



4 Considerations When Investing In A Loan Accounting Platform

INTRODUCTION

When it comes to loan accounting, it is critical to have a system-of-record that can handle the wide array of assets and complex accounting needs of your business. The loan accounting process can be cumbersome and difficult to manage, and homegrown systems are not scalable and prone to errors. With billions of dollars being transacted daily, it is essential to have a disciplined loan accounting process to ensure correct amounts are being remitted, generate accurate journal entries, and efficiently deliver investor reporting.

In this guide, we will discuss the four key considerations when investing in a system-of-record for loan accounting. We will explore how a loan accounting platform with asset class flexibility, deep portfolio accounting capabilities, and a team of focused experts can help you improve servicer oversight, maximize profit and efficiency while enhancing the integrity of your accounting processes.



1. CAN IT HANDLE YOUR WIDE ARRAY OF RESIDENTIAL AND CONSUMER ASSETS?

Asset Class Flexibility

A loan accounting platform with asset class flexibility, capable of managing many types of loans, can serve as a strategic asset for your financial institution. Whether the loan portfolio encompasses residential mortgages, unsecured personal loans, Home Equity Lines of Credit (HELOCs), auto loans, or Residential Transition Loans (RTL) for fix and flip ventures, or servicing rights on those assets, a unified platform can deftly handle them all.

Such comprehensive capabilities allow for the consolidation of record-keeping systems, resulting in significant cost savings and resource optimization. Moreover, a platform with a broad asset class flexibility not only streamlines current operations but also paves the way for future business expansion or diversification. The flexibility of the platform eliminates the need for sourcing and implementing new systems as loan strategies change providing business continuity and growth.

Estimated US Consumer Debt In Servicing



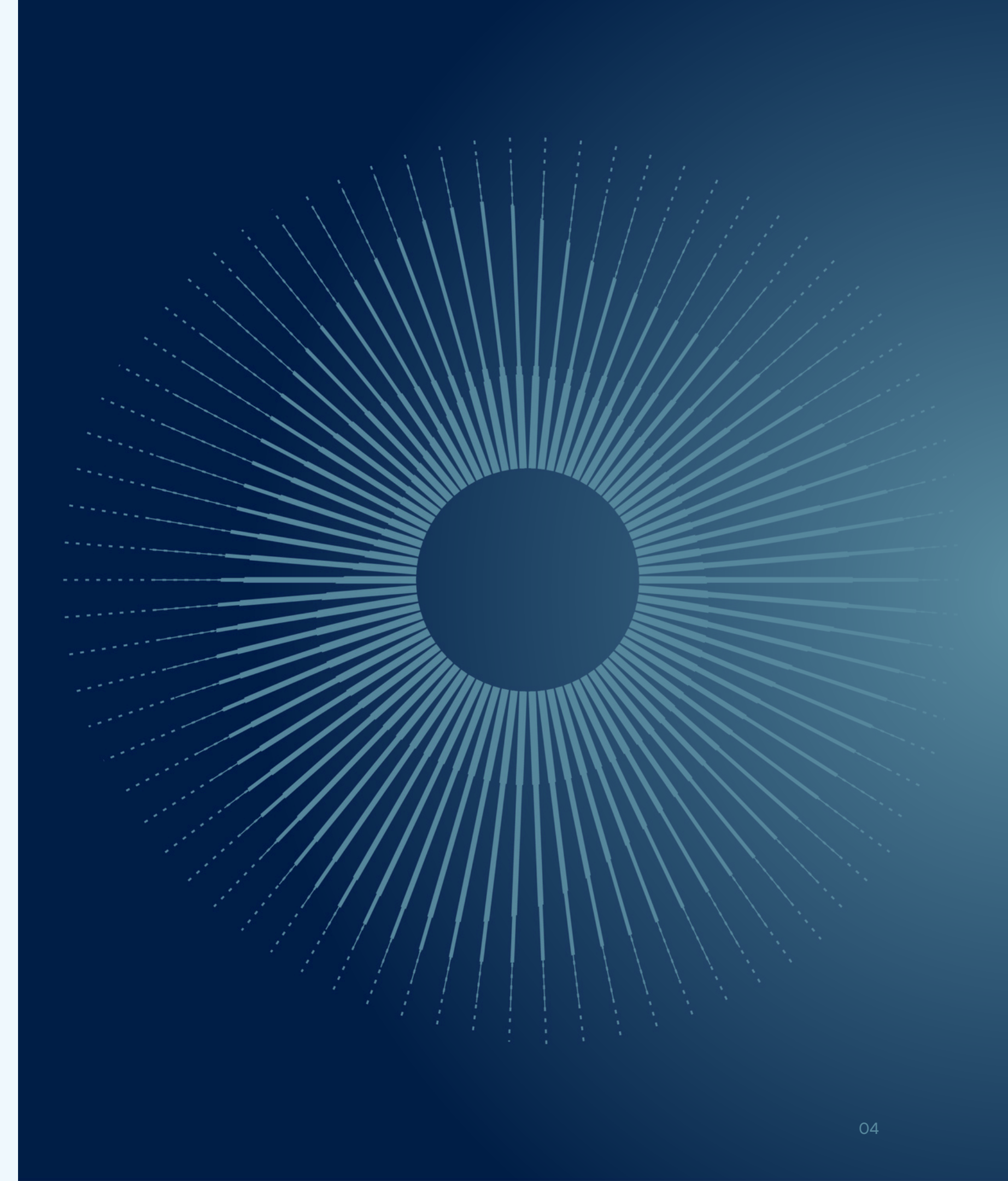
2. DOES IT INDEPENDENTLY CALCULATE WHAT CASH YOU SHOULD RECEIVE?

Reliable Servicing Oversight

Asset holders require a robust platform that independently calculates expected cash from sub-servicers to validate and reconcile servicer remittance on a daily and monthly basis. Those servicing assets must properly account for ownership interest and generate reliable investor reporting.

Having the right system with configurable accounting and operational tools that account for remittance timing, loan performance status, unique servicing fee schedules, and can handle actual/actual, schedule/schedule, or schedule/actual remittance methods is instrumental in detecting discrepancies in reported remittance and cash receipt.

An effective loan accounting platform should have clear exception detection tools to help identify potentially missing or misallocated funds bolstering your servicing oversight and the financial integrity of downstream loan accounting and investor reporting outputs.





3. CAN IT SUPPORT THE DEPTH AND COMPLEXITY OF YOUR PORTFOLIO ACCOUNTING NEEDS?

Optimize Your Accounting Processes

Servicers and asset holders have complex accounting needs. A system of record should offer the ability to clearly distinguish between loan and servicing rights, establish your own amortization rules for yield management across at least 20 discount/premium buckets for managing a loan's basis, establish your own accrual policies at pool and loan level, offer tools like corporate and escrow advance account management on mortgage loans, participation accounting features, sophisticated charge off and recovery processing features, and intracompany accounting capabilities.

A loan accounting platform built to support complex loan and portfolio accounting makes reporting more accurate, provides confidence to internal and external stakeholders, and offers the flexibility to configure to meet changing industry needs.

4. IS IT DEVELOPED AND SUPPORTED BY A TEAM OF FOCUSED EXPERTS?

Experience-Backed Solutions

Loan accounting is complex, requires discipline and demands accuracy. Utilizing less capable technology or spreadsheets alone to implement, configure, and manage loan accounting processes could result in small errors with big impact.

Asset holders seeking accelerated month-end close incorporating both valuation and cash seek timely general ledger entries. Servicers with investor reporting needs must be efficient and issue statements timely meeting agency reporting requirements as well as the unique reporting needs of multiple private investors.

A platform that is built by loan accountants, who understand the complex and unique needs of loan accounting, investor reporting, and servicing oversight, comes with a team that can help deploy, configure, and support your application with real-world experience.

CONCLUSION

Selecting an appropriate loan accounting platform is a pivotal move that holds the potential to boost your profitability and operational efficiency. It's imperative to ensure the platform not only caters to your present requirements but is also capable of adapting to future needs, particularly if your business plans to venture beyond the realm of mortgage loans.

With the right loan accounting system in place, you'll significantly impact your business's efficiency and enhance the integrity of your accounting processes. As the consumer and mortgage loan market evolves and borrowers seek out more diverse financing options, asset holders and servicers that can effectively manage loan accounting will be well-positioned to capitalize on this trend.

ENDNOTES

[1] Federal Reserve Bank of New York

[2] Fed Data via HousingWire



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SitusAMC is a well-established provider of secondary market technology for loan and portfolio accounting. With over 30 years of experience, we have helped servicers and asset holders automate loan accounting and servicing reconciliation, ensuring efficiency and accuracy. Our comprehensive system of record, SBO, is an all-encompassing solution for the management and accounting of loan-related assets. SBO combines cashiering, accounting, and investor reporting into one platform, providing a complete loan accounting and master servicing solution. With SBO, we help our clients increase accuracy, improve operational efficiency, and protect data integrity.

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