APACK 14.4.0.2.0 Corporate Lending

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Accelerator Pack – Corporate Lending

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Introduction

- The loans can be booked for Retail and corporate customers through Consumer Lending Module.
- The Primary function of banks is to accept the deposits from customers and lend it as Loans to customers.
- On each disbursal of loan, the bank creates an Asset in its book of accounts.
- The Interest earned from the loans are the main income of the bank.

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Introduction

- Loan Product offered by banks can be for:
    - Long term or Short term
    - Fixed or Floating interest rate
    - Bullet schedule or with certain repayment frequency
    - Single disbursement or Multiple disbursements
    - Negative Interest is also Supported

- The loan passes through various stages from the moment loan is disbursed till the time it is fully repaid.

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Product Features

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Product Features

- Loan account can be booked as a simple or an Amortized loan.
- Loan account can be booked as a discounted/capitalized loan/payment in advance.
- Loan account can be booked with a fixed or floating interest rate.
- Payment can be done either for single loan or multiple loans of a single customer at one shot.
- Pre-payment can be done for the loan account.
- The repayment schedules can have moratorium and Normal options.
- Loan account can be booked with different charges/fees/penalty component.
- Generation of Advices at transaction level.
- Loan account booked as Simple or Amortized or User define can be booked with Negative Interest.

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Product Features

- Various amendments allowed in loans.
- Different levels of status change.
- Different basis for provisioning
- Different types of UDEs within Minimum and maximum UDE values.
- Range of values can be given as a variance for exchange rate.
- System builds the schedules based on the holiday check option.
- Verify funds option to check the balance in the settlement account.
- IRR computation for Loans.

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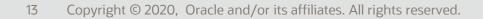
Product Features

- Accrual preference for interest component in status change.
- Reversal of interest income during status change with options.
- Liquidation order will be used to liquidated the components due on this order.
- Different types of Static and User defined roles.
- Usage of different types of GLs during status change.
- Capitalization of components.
- Contingent Accrual Entries during status change.
- Interest pay back can be enabled for pre-payments.
- Loan top-up restrictions can be given for the products.

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Product Parameters

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Product Parameters

- The following type of Product parameters are supported:
    - **Simple Bearing:** Typically used for corporate customers.
    - **Bearing Capitalized:** Used for corporate customers. The interest accrued at the end of the schedule is added to the Principal.
    - **Discounted/True Discounted:** Used for corporate customers who need short term financing. The interest is collected upfront.
    - **Amortized:** Typically used for retail customers.
    - **Compounding Interest:** Supported for both Simple and Amortized types of loans.
    - **Payment in Advance:** Supported for both simple and amortized types of loans. The repayment schedule starts from the value date of the loan.
    - **Amortized Rule of 78:** Used in short term retail loans. E.g.. Loans for automobiles.
    - **User Defined:** The user can define the formula for requirements other than the above mentioned types of interest calculation. E.g.. Flat rate used in microfinance.

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Product Parameters

- Disbursement Mode:
    - Auto
    - Manual
- For disbursement, the following types of Credit Settlement modes are supported:
    - CASA
    - Credit Card
    - Debit Card
    - Clearing
    - External Account

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Product Parameters

- Liquidation Mode:
    - Auto
    - Manual
    - Component(Independent mode for each component – auto/manual)
- For Liquidation, the following types of debit Settlement modes are supported:
    - CASA(With/Without Balance)
    - Credit Card
    - Debit Card
    - Clearing/PDC

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Product Parameters

- For Liquidation, the following types of credit Settlement modes are supported:

  - External Account
  - Electronic Pay order
  - Internal Cheque
  - Instrument
  - Cash/Teller

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Product Parameters

- Provisioning Mode:
  The following modes of Provisioning are supported:
    - Auto
    - Manual

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Product Parameters

- Tenor/ Frequency for Disbursement/Liquidation
  The following types of settlement frequency are supported:
    - Daily
    - Weekly
    - Monthly
    - Quarterly
    - Half-yearly
    - Yearly
    - Bullet

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Product Parameters

- The following types of settlement frequency are supported:
    - Yearly
    - Bullet

- Moratorium on repayment is supported. The interest accrued during moratorium period is settled in future normal schedules.

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Product Parameters

- Value Dating
  The following types of value dating is supported for various activities on loan accounts like disbursement, payment etc.,:
  - Current Date
  - Back Date
  - Future Date

- Excess Payment
  The following types of excess payment are supported:
  - **Advance payment:** Future schedules settled through a current dated payment.
  - **Prepayment:** If the amount paid by the customer is more than what's due in the current schedule, the excess amount is considered as a prepayment towards the principal. The future schedules are recomputed accordingly.

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Product Parameters

- Settlement
  Various flavors of settlement through accounts that are supported:
    - CASA belonging to the borrower or guarantor(co-applicant).
    - CASA in the local branch or a different branch.
    - CASA in the local currency or foreign currency.
    - Settlement through multiple accounts (Primary/Secondary).
    - Settlement through salary account (hold on salary).
    - Negative Interest can be Credited to the Customer account or adjusted to the Principal or Interest or Penalty Due/Overdue.

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Product Parameters

Preferences for settlement of components:

- Each component across schedules
- All components for each schedule

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Product Parameters

Component Types

Various types of components are supported in Loan products apart from the Principal and Interest. The typical component types are:

- Charge component
- Fees component
- Penalty component (on over dues and prepayment)
- VAT
- Tax
- Additional Interest Component
- Interest Pay back

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Product Parameters

- **Grace Days:** User can define grace days for the repayment Principal and Interest components. No penalty will be charged during this period.

- **Track Receivable:** During Auto Liquidation of a loan, if a component is not settled due to non-availability of funds, the system will track the debit settlement CASA account. When funds become available in the account, the receivable amount will be blocked for the loan and settled during the subsequent End of Day.

- **Waive Options**
  The following types of components can be waived:
  - Interest
  - Penalty
  - Charges

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Product Parameters

- Interest Rate: The interest rate can be of two types:
  - Fixed rate
  - Floating Rate

- The revision of interest rate in case of a floating rate can be done through the following methods:
  - Automatic Rate Revision
  - Periodic Rate Revision (user defined schedules)

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Product Parameters

- Recomputation of schedules
  The loan repayment schedules are recomputed on events like prepayment, amendment, interest rate revision etc.

- Recomputation basis on Amendment of a Amortized loan(Principal Increase)
  - Change Installment: The EMI is recalculated for the remaining schedules.
  - Change Tenor: The original EMI is retained and the maturity is extended.
  - Balloon Payment: The increased principal is added to the final schedule.

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Product Parameters

Recomputation basis on Pre-payment of a Amortized loan:

- Change Installment : The EMI is recalculated for the remaining schedules
- Change Tenor : The EMI is retained and the maturity date is reduced.

Prepayment effective from:

- Value Date (of prepayment)
- Next Installment

EMI calculation type

If different interest rates are maintained in the loan contract with future effective dates, the EMI can be calculated with the following methods during account opening, amendment and prepayment

- Single Installment : The same EMI for all schedules.
- Multiple Installments: Different EMIs for the schedules based on the effective dates of rate revision.

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Product Parameters

- Amendment Options
  The following operations are supported for loan account amendment:
    - Interest Rate amendment
    - Changing maturity date
    - Schedule amendment
    - Non-financial details
    - Principal Increase
    - Repayment amount
    - Loan settlement Notice
    - Provisioning mode

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Product Parameters

- Reassignment Options
  The following types of reassignment are supported:
    - Changing Currency
    - Changing Customer
    - Changing the loan type
    - Changing the Linkage details

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Product Parameters

- Renegotiation Options
  The following operations are supported for loan account renegotiation:
    - Liquidation/Waiver/Capitalization of overdue components
    - Product Change
    - Interest Rate amendment
    - Changing maturity date
    - Schedule amendment
    - Principal Increase
    - Repayment amount

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Product Parameters

- Rollover Options
  The user can perform rollover on a loan account once it reached maturity. The following operations are supported for rollover:
  - Liquidation/Waiver/Capitalization of overdue components
  - Interest Rate amendment
  - Changing maturity date
  - Schedule amendment
  - Principal Increase

- Two Rollover modes are supported:
  - Auto
  - Manual

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Product Parameters

- Apart from regular rollover, the following types of rollover are supported:
  - Special Rollover(Auto) : Rollover for a fixed amount.
  - Custom Rollover(Auto) : Rollover of select components.
  - Consolidated Rollover(Manual) : Multiple accounts can be consolidated to form one new account.
  - Split Rollover(Manual) : Split one account to form multiple new accounts.

- Simulation Options
  The simulation of following operations are supported:
  - Booking of Loan /commitment
  - Amendment
  - Payment

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Product Parameters

- Relationship Pricing
  The following benefits are supported for customers who have relationship pricing
  - Interest Rate
  - Exchange Rate

- NPA tracking
  The status change for non-performing assets is supported. The status can be changed automatically or manually. Automatic status change is supported on the following basis:
  - Installment level: Status can be tracked at each installment/repayment schedule level. The is supported only for amortized loans.
  - Account Level: Status can be tracked at each account level. This is supported for all types of loans.
  - Group Level: By considering the status of all type of accounts for a customer, the system can update the worst status of a account to all other accounts

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Product Parameters

- Provisioning

  Provisioning for bad assets can be done based on the following:
    - Classification/Status of Asset
    - Customer risk rating
    - Collateral coverage amount (Bank Guarantee/Standby LC)

- IRR and Yield accrual
    - The facility to calculate IRR is supported.
    - Various components maintained in the product can be considered for IRR calculation.
    - The system calculates the due amount using the IRR and fires yield accrual (YACR) for the amount in excess of the main interest component.

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Product Parameters

Open Line Loans:

- The credit-card operations can be achieved by using the open-line loan feature of CL module.
- An open line loan is utilized and re-instated based on the amount disbursed and repaid. The Amount Financed for this kind of loan becomes the credit limit.
- The customer has the facility of selecting the preferred re-payment date.
- Handling of excess payment is handled through a service account. The excess amount is credited to this account and this money is used to settle subsequent repayments.

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Product Parameters

Open Line Loans

The minimum amount due for the billing of Open Line Loans can be calculated on the following basis:

- Percentage of Outstanding amount
- Percentage of Outstanding principal
- Percentage of limit
- Interest Amount
- Fixed

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Branch Transfer for
CL Accounts

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Branch Transfer for CL Accounts

Transfer Categories

Following transfer categories are available:

- **Single Transfer:** A CL account could be transferred from source branch to any target branch. If a commitment is not linked to any loan contract, the loan alone can be transferred. Else, both the loan and the commitment must be transferred together.
- **Product Transfer:** All the CL accounts belonging to a particular product are transferred from source branch to any target branch.
- **Customer Portfolio Transfer:** All the CL accounts belonging to a particular customer are moved from source branch to target branch.
- **Branch Merger:** The source branch will get merged to the target branch by moving all its accounts (CASA and TD) and contracts belonging to CI, CL, MO.

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Events Covered

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Events	Description
BOOK	Booking of Contract
INIT	Contract Initiation
DSBR	Disbursement
ACCR	Accrual
MLIQ	Manual Liquidation
ALIQ	Automatic Liquidation
PROV	Provisioning
ADBK	Adhoc Charge Booking
ADCH	Adhoc Charge Application
VAMB	Value Dated Amendment Booking
VAMI	Value Dated Amendment Initiation

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Events	Description
RACR	Reversal Accrual
NOVA	Novation (Customer change)
REOP	ReOpen of Loan Account
RNOG	Re-Negotiation
ROLB	Rollover Booking
ROLL	Rollover of Contract
INPL	Interest Pay back
RINP	Reversal of Interest Pay back
SROL	Special Rollover
TRFR	Branch Transfer
TADJ	Transfer Adjustments

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Advice Supported

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Advices	Description
CL_INIT_ADVICE	Loan Initiation Advice
CL_CONT_ADV	Contract Advice
CLST_SUMMARY	Loan Summary Statement Advice
CR_ADV	Credit Advice
CLST_DETAILED	Loan detailed Statement Advice
DR_ADV	Debit Advice
DELINQYADV	Delinquency Advice
BILNOTC	Billing Advice
CL_INT_STMT	Interest Statement Advice

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Advices	Description
RATECH_ADV	Rate Change Advice
CL_ROLL_ADV	Rollover Advice
CL_AMD_ADV	Amendment Advice
CL_CAP	Capitalization Advice
COUPON	Coupon Advice
PAYMENT_ADVICE	Payment Advice

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Reports Supported

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Reports
Loan Maturity Report
Accrual Control List
Overdue Schedule Report
Periodic Rate Revision Report
Customer Loan agreement
Interest Calculation Analysis
Loan History
Loan Register
Event Report
Adverse Status Report
Loan Rollover Monitoring Report
Linked Contract Utilization Report

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Loan Statement

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Loan statement Generation

The loan statement can be generated through the following methods:

- Periodic generation of Loan Statements: LSTM event can be configured to generate loan statement on a periodic basis.
- Ad hoc Loan Statement Generation: Detailed and summary Loan statement can generated on an ad hoc basis.