Late Fee Setup

The Late Fee Setup is used to setup the options to charge a fee for payments on loans which are past due. This window determines which late fee option will be used and how loan late fees will be calculated. Also, the default Late Fee Type is selected by the credit union using this window.

Figure 1

Default (box)

Definition: Place a checkmark (by clicking on the box) to select the default Late Fee Type to be used for the credit union. The default selected will automatically be entered in the Late Charge Type field in Loan Document (optional software package) or Loan Setup when issuing a new loan. (**Exception:** If a "Loan Profile" is selected for the new loan <u>and</u> a Late Fee Code is entered under the Loan Profile, then that Late Fee Type will be entered automatically for the new loan.)

Title

Definition: The Title is used to enter a description for the various late fees charged by the credit union. The description entered here will display in the drop down box (on the suffix level, Loan Document, Loan Setup and Loan Profiles windows) for a late fee selection to be made. There are eight (8) different Late Fee Type fields to define. If no Late Fee Type is entered for a loan, no late fees will be charged if the loan is past due.

Values: Credit union defined.

Late Fee Type

Definition: The Late Fee Type field defines the calculation used to determine when to assess a late fee and the amount of that late fee. Below is a listing of calculations used to determine when a late fee should be assessed and the total amount of the fee.

Values:

Blank - No late fees are charged for past due loans.

1 - Percent Interest Due, Delinquent Amount > = Scheduled Payment. A late fee will be charged when the loan is past due greater than or equal to one payment. The fee charged will be based on the percentage of the interest due. The amount of the fee must be between the values specified in the Minimum and Maximum fields. The percentage charged is defined in the Percent field.

Example: For a loan with a payment amount of $100.00, the loan must be past due $100.00 or more before a late fee will be charged. If 10 was entered into the percent field, and the interest due was $75.67, the late fee charged would be $7.57.

2 - Percent Interest Due, Delinquent Amount > Scheduled Payment. A late fee will be charged when the loan is past due greater than one payment. The fee charged will be based on the percentage of the interest due. The amount of the fee must be between the values specified in the Minimum and Maximum fields. The percentage charged is defined in the Percent field.

Example: For a loan with a payment amount of $100.00, the loan must be past due $100.01 or more before a late fee will be charged. If 10 was entered into the percent field, and the interest due was $75.67, the late fee charged would be $7.57.

3 - Percent Interest Due, Days Delinquent > Grace Days. A late fee will be charged when a loan is past due greater than the number of days specified in the Grace Days field. ****Note:** The day's delinquent shown on the suffix inquiry must be greater than the number of days specified in the Grace Days field. The fee charged will be based on the percentage of the interest due. The amount of the fee must be between the values specified in the Minimum and Maximum fields. The percentage charged is defined in the Percent field.

Example: If 10 were entered in the Grace Days field, a payment made on a delinquent loan must be past due 11 days or more before a late fee will be charged. If 10 was entered into the percent field, and the interest due was $75.67, the late fee charged would be $7.57.

5 - Percent of Unpaid Loan Payment, Days Delinquent > Grace Days. A late fee will be charged when the loan is past due greater than the number of days specified in the Grace Days field. The fee charged will be based on the <u>percentage of the delinquent portion</u> of the loan payment being made. The percentage is specified in the Percent field. The amount of the fee is restricted by the values specified in the Minimum and Maximum fields.

Example A: Late Fee Percentage = 5%, Minimum Fee = $10.00, Maximum Fee = $40.00, Delinquent Amount = $500.00.
Loan Payment Amount made = $250.00
Portion of the Payment that is delinquent = $250.00
.05 x $250.00 = $12.50
Late Fee assessed = $12.50

Example B: Late Fee Percentage = 5%, Minimum Fee - $20.00, Maximum Fee = $40.00, Delinquent Amount = $100.00.
Loan Payment Amount made = $325.50
Portion of Payment that is delinquent = $100.00
.05 x $100.00 = $5.00   Minimum = $20.00
Late Fee assessed = $20.00

6 - Percent of Scheduled Payment * Delinquent Payments paid, Days Delinquent > Grace Days. A late fee will be charged when the loan is past due greater than the number of days specified in the Grace Days field. The fee charged will be based on the percentage of the scheduled payment multiplied by the delinquent payments paid. The percentage is specified in the Percent field. The amount of the fee can be restricted by the values specified in the Minimum and Maximum fields before multiplying by Delinquent Payments Paid. ****Note:** The payment frequency on the loan does not matter on how the late fee is calculated.

Example: The late fee is based on either the percentage of the payment x the delinquent payments paid or the minimum or maximum fee x the delinquent payments paid. Delinquent Payments Paid = either the Delinquent Amount or the Payment Amount Paid (whichever is smaller)/the Regular Payment Amount. ****Note:** The portion of money taken by late fee is based on payment amount. If 3 mo. delq and one payment is made one late fee will be taken. If two payments made, two late fees will be paid.

Example A: Late Fee Percentage = 5%, Minimum Fee = $20.00, Maximum Fee = $50.00.
Regular Loan Payment Amount = $350.00
.05 x $350.00 = $17.50   or   Minimum = $20.00
Delinquent Amount = $256.00
Payment Amount made = $350.00
$20.00 x ($256.00/$350.00) = .73 $20.00 x .73 = $14.60 (late fee applied)

Example B: Late Fee Percentage = 10%, Minimum Fee = $10.00, Maximum Fee = $50.00.
Regular Loan Payment Amount = $350.00
.10 x $350.00 = $35.00
Delinquent Amount = $300.00
Payment Amount made = $350.00
$35.00 x ($300.00/$350.00) = .86 $35.00 x .86 = $30.10 (late fee applied)

Example C: Late Fee Percentage = 10%, Minimum Fee = $20.00, Maximum Fee = $50.00.
Regular Loan Payment Amount = $350.00
.10 x $350.00 = $35.00
Delinquent Amount = $580.00
Payment Amount made = $350.00
$35.00 x ($350.00/$350.00) = 1.0 $35.00 x 1.0 = $35.00 (late fee applied)

Example D: Late Fee Percentage = 5%, Minimum Fee = $15.00, Maximum Fee = $40.00.
Regular Loan Payment Amount = $350.00
.05 x $200.00 = $10.00   or   Minimum = $15.00
Delinquent Amount = $256.00
Payment Amount made = $200.00
$15.00 x ($200.00/$350.00) = .57 $15.00 x .57 = $8.56 (late fee applied)

Example E: Late Fee Percentage = 10%, Minimum Fee = $20.00, Maximum Fee = $40.00.
Regular Loan Payment Amount = $450.00
.10 x $450.00 = $45.00   or   Maximum = $40.00
Delinquent Amount = $405.00
Payment Amount made = $450.00
$40.00 x ($405.00/$450.00) = .90 $40.00 x .90 = $36.00 (late fee applied)

7 - Wisconsin St Method, Percent Outstanding Scheduled Payment on Delinquent Loans. This method will restrict the fees to be based on a maximum monthly amount. ****Note:** The process of starting Wisconsin Late Fees is initiated by inputting a Late Fee Option of 7 on the Loan Late Fee Setup window. A message will appear at the bottom of the Late Fee Setup window after processing the window that states "Your Loan Late Fee Setup change involves the Wisconsin method. Applicable Master records will now have their Accumulated Payment field adjusted… Press RETURN to continue". To implement Wisconsin Late Charges, the Loan Late Fee Setup window needs to be changed before the online is started after completing End of Day with a good backup. A report will be generated that will show where the loan-accumulated payments were set after the Wisconsin Method was activated. ****Note:** The late charge amount is calculated after the grace period and added to the Late Charge Owing field.

The system does not calculate a Wisconsin late fee for single payment loans. This late fee is only calculated on <u>monthly</u> based frequencies of Monthly, Quarterly, Semi-annual and Annual.

9 - Percent of Scheduled Payment per Month Delinquent, Grace Days, Accrued Monthly. For delinquent loans, after the grace period has elapsed, the system will compute the late fee and enter the amount in the Late Charge Owing field during End of Day processing. When loan payments are made, the system will check for any Late Charge Owing amount and apply payments toward the late fee first until it is back to zero.

<u>**Minimum**</u>

Definition: The Minimum field defines the minimum amount that can be charged when a late fee is assessed. This might be used if the Loan Late Fee Code is set to 1, 2, 3, 5, 6, 7 or 9. This is not a required field. If this field is left blank, this means that the minimum late fee is zero.

Values: Credit union defined.

Example: Entering $5.00 into this field would result in there being a minimum $5.00 worth of late fees charged each time the loan is assessed a late fee.

Maximum

Definition: The Maximum field defines the maximum amount charged when a loan late fee is assessed. This is used only if the Loan Late Fee Code is set to 1, 2, 3, 5, 6, 7 or 9. **This is a <u>required</u> field for these late fee types.**

Values: Credit union defined.

Example: Entering $5.00 into this field would result in there being a maximum of $5.00 worth of late fees charged each time the loan is assessed a late fee.

Percent

Definition: The Percent field defines the percent used to calculate the loan late fee. This is used only if the Loan Late Fee Code is 1, 2, 3, 5, 6, 7 or 9 and is a <u>required</u> field, even if the minimum and maximum fields are the same. ****Note:** This field tells the system the percentage of interest due or scheduled payment, which will be charged as a late fee. Interest due is defined as interest calculated from the date of the last transaction through the date of the payment.

Values: Credit union defined.

Grace Days

Definition: The number of days after the loan payment date before a late fee will be assessed. This field is used only if the Loan Late Fee Code is 3, 5, 6, 7 or 9. This is a required field for these late fee types.

Values: Credit union defined.

Example: If a 10 is entered in this field, a late fee will be charged if a payment is made on the eleventh day past due or later. The grace period starts the day after the payment is due.

When finished, select Save to save the changes.