unpaid arrears in the account with flexibility to cap the maximum fee amount.

## 2.73 Reversal of Charge Off

Oracle Banking Loans has the ability to enable reversal of charge off transaction on fully charged off loan account.

## 2.74 Cost Center, Company Code and Officer Code

Oracle Banking Loans enables capture of Cost Center (used to represent line of business), Company Code (used for reporting for tax purposes and moving balance and income to the correct general ledger company) and Officer Code (one or more officer linked to an account).

## 2.75 Repayment Instruction for Loan Account

Account Payment Instruction can be set up for repayment of loan installments on the due date from the repayment account. In case of repayment instruction, loans module invokes the due amount from the repayment account on the due date. This ensures that the arrears raised are settled on the repayment dates.

The repayment account can be Own Transaction Account, Transaction Account (Savings or Current Account), GL or External Account. A new transaction account, which is in the same submission as the new loan account, is linked as repayment account to the new loan account during loan account configuration.



## 2.76 Skip Repayment Instruction and Periodic Credit Instruction

Oracle Banking Loans has the ability to skip the next account repayment instruction and next periodic credit instruction.

## 2.77 Per Diem Interest Field in Payoff Quote

Oracle Banking Loans has the ability to include interest computed on the account for a day in the payoff quote. Per diem is also computed for a backdated payoff quote.

## 2.78 Loan Term Less than Facility Term

Oracle Banking Loans has the ability to capture loan term which can be less than the facility term during account configuration.

## 2.79 Interest Only Stage for Construction Loans

A construction loan is progressively drawn down to assist with the payments associated with the construction of a property. During the construction stage, normally banks provide IO stage to the borrower, so that the borrower need not make principal repayments till the time construction is complete. Oracle Banking Loans has ability to make Interest Only stage mandatory for construction loans. This Interest Only stage is based on the construction period of the collateral and maximum construction period at credit policy. The total Interest Only period should be at least equal to minimum of the above two values.

## 2.80 Pledge Loans

Oracle Banking Loans has the ability to identify if an account is eligible for pledge. An indicator at the account level, displays if the account is eligible for pledge or not, based on the rules configured. Facts are created to identify pledged accounts.

## 2.81 Loans Modification

Oracle Banking Loans enables restructuring of loan accounts. The modifications can be either a current dated or even a backdated modification. Modification of accounts are not restricted, if the term of loan extends beyond the maximum allowed term at product and product group level, due to the modification. The parameters set at the product and product group level are ignored when such modifications are performed. The count of the number of modifications performed on the account as on date and the last modification date are displayed at the account level. On successful modification, the account is marked as not eligible for pledge loan, automatically, irrespective of whether the installment amount or the loan term was revised.

## 2.82 Lending Questionnaire

Oracle Banking Loans enables capturing of questionnaires at account level. For loan accounts with bullet payment on maturity date, a questionnaire is enabled during the new account configuration. This questionnaire captures different modes of repayment along with amounts for each mode.

## 2.83 Fixed Rate in PMI Stage

Oracle Banking Loans enables stamping of fixed rate or customized rate for an account in the PMI stage. The last rate type of the account prior to moving into PMI stage is carried over to the PMI stage.

## 2.84 Payment Tolerance in Percentage

Oracle Banking Loans enables the bank to set a payment tolerance value in terms of percentage. Payments that are made to loan accounts within the tolerance percentage maintained at the loan product level are treated as complying payment towards the dues. Short payments made within the tolerance limit are not subject to delinquency tracking. The tolerance is applied on the payment amount due, as per payment tracker.

## 2.85 Indirect Lending

Oracle Banking Loans enables banks to configure and manage indirect lending.

### 2.85.1 Computation of Plan and Policy

Indirect Lending enables the bank user to capture details and compute compensation, subvention, chargeback, and payback amounts for accounts that are sourced by service providers. It computes and records details of compensation and subvention on periodic basis, based on relevant payment methods (upfront, upfront month end, pay as you go, and pay as earned). It can also post details of compensation, subvention, chargeback, and payback from an external origination system on an account without resolving them. The bank user can set up Indirect Lending using the Define Plan for Service Providers (Fast Path: INC01) and Maintain Plan Policy for Service Providers (Fast Path: INC02).

### 2.85.2 Chargeback and Payback

Oracle Banking Loans can compute and record details of chargeback and payback for the compensation paid to the service provider or subvention received from the service provider. Chargeback or payback is initiated when a customer closes the loan account before its full term (EFS) or when the account is charged off. This condition is configured in the Define Plan for Service Providers (Fast Path: INC01). A chargeback is applicable only when the compensation paid to the service provider for the loan account is paid upfront or upfront month end. A payback is applicable only when the subvention received from the service provider on loan account is received upfront or upfront month end.

### 2.85.3 Amortization

Oracle Banking Loans enables amortization of compensation and subvention amount which is paid or collected upfront from the service provider. The amount is amortized over the full tenure of the loan using Effective Interest Rate (EIR) method.

### 2.85.4 Compensation Reserve

Oracle Banking Loans enables the creation of a compensation reserve for individual dealers. The amount to be retained as compensation reserve is received from the Party module when dealer is onboarded using the Service Provider Onboarding (Fast Path: PI028) page. The compensation amount is paid to the dealer only after the total eligible compensation amount breaches the compensation reserve limit set at dealer level. The amount paid to the dealer is always the total compensation amount earned minus the compensation reserve amount.

### **2.85.5 Dealer Loss Reserve**

Oracle Banking Loans enables the creation of a loss reserve for each account sourced by the dealer. The amount in the dealer's loss reserve is accumulated based on the input received during the account opening process. The total loss reserve is created by multiple accounts and can be utilized to make Principal Only Payment (POP) for a delinquent account. The dealer's loss reserve can be utilized to make POP for accounts which have contributed to the loss reserve.

### **2.85.6 Manage Dealer**

Oracle Banking Loans has the ability to display details of dealer and accounts sourced by the dealer in the Manage Dealer (Fast Path: IDL100) page.

The Manage Dealer page provides the following functionality:

- Compensation and subvention receivable and payable amount for the current month
- Compensation and subvention as per last statement
- Dealer's settlement instructions and correspondence details
- Compensation and loss reserve balance as of current date
- Details of accounts sourced by the dealer
- Statement summary of all accounts, displaying account details, compensation earned, and subvention payable
- Settlement instructions for amount payable and receivable to the dealer
- Loss reserve appropriation for delinquent accounts to make POP



# 3 US Localization Features

This chapter describes the key features of Oracle Banking Loans for US localization.

## 3.1 Parameterization

This section explains the parameterization available in Oracle Banking Loans specifically for localization release.

### 3.1.1 Define Loan Product

The product parameter Military Lending Act Applicable can be configured. This field specifies whether the Military Lending Act is applicable to the account created under the selected product.

### 3.1.2 Define Loan Offer

The offer parameter Cancellation Period (in days) can be configured. This field specifies the number of days before disbursement till the loan can be cancelled.

## 3.2 US Market Features

Oracle Banking Loans provides the ability to:

- Provide account level disclosures like Truth in Lending Act and Private Education loans.
- Capture Community Reinvestment Act related address details (party, collateral, and ad hoc address).
- Identify loans as military lending accounts, compute and display military APR for such loans, and validate Max MAPR for military lending accounts.
- Capture multiple disbursement schedule for private education loans and generate repayment schedule accordingly.
- Capture and disclose itemization of amount financed details.
- Capture of Internal Risk Grade.
- Capture of Troubled Debt Restructure indicator.
- Control number of deferments in a loan account during a calendar year and during the loan lifecycle and display the same.

## 3.3 Servicemember Civil Relief Act (SCRA)

Oracle Banking Loans provides service member benefits to loan accounts where the borrower is service member, service member with spouse, and service member with any other borrower and spouse of the service member.

- Oracle Banking Loans has the ability to provide SCRA benefit automatically or manually for eligible accounts based on the bank level preference parameter.

- The maximum interest and fees charged to the loan account is capped at 6% for the duration of the active duty service period, if the disbursement of the loan is done before or after the start of the active service duty.
- The SCRA relief is applicable for request made before the start of the active duty period, during the active duty period, or within 180 days of active duty expiry date. SCRA benefit is applicable for multiple active duty period within the tenure of the loan.
- The loan account is rescheduled at 6% for the SCRA active duty period. The active duty can be either backdated, current dated, or future dated.
- Discounted fees are applicable for the loan account for the SCRA active duty period.
- Ability to have a different grace period for SCRA benefit based on Product parameter. Grace Period maintained for the product is added to the Active Duty End Date to mark the end date of the SCRA benefit period.
- If the parameter is maintained as Automatic, the system automatically applies the benefit to all the eligible accounts once the active duty details are captured in Party module. If the parameter is maintained as Manual, user has to select the application benefit at each account level.

## 3.4 Calculate Interest on Bank Float Balance

Oracle Banking Loans provides the ability to calculate interest on bank float days. As per this functionality, interest is computed on balance base from the day on which the amount is settled to the bank, and not on the posting date or the value date.

## 3.5 Loan Payments

Oracle Banking Loans has the ability to support the following types of payments.

### 3.5.1 Regular Payment

Current dated payments, backdated regular payments, and backdated reversal of regular payments are supported.

Oracle Banking Loans has the ability to:

- Make regular payments towards loan account. As per this functionality, till date accrued interest is charged to the account and the payment is appropriated as per the appropriation sequence maintained as part of the product parameters. The balance amount after appropriation of arrears is adjusted towards the principal balance.
- Advance the due date in case full installment payment is received before the due date.
- Charge the balance installment amount on the charging date, where part of the payment is received before the due date.

### 3.5.2 Advance Payment

Current dated payments, backdated advance payments and backdated reversal of advance payments are supported.

Oracle Banking Loans has the ability to:

- Make advance payments towards the loan account. As per this functionality, till date interest is charged on the account and the payment is appropriated as per the appropriation sequence maintained as part of the product parameters. The balance amount after appropriation of arrears is adjusted towards the principal balance.
- Advance the due date to the extent of the advance payment received.

Arrears are not raised for the loan installment during the advance payment period and hence the account is not tracked for delinquency.

### 3.5.3 Principal Only Payment

Current dated payments, backdated payments and backdated reversal of Principal Only Payments (POP) are supported.

Oracle Banking Loans has the ability to make Principal Only Payments towards loan account. The payment is appropriated towards the principal overriding the appropriation sequence maintained as part of the product parameters. The due date is not advanced and the borrower is expected to make the scheduled installment payment on the due date.

Principal Only Payment is allowed in accounts with and without arrears.

## 3.6 Loan Extension

Oracle Banking Loans supports extension for past and future periods. The loan dues are not tracked for delinquency during the extension period. In case there are past unpaid installments when an extension is granted, these are considered paid from a delinquency tracking perspective.

Oracle Banking Loans provides the ability to:

- Extend the maturity with interest accrued for the extended period.
- Control the maximum number of installments that can be extended.
- Control the maximum number of extensions allowed in a year.
- Control the maximum number of extensions during the lifecycle of the loan.

Backdated payment beyond an extension date or extension period can be performed for the following payment types:

- Regular Payment
- Advance Payment
- Principal Only Payment
- Allocated Payment

## 3.7 Edit Repayment Date

Oracle Banking Loans allows the customer to edit the repayment date of a loan account, without changing the installment amount due. The modification of repayment date is ignored for the immediate next cycle. The new repayment date is applicable from the second charging cycle after the modification.

## **3.8 Cost Recovery Method of Accounting for Delinquent Loans**

Oracle Banking Loans performs Cost Recovery Method of accounting when an account becomes delinquent due to non-payment of dues. The account is moved to Suspended status and interest accruals are stopped. Any payment made by the customer thereafter, reduces the principal balance of the account. Once the account moves to Regular status, interest is accrued on the account at the Effective Interest Rate based on the future cash flows.

## **3.9 Loan Modification**

Oracle Banking Loans enables restructuring of loan accounts. The modifications can be either a current dated or even a backdated modification. On successful modification, the account is marked as a TDR account, irrespective of whether the installment amount or the loan term was revised.

## **3.10 Refund of Fees**

Oracle Banking Loans enables refund of fees based on whether the fee is paid or unpaid. If the fee is unpaid, refund is posted to fee arrears, thus removing the fee arrears on the account. If the fee is paid, refund is posted to a refund GL.

## **3.11 Late Fees**

Oracle Banking Loans enables charging of late fee as percentage of the installment amount as well as percentage of unpaid arrears in the account based on the payment status in payment tracker.

## **3.12 Processing of Periodic Credit and Payment Instructions through External Account**

For periodic credit instructions and repayment instructions, if the settlement mode is external account, the instruction is initiated in advance by float days. The payment is credited to the account on the actual due date.