

Recording NSF Borrower Deposits Documentation for LOAN SERVICING SOFT

This document will guide you through the process of reversing a borrower loan payment due to a non-sufficient funds notice. The system refers to these payment exceptions as reversals. This feature is only used for Loan Payments in the Servicing Account.

For additional information or questions please feel free to contact our support group at support@loanservicingsoft.com or 1-800-993-1839 x2.

When Should You Reverse or Delete a Deposit?

Deleting Deposits

Deletion should be performed when a mistaken entry has been created. This may be a deposit assigned to the wrong loan or a transaction entry that should not have been added at all. It is also easier to delete a transaction and re-enter it when the deposit amount or loan payment distribution has been posted incorrectly, rather than reviewing and correcting multiple loan and transaction components on a transaction edit.

Reversing Deposits

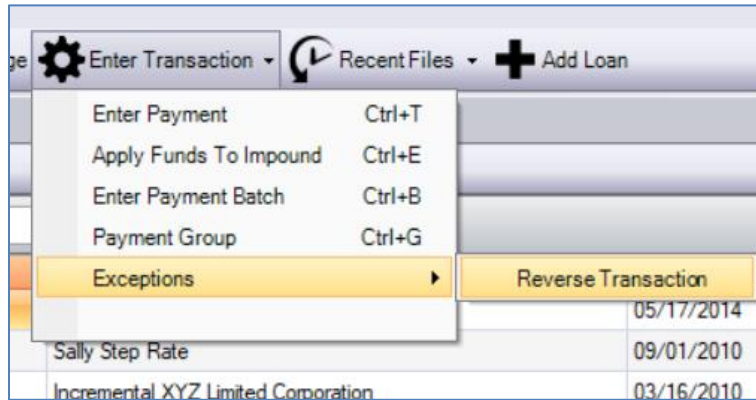
This feature is meant for a non-sufficient funds notice from the servicing account bank or payment processor. When this happens the original deposit is invalidated as of the NSF date. There is typically a charge associated with an NSF which can be passed through to the borrower as an NSF Loan Fee.

Reversing deposits creates a transaction history that preserves the original deposit, now marked as **Reversed**, and creates an offsetting transaction, called a **Reversal**, which removes the applied loan amounts and decreases the balance of the servicing account. If the reversed transaction was a scheduled loan payment, then that scheduled payment is once again due.

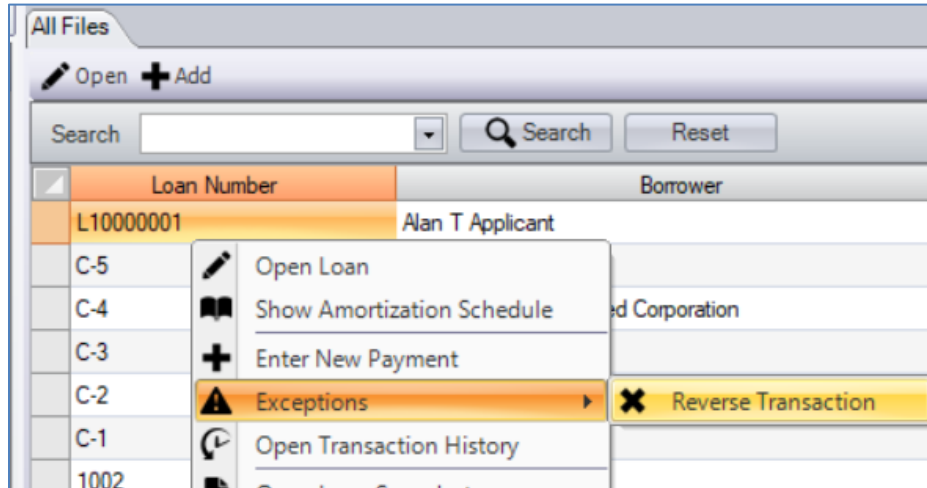
Reversing Deposits

You can open the reversal form from two areas:

1. The top toolbar **Enter Transaction** button:



2. The loan grid shortcut menu, available by right clicking on a loan:



You will then be asked to confirm the transaction to be reversed. Only the last posted transaction of the loan can be reversed.

Payment #	Date	Ref #	Amount	Type
4.0	6/15/2023	65510	20726.95	Reg. Pmt.

The Transaction Reversal form allows you to select the date of the reversal. This should be the date of the NSF notice received by the bank or payment processor.

Reversed Transaction Data

Loan Number: L10000001 Amount: 20,726.95
Deposit Date: 6/15/2023 Ref #: 65510 Payment #: 4.0

Reversal Transaction Data

Reversal Date: 6/15/2023 Ref #: Show On Reports:
Notes: Reverse payment: 4.0

No printed payments are affected by this reversal.

- Void / Delete printed payments before trying to reverse the loan transaction.
- Hold future payments from the payees until the overdrawn balance is replenished.

Additional Fee

Apply Fee: NSF Fee Fee Date: 6/15/2023
Fee Amount: 50.00 Status: Bill
Pay Fee To: Selected Vendor Vendor: V00000001 (YOUR SERVICING COMPANY)
Fee Notes:

To create a loan fee for the NSF payment, check the **Apply Fee** checkbox. The Fee Date should also match the NSF notice date.

Additional Fee

Apply Fee NSF Fee Fee Date: 6/15/2023

Fee Amount: 50.00 Status: Bill

Pay Fee To: Selected Vendor V00000001 (YOUR SERVICING COMPANY)

Fee Notes: [Empty text box]

Clicking the OK button will set the original deposit status to **Reversed**, making it an invalid deposit, and create a **Reversal** transaction in the loan’s transaction history.

Reversing Deposits with Paid Out Splits

If a portion of the loan transaction’s payee splits have been paid out, as shown below, then you will need to take an additional step during the reversal process.

Transaction History - L10000001

Pay #	Due Date	Eff. Date	Received	Status
1.0	6/17/2014	4/10/2023	20,676.95	
1.1	6/17/2014	4/12/2023	-20,676.95	
1.2	6/17/2014	4/13/2023	20,676.95	
1.3	6/17/2014	4/13/2023	2,057.70	
1.4	6/17/2014	4/16/2023	-2,057.70	
2.0	7/17/2014	6/10/2023	20,726.95	
3.0	8/17/2014	6/10/2023	20,726.95	
4.0	9/17/2014	6/15/2023	20,726.95	

Past Due Data

- Old Principal Balance: 1,999,312.24
- New Principal Balance: 1,998,734.14
- Unpaid Principal: 583.83
- Unpaid Interest: 5,439.27
- Unpaid Late Fee: 2,057.70
- Unpaid Impound: 0.00
- Unpaid Fees: 0.00
- Unpaid Collection: 0.00

Transaction Information

- Transaction Type: Scheduled Payment
- Number: 4.0 Posted
- Due Date: 9/17/2014
- Effective Date: 6/15/2023
- Deposit Date: 6/15/2023
- Hold To Date: 6/15/2023
- Interest Paid To: 9/17/2014
- Payment Method: Check

Distribution

Item	Paid Amount
Past Due Impound	0.00
Past Due Interest	3,437.30
Past Due Late Fee	2,057.70
Past Due Fees	0.00
Past Due Principal	578.10
Current Impound Due	100.00
Current Interest Due	14,553.85
Current Late Fee	0.00
Current Fees	0.00
Current Principal Due	0.00
Unbilled Principal	0.00
Unbilled Fees	0.00
Return to Borrower	0.00
Other Income	0.00
Collection	0.00
Past Due Collection	0.00
Current PPP Due	0.00

Payment Distribution Audit

Funds Distributed for Payments

Account #	Name	On Check #	Total	Principal	Interest	Impound	Late Fee
L00000001	House Funding Account	8-06/16/2023	20,626.95	578.10	17,991.15	0.00	2,057.70
56988547	YOUR SERVICING COMPA		100.00	0.00	0.00	100.00	0.00
Total Amount			20,726.95	578.10	17,991.15	100.00	2,057.70

View Splits

The reversal form will inform you with a red indicator panel that some portion of the deposit has been assigned to a payment out of the servicing account. In this case, you have two options to proceed with the reversal.

The screenshot shows a 'Transaction Reversal' window. At the top, there are buttons for 'Print NSF Notice' and '+ Add User Task'. Below this, the 'Reversed Transaction Data' section contains fields for Loan Number (L10000001), Amount (20,726.95), Deposit Date (6/15/2023), Ref # (65510), and Payment # (4.0). The 'Reversal Transaction Data' section includes a Reversal Date dropdown (6/15/2023), a Ref # field, a 'Show On Reports' checkbox (checked), and a Notes field containing 'Reverse payment: 4.0'. A prominent red warning box is displayed, containing the text 'Distributed payments have already been printed!' and two radio button options: 'Void / Delete printed payments before trying to reverse the loan transaction.' (selected) and 'Hold future payments from the payees until the overdrawn balance is replenished.'. Below the options is a 'View Splits Connected to Payments' button. At the bottom of the window, there is an 'Additional Fee' field.

Option 1: Void / Delete Printed Payments

With the void/delete option selected, you will be unable to complete the reversal until you first close the form and find the payments in the trust account to either void or delete from the system. Refer to the **LSS How to Doc – Void Payments** for more information on this.

Option 2: Hold Future Payments

With the hold future payments option selected, the reversal transaction will create some internal accounting splits for the payees which have been paid funds that are no longer available. These are called **Overdrawn Adjustment** splits.

Other Adjustments						
Account #	Name	Type	Total	Principal	Interest	Late Fee
L00000001	House Funding Account	Overdrawn Adjustment	-20,626.95	-578.10	-17,991.15	-2,057.70

Borrower Repayments Withheld from Payees

If choosing to hold future payments because of a borrower payment being received, paid out to payees, and then reversed for non-sufficient funds, then the account has become overdrawn.

Each transaction amount paid out to payees is categorized as its own individual overdrawn amount (Principal, Interest, Late Fees, Other, etc.)

When a repayment is received from the borrower, the payees will only receive amounts that are NOT being held back from the previous overdrawn payment. This is to replenish the servicing account balance that was overdrawn and to prevent the payees from receiving a payment for amounts they have already been paid. All amounts being held to replenish the servicing account are shown in the **Other Adjustments** section of the transaction splits as an **Overdrawn Repayment**.

Funds Distributed for Payments							
Account #	Name	Total	Principal	Interest	Impound	Late Fee	Other Fees
56988547	YOUR SERVICING COMPA...	100.00	0.00	0.00	100.00	0.00	0.00
V00000001	YOUR SERVICING COMPA...	50.00	0.00	0.00	0.00	0.00	50.00
L00000001	House Funding Account	8,080.80	583.83	5,439.27	0.00	2,057.70	0.00
Total Amount		8,230.80	583.83	5,439.27	100.00	2,057.70	50.00

Other Adjustments						
Account #	Name	Type	Total	Principal	Interest	Late Fee
L00000001	House Funding Account	Overdrawn Repayment	20,626.95	578.10	17,991.15	2,057.70