Syndicated Loan Specialist – Detailed Workflow & Math

This document is a detailed case-study-style demo using dummy data to show my current understanding of end-to-end syndicated loan servicing operations. It contains step-by-step math, sample notices, allocation calculations, accrual schedules, and common edge-case handling. Im using this as a portfolio artifact to demonstrate my current understanding.

# Quick Glossary (plain English)

SOFR — Secured Overnight Financing Rate: base market rate for USD loans. Typically pulled from market data (Fed/CME/Bloomberg). I do understand that there are LIFR loans that would be used for other types of Loans

CSA — Credit Spread Adjustment: small fixed add-on in the credit agreement to align SOFR to older LIBOR economics (e.g., 10 bps).

Margin — Borrower-specific negotiated spread (e.g., 275 bps = 2.75%).

All-In Rate — SOFR + CSA + Margin. The total interest rate charged to the borrower for the interest period.

ACT/360 — Day count convention: actual days in period divided by 360 used for USD interest accruals.

(All of these rates would be found in the credit agreement from the client)

# Rate Set (The math behind finding the all-in rate)

Scenario: Borrower 'Acme Corp' requests a 1-month roll for $10,000,000 on 2025-08-01. We will compute the All-In Rate and daily/period interest using ACT/360.

|  |  |  |
| --- | --- | --- |
| Component | Source / Where to find it | Value (dummy) |
| SOFR (1M Term) | Market data (CME Term SOFR or Bloomberg) | 5.33% |
| CSA (1M) | Credit Agreement | 0.10% |
| Margin | Credit Agreement | 2.75% |

**Step-by-step math:**

1) Convert percentages to decimals for calculation or keep as percent consistently. I will show percent math. ( I do understand this would be automatically calculated for me in the banking system used)

2) All-In Rate = SOFR + CSA + Margin

= 5.33% + 0.10% + 2.75%

= 8.18% (All-In Rate)

3) Daily interest using ACT/360:

Formula: Daily Interest = Principal × (All-In Rate) ÷ 360

Calculation: Daily Interest = $10,000,000 × 0.0818 ÷ 360

= $10,000,000 × 0.000227222...

= $2,272.22 per day (rounded to cents)

4) Period interest for a 30-day period:

Period Interest = Daily Interest × Days = $2,272.22 × 30 = $68,166.60

# Sample Rate Set Notice

Rate Set Notice — Arun Corp   
  
Value Date: 2025-08-01  
Interest Period: 2025-08-01 to 2025-08-31  
Principal Outstanding: $10,000,000  
Rate Components:  
 - Term SOFR (1M): 5.33%  
 - CSA (1M): 0.10%  
 - Margin: 2.75%

All-In Rate: 8.18%  
Day Count: ACT/360  
Daily Interest (approx): $2,272.22

Interest Due at period end (30 days): $68,166.60

# Midday — Funding Allocations

Scenario: For example after completing the rate set, Arun Corp requests $10,000,000 funded from the revolver. The lender register shows three lenders with commitments:

- Lender A: 40% (JPMorgan)

- Lender B: 35% (Citi)

- Lender C: 25% (Wells)

**Allocation math (formula & rounding rules):**

Formula: Lender Amount = Borrow Amount × Commitment %

Compute:

- Lender A = $10,000,000 × 0.40 = $4,000,000.00

- Lender B = $10,000,000 × 0.35 = $3,500,000.00

- Lender C = $10,000,000 × 0.25 = $2,500,000.00

Sum check: $4,000,000 + $3,500,000 + $2,500,000 = $10,000,000

# Sample Funding Notice

Funding Notice — N001 — Acme Corp — Revolver  
  
Value Date: 2025-08-01  
Borrow Amount: $10,000,000  
  
Lender Allocations:  
 - Lender A (40%): $4,000,000 -> [SSI: JPM Concentration Acct xxx]  
 - Lender B (35%): $3,500,000 -> [SSI: Citi Funding Acct yyy]  
 - Lender C (25%): $2,500,000 -> [SSI: Wells Funding Acct zzz]  
  
“Please wire funds to the Agent Concentration Account by 2:00pm ET on the Value Date. If your wire will be delayed, notify agent ops immediately.”

# SSIs, Availability Check & Practical Steps

SSIs (Standard Settlement Instructions) are the wire details for each lender and borrower. Maintain a controlled SSI register; changes require evidence and validation.

Availability formula (basic): Available = Total Commitments - (Outstandings + L/C Usage + Swingline Usage + Pending Assignments)

Example: Commitments $100M; Outstandings $60M; L/Cs $5M; Swingline $0 => Available = 100 - (60+5) = $35M. A $10M request is allowed.

# Servicing System Ticket & QC (Loan IQ style)

Steps to create the funding ticket in the servicing system:

1. Select facility (Revolver) and event type (Borrow).

2. Enter Principal = $10,000,000 and Value Date = 2025-08-01.

3. Attach All-In Rate = 8.18% and Day Count = ACT/360.

4. Load lender ladder (40/35/25) and confirm allocations.

5. Enter SSIs for receipt and funding accounts.

6. Generate Funding Notice and queue for distribution.

7. Mark the ticket for monitoring (watch for incoming wires).

# Midday — Handling a Short-Fund Scenario

Scenario: Lender B wires $3,400,000 instead of $3,500,000 (short by $100,000). Borrower expects full $10,000,000 by 2:00pm.

1. Immediately notify Lender B's operations contact (call + email) with the missing amount, timestamp, and reference.

2. Check whether agent policy permits 'daylight cover' (agent temporarily cash advances missing funds). If permitted, agent wires $100,000 to borrower and records intraday advance.

3. If daylight cover is not permitted, communicate to borrower and lenders that funding will be partial or delayed. Offer options per credit agreement.

4. Create a cash break log entry and assign owner to track resolution.

5. Once missing funds arrive, reconcile system entries, remove the intraday advance (if any), and send confirmatory notices to all parties.

6. If interest/comp is applicable due to the fail/miss, calculate compensation per agreement and document.

# Afternoon — Interest Accruals (day-by-day)

I would compute a daily accrual using ACT/360 and produce a day-by-day accrual table. This supports billing, reporting, and end-of-day reconciliation.

Daily interest formula (restate): Daily = Principal × (All-In Rate) ÷ 360

Using our numbers: Daily = 10,000,000 × 0.0818 ÷ 360 = 2,272.222...

Round to cents at daily or period level based on policy. We will show daily rounded to cents, then cumulative.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Principal | All-In Rate | Daily Interest (unrounded) | Cumulative (rounded day sums) |
| 2025-08-01 | $10,000,000 | 8.18% | 2272.222222 | $2,272.22 |
| 2025-08-02 | $10,000,000 | 8.18% | 2272.222222 | $4,544.44 |
| 2025-08-03 | $10,000,000 | 8.18% | 2272.222222 | $6,816.66 |
| 2025-08-04 | $10,000,000 | 8.18% | 2272.222222 | $9,088.88 |
| 2025-08-05 | $10,000,000 | 8.18% | 2272.222222 | $11,361.10 |
| 2025-08-06 | $10,000,000 | 8.18% | 2272.222222 | $13,633.32 |
| 2025-08-07 | $10,000,000 | 8.18% | 2272.222222 | $15,905.54 |

End-of-day reconciliation checklist: verify bank statements vs system, confirm lender positions equal sum of funded amounts, resolve any cash breaks, and store audit evidence.

# Common Operational Stumbling Blocks & Template Responses

Below I came up with possible common issues and suggested short-form responses you can use when communicating with counterparties.

Lender short-funds:

Template: 'We have received $X from you for Funding N. Your expected amount is $Y. Please advise timing for the shortfall of $Z. If funds cannot be delivered by cutoff, advise if you request agent cover or to proceed with partial funding.'

Late borrower notice:

Template: 'Your request was received outside the agreement cutoff. Per Section X, the draw will be processed on the next business day. Please confirm if you wish to proceed or withdraw.'

Breakage on prepayment:

Template: 'Per Section Y, early repayment triggers breakage calculated per formula. Estimated breakage for the proposed prepayment of $A is $B. Please confirm acceptance.'

SSI mismatch / bounced wire:

Template: 'Your wire did not credit due to SSI mismatch. Please confirm new SSI with signed instruction and advise timing for reprovision of funds.'