

## **GMS-RLSS - How to Handle Deferred Loans**

The first step in handling a deferred loan is to establish the Loan Master as usual. If the loan is to accrue no interest during the deferred period, select Amortized as the interest calculation method. By doing this, the first payment posted will allocate interest based on only one payment cycle, usually one month.

If interest is to accrue and be paid when payments begin, select Daily interest. If Daily interest is chosen, be prepared to see a large portion of the first payment going to interest, as the program will collect interest from the activity date of the loan disbursement until the activity date of the first payment.

NOTE: If closing documents indicate daily interest, but that interest is not to accrue, select Amortized as the interest method until the first payment is posted. After that payment is posted, edit the Loan Master to Daily interest. All future payments will then calculate interest from activity date to activity date.

Within the Loan Master there is a field titled "First Due Date". Use this field to enter the date the first payment is actually due.

Also, be certain the "Next Pay Due" date for the Disbursement is advanced to this date too. Delinquency reports and several pertinent supplements will take these dates into consideration when determining if a loan payment is late. It will not be considered late until the Next Payment Due date has passed. There is a pre-established status code included in the program for deferred loans. Although choosing the appropriate status code for each Loan Master is always your option, consider using the deferred code. By doing this, those loans can be excluded from statistical reports if desired.

You also have the option of establishing an Optional Field to hold the date interest and/or principal payments are to begin. This can be utilized to create "tickler files" to assist staff in monitoring deferred loans. When the Optional Field is established, if the data type selected is "date", Quick Date Listings will produce a report based on a specified date range. For example, a report may be pulled that shows all loans with payments to begin between 09/01/17 to 09/30/17. This feature can be very helpful to staff responsible for monitoring the loans and repayment schedules.