



ORACLE

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Mortgages

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Accelerator Pack – Mortgages

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Introduction

- A mortgage loan is a secured loan by a real property. A home buyer can obtain financing to purchase the property from the bank through a mortgage loan.
- The mortgage can be paid down by the customer through regular payments just like a conventional loan.
- On each disbursement of the mortgage, the bank creates an Asset in its book of accounts.
- The Interest earned from the mortgages contribute to the income of the bank.

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Product Features

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Product Features

- Mortgage account can be booked as a simple or an amortized loan.
- Mortgage account can be booked as a discounted/capitalized loan/payment in advance.
- Mortgage account can be booked with a fixed or floating interest rate.
- Pre-payment can be done for the Mortgage 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.

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Product Features

- Various amendments are allowed in Mortgages.
- Different levels of status change is allowed.
- Different basis for provisioning is allowed.
- 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.
- Verifies 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 is allowed.
- Reversal of interest income during status change with options is allowed.
- Liquidation order will be used to liquidate the components due on this order.
- Different types of Static and User defined roles are allowed.
- Usage of different types of GLs during status change is allowed.
- Capitalization of components is allowed.
- Contingent Accrual Entries during status change is allowed.
- Interest pay back can be enabled for prepayments.
- 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 the principal portion is fixed for all repayment schedules. The interest is calculated on the outstanding balance.
- Amortized: The mortgage 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

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

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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

Moratorium

The banks can allow a moratorium on repayment during the construction of the home. No payment is allowed during this period. The interest accrued during moratorium period is settled in future through 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 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).

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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

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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
- 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. 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)

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

Principal Repayment Holiday

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

Rate Plan Window

Banks can provide rate plan windows to their customers during which the customers can ask the bank to change their rate plan.

For e.g., The customer can ask to change his interest rate from a fixed type to floating type.

Interest rate amendment outside this window can be restricted.

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Product Parameters

Linking a Savings account to a Mortgage loan:

- The banks can provide their customers a facility to link their savings account to their mortgages.
- If the customer has balance in his account, the interest on the mortgage will only be collected on the difference of the outstanding mortgage principal and the balance in the CASA.
- If the balance in the CASA is greater than the outstanding principal, no interest will be collected for the mortgage. The customer will be given an interest for the excess balance in his CASA using the interest rate for savings account.

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Product Parameters

Reverse Mortgage

- This feature is especially beneficial to senior citizens. The customer can pledge his property and get a reverse mortgage on it.
- In this type of mortgage, the customer gets a fixed amount on regular intervals and the settlement of Principal and Interest is done as part of bullet schedule.
- This disbursed amount is calculated by taking the following into account:
 - The value of the property
 - The interest the customer would have to pay on a conventional loan. (total disbursed amount + Interest = value of the property)
- Typically the reverse mortgage comes due on the death of the customer or when he is no longer residing in the property. The banks can sell the property and recover their loan.

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Branch Transfer for MO Accounts

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Branch Transfer for CL Accounts

Transfer Categories

- **Single Transfer:** A MO 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 MO accounts belonging to a particular product are transferred from source branch to any target branch.
- **Customer Portfolio Transfer:** All the MO 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
SROL	Special Rollover
TRFR	Branch Transfer
TADJ	Transfer Adjustments

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Advice Supported

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Advices	Description
MO_INIT_ADVICE	Loan Initiation Advice
MO_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
MO_ROLL_ADV	Rollover Advice
MO_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 be generated on an ad hoc basis.



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