



ORACLE

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## Leasing

Part Number: F38223-01

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# Accelerator Pack – Leasing

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# Accelerator Pack – Leasing

## Introduction

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## Introduction

- Leasing is a process by which a firm can obtain the use of a certain fixed assets for which it must pay a series of contractual, periodic, and tax deductible payments.
- The lessee is the receiver of the services or the assets under the lease contract and the lessor is the owner of the assets.
- A **finance lease** or capital lease is a type of lease. It is a commercial arrangement where:
  - The lessee (customer or borrower) can select an asset (equipment, vehicle, software).
  - The lessor (finance company) can purchase that asset.

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## Introduction

- The lessee can use that asset during the lease.
- The lessee has to pay a series of rentals or installments for the use of that asset.
- The lessor can recover a large part or all of the cost of the asset plus earn interest from the rentals paid by the lessee.
- The lessee has the option to acquire ownership of the asset (e.g. paying the last rental, or bargain option purchase price).
- The finance company is the legal owner of the asset during duration of the lease.



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## Product Features

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## Product Features

- Leasing account can be booked as a simple or an amortized loan.
- Pre-payment can be done for the Leasing account.
- Leasing account can be booked with different charges/fees/penalty component.
- Generation of Advices at transaction level.
- Various amendments allowed in Leasing.
- Different levels of status change.
- Different basis for provisioning.



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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 can be used to liquidated the components due on this order.
- Usage of different types of GLs during status change.
- System builds the schedules based on the holiday check option.
- Verify funds option to check the balance in the settlement account.

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## Product Parameters

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## Product Parameters

- The following types of Interest calculation methods are supported:
  - **Simple Bearing:** Typically the principal portion is fixed for all repayment schedules. The interest is calculated on the outstanding balance.
  - **Amortized:** The amount is paid down in equated installments (EMI) , i.e. the sum of the principal and interest portions is fixed.

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## Product Parameters

- **Insurance Required:** This is a checkbox added to Product screen to indicate if insurance is applicable for the product or not. Default Value would be N – Not applicable.

Insurance flag is applicable only for financial leasing.

- **User Data elements:** This is a multi record block to capture the UDE's applicable for a product. New UDE's can be added here.

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## Product Parameters

- **Lease Payment Type:** This is a select box added to screen. Payment type indicates that the lease installment can be paid in advance or arrears. This is applicable for both financial and operating lease.
- **Payment in Advance:** If the Installments have to be paid in the beginning of schedule, then this option should be used.
- **Payment in Arrears:** If the Installments have to be paid in the end of schedule, then arrears option should be used.

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## Product Parameters

### Lease Asset preferences

- **Book lease with Asset (Y)** – This indicates that Asset should be linked to a lease account on booking the lease. This is applicable for both Financial Lease and Operational Lease. The linkage of Asset reference number is only for reporting purpose.
- **Book lease without Asset (N)** – This indicates that Asset can not be linked to a lease account on Booking of lease, however after the lease period, if Asset is returned, then Lease account can be closed and if residual value exists, then a Fixed asset can be booked with the Residual value as Asset value. This is applicable for financial lease. For an Operational lease, it indicates that fixed asset linkage not required.



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## Product Parameters

### Residual Value Basis

This is a select box added to product screen. Residual basis indicates the basis for residual amount. Valid values are below:

- Percentage of asset amount – With this option, residual amount can be calculated by system during contract processing using the Asset amount and Percentage.
- Flat amount - For this option, User can enter the residual amount.
- Percentage of lease amount – With this option, residual amount can be calculated by system during contract processing using the lease amount and percentage.

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## Product Parameters

### Subsidy Types

This indicates the different types of subsidy for a lease Product. Two subsidy types would be allowed:

- Interest Rate Subsidy (I) - This is a check box, indicating the subsidy on the Interest rate. System processes the EMI computation based on the subsidized rate. There has to be more than one interest component. Operational lease, is not Applicable.
- Residual Amount Subsidy(R) - This is a checkbox, indicating subsidy on the Residual amount. One can enter subsidized Residual amount at an account level. This can be considered when liquidating the residual value.

Either one or both subsidies can be applied on a lease account.

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## Product Parameters

### FA Product

- This is a text item with a List of values button to select the valid FA product.
- Used to create the FA contract when a lease account is closed and if the Book lease asset flag is set to N (Book lease without Asset).
- If Book lease without Asset is selected and if FA product is not captured, then during save of Product, an override message would be shown to user.
- Book lease with/without asset, at the time of closure of lease account through 'Close' operation, the user can choose a different FA product other than the one already linked at product level.

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## Product Parameters

### Liquidation Mode

To indicate if the Payment of schedules under the product can be Manual or Automatic (this can be triggered during end of day). Default option would be Manual.

- Liquidate residual Value - This is a checkbox added to screen indicating if the residual value needs to be automatically liquidated during the last payment schedule. This is applicable when Payment mode is Auto.
- If unchecked then Residual value can be manually liquidated in Manual Payment screen. Valid values are Y and N . Default value is N.

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## Product Parameters

### Disbursement Mode

- Manual Disbursement can be done using Disbursement screen and Auto Disbursement would happen in a batch based on the schedules maintained.
- Default Value for financial lease can be Auto mode.

This is not applicable for operational leasing as there is no Disbursement of Principal.



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## Product Parameters

### Component Types

- For Financial leasing, following components gets defaulted on click of Default button.
  - Principal
  - MAIN\_INT
  - Insurance
- For Operational leasing, system defaults only.
  - MAIN\_INT



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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 prepayment 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



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## Product Parameters

## Simulation Options

The simulation of following operations are supported:

- Booking of Loan/commitment
- Amendment



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## Product Parameters

### 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. This 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)

### Principal Repayment Holiday

Banks can provide principal repayment holidays to the customer in between the tenor of the mortgage. During this period, the customer can only pay the interest on the outstanding principal. The remaining schedules amortized where the customer pays both the interest and the principal.

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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
RACR	Reverse Accrual
VAMB	Value Dated Amendment Booking
VAMI	Value Dated Amendment Initiation

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## **Advice Supported**

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Advices	Description
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
CL_AMD_ADV	Amendment Advice
DELINQYADV	Delinquency Advice
BILNOTC	Billing Advice
PAYMENT_ADVICE	Payment Advice



# Accelerator Pack – Leasing

## Reports Supported

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## Reports

Loan Maturity Report

Accrual Control List

Overdue Schedule Report

Customer loan agreement

Interest calculation Analysis

Loan history

Loan Register

Event Report

Linked Contract Utilization  
Report



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