Bridging loans

Bridging loans are specialist short-term loans (typically 3-12 months) that are used by individuals or businesses for immediate flow until their main funding or next stage of finance is available. The bridging loans allows the borrowers to meet their curren obligations by providing an immediate cash injection they require.

The bridging loans are usually first charge secured loans with a term of about 12 months, secured against one or more proper However, your organisation may offer bridging loans for more than 12 months as an exception on a case by case basis. The bridging loans are interest only loans and can be of the following types:
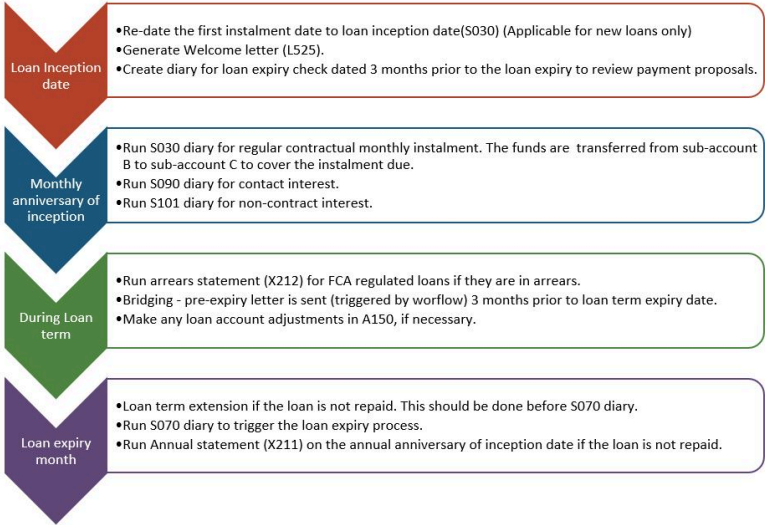
- Full serviced loans - Structured loans where the borrower makes monthly interest payments.
- Fully retained loans - Bridging loans where money is retained from the loan advance to cover the full monthly interest payments for the term of the loan. The interest p are still payable, and the lender uses the retained amount to cover the monthly interest payments.
- Partially retained loans - Bridging loans where a percentage of the interest is retained by the lender. The retained amount will cover a set number of initial monthly inte payments.
- Roll up loans - Bridging loans where the borrower does not make any interest payments and the rolled-up interest will be paid at the end of the term.
- Deferred loans - Bridging loans where a separate interest charge above the contractual monthly interest (CMI) is "deferr each month and the borrower pays the CMI on a monthly basis.
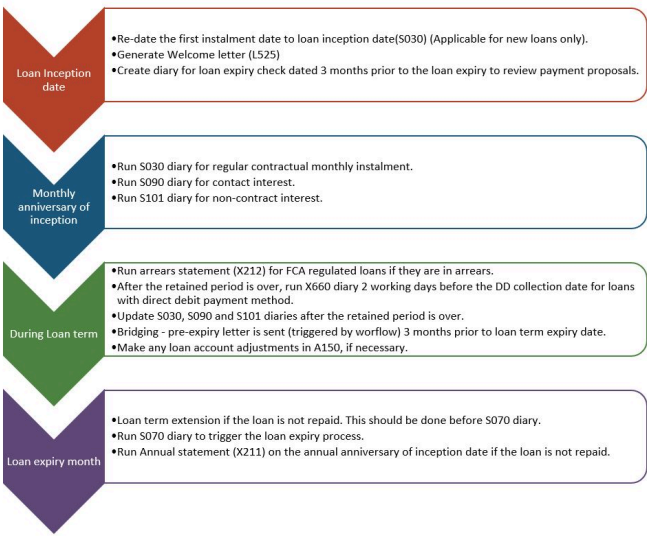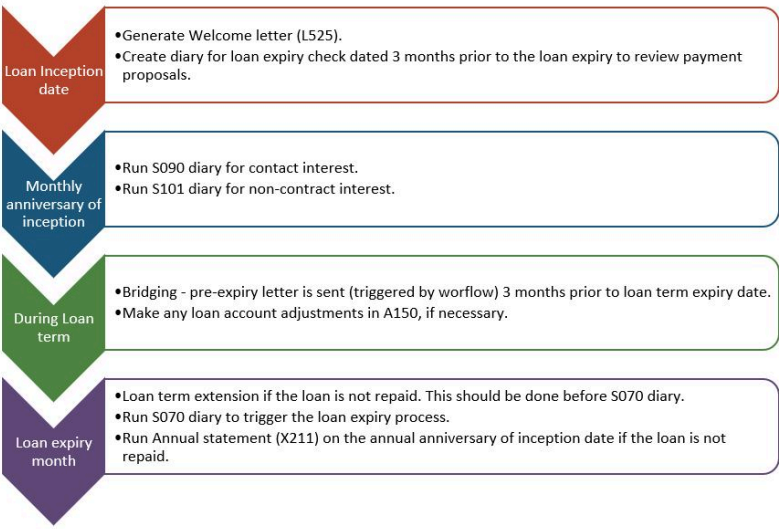
> ⚠ The deferred interest of bridging loans are managed outside of Phoebus.

Bridging loans can either be originated using loan origination screens in Phoebus solution or import new or existing bridging l that are originated on a different system for servicing. The Phoebus solution supports the administration of a bridging loans fr the time the funds are dispersed until it is paid off by the borrower.

Types of Bridging loans supported in Phoebus solution

Type of loan	Example	When the loan is imported	System diari created for th account
Fully serviced loan where the borrower makes monthly payments. ❯ Process timeline **Loan Inception date** •Re-date the first instalment date to loan inception date(S030) (Applicable for new loans only) •Generate Welcome letter (L525). •Create diary for loan expiry check dated 3 months prior to the loan expiry to review payment proposals. **Monthly anniversary of inception** •Run S030 diary for regular contractual monthly instalment. •Run S090 diary for contact interest. •Run S101 diary for non-contract interest. **During Loan term** •Run X660 diary 2 working days prior to DD collection date for loans with direct debit payment method. •Run arrears statement (X212) for FCA regulated loans if they are in arrears. •Bridging - pre-expiry letter is sent (triggered by worflow) 3 months prior to loan term expiry date. •Make any loan account adjustments in A150, if necessary. **Loan expiry month** •Loan term extension if the loan is not repaid. This should be done before S070 diary. •Run S070 diary to trigger the loan expiry process. •Run Annual statement (X211) on the annual anniversary of inception date if the loan is not repaid.	Loan requested = £100,000 Loan term = 12 months CMI = £1,000 Loan given = £99,000 Loan completion = 03/03/2020 The lender uses simple interest model and takes the first instalment payment immediately from retained payments.	• First instalment payment is retained. • Retained transaction amount of £1000 is posted to the sub-account B. • Payment method = D direct debit	• N060 diary – c the initial direc instruction (BA file) • The first S030 (Instalment du diary is re-date to **03/03/2020** the W010 work runs and the fi payment is col immediately or completion. It a debit to sub-account C and credit to sub-account F. The instalment is p a transfer from account B (DR sub-account C • The next S030 (Instalment du diary will run o 03/04/2020. V runs, the instal credit will be p to sub-accoun and instalment to sub-accoun • S090 (Contrac interest) diary run on 03/04/2 The contract in will be posted sub-account F • S101 (non-con interest) diary run on 03/04/2 The amount w posted to sub-account E if

Fully retained loans where the full interest for the term of the loan is retained and the borrower does not make any payments.

> Process timeline

Loan Inception date
- Re-date the first instalment date to loan inception date(S030) (Applicable for new loans only)
- Generate Welcome letter (L525).
- Create diary for loan expiry check dated 3 months prior to the loan expiry to review payment proposals.

Monthly anniversary of inception
- Run S030 diary for regular contractual monthly instalment. The funds are transferred from sub-account B to sub-account C to cover the instalment due.
- Run S090 diary for contact interest.
- Run S101 diary for non-contract interest.

During Loan term
- Run arrears statement (X212) for FCA regulated loans if they are in arrears.
- Bridging - pre-expiry letter is sent (triggered by worflow) 3 months prior to loan term expiry date.
- Make any loan account adjustments in A150, if necessary.

Loan expiry month
- Loan term extension if the loan is not repaid. This should be done before S070 diary.
- Run S070 diary to trigger the loan expiry process.
- Run Annual statement (X211) on the annual anniversary of inception date if the loan is not repaid.

Loan requested = £100,000

Loan term = 12 months

CMI = £1,000

Retained payment = £12,000

Loan given = £88,000

Loan completion = 03/03/2020

- Number of retained payments = 12
- Retained transaction amount = £12,000. It is posted to the sub-account B.
- Payment method = R Retained

- The first S030 (Instalment du... diary is re-date... to **03/03/2020**... the W010 work... runs and the fi... payment is col... immediately or... completion. Th... S030 (Instalm... due) diary will... 03/04/2020.
- S090 (Contrac... interest) diary... run on 03/04/2... The contract in... will be posted ... sub-account F...
- S101 (non-con... interest) diary... run on 03/04/2... The amount w... posted to sub-... account E if applicable. All... are to be poste... sub-account D... interest bearin... and the arrears... account will be... interest-bearin... therefore no n... contract intere... be applied.
- No X660 (DD compilation) d... created as the... borrower does... make any payr...
- No X212 arrear... statement diar...
- 03/02/2021 - ...(Loan expiry).
- 04/03/2021 - ...annual stateme...

Partially retained loans where a retained balance will cover a set number of initial monthly interest payments.

> Process timeline

Loan requested = £100,000

Loan term = 12 months

CMI = £1,000

Retained payment = £6,000

- Number of retained payments = 6
- Retained transaction amount = £6,000. It is posted to the sub-account B.

- The first S030 (Instalment du... diary is re-date... to **03/03/2020**... the W010 work... runs and the fi... payment is col... immediately or... completion. Th... S030 (Instalm... due) diary will... 03/04/2020. F... months, the

First process (Loan given = £94,000)

Stage	Activities	Details	Notes
Loan Inception date	• Re-date the first instalment date to loan inception date(S030) (Applicable for new loans only). • Generate Welcome letter (L525) • Create diary for loan expiry check dated 3 months prior to the loan expiry to review payment proposals.	Loan given = £94,000 Loan completion = 03/03/2020 6 months retained and 6 months serviced	• Payment method = D Direct Debit with collection date in future.
Monthly anniversary of inception	• Run S030 diary for regular contractual monthly instalment. • Run S090 diary for contact interest. • Run S101 diary for non-contract interest.		
During Loan term	• Run arrears statement (X212) for FCA regulated loans if they are in arrears. • After the retained period is over, run X660 diary 2 working days before the DD collection date for loans with direct debit payment method. • Update S030, S090 and S101 diaries after the retained period is over. • Bridging - pre-expiry letter is sent (triggered by worflow) 3 months prior to loan term expiry date. • Make any loan account adjustments in A150, if necessary.		
Loan expiry month	• Loan term extension if the loan is not repaid. This should be done before S070 diary. • Run S070 diary to trigger the loan expiry process. • Run Annual statement (X211) on the annual anniversary of inception date if the loan is not repaid.		

Right column notes (partially cut off):

- instalments are transferred fro sub-account B sub-account C the S030 diary
- S090 (Contrac interest) diary run on 03/04/2... The contract in will be posted sub-account F
- S101 (non-con interest) diary run on 03/04/2... The amount w posted to sub-account E if applicable. All are to be poste sub-account D interest bearin and the arrears account will be interest-bearin therefore no ne contract intere be applied.
- X660 (DD compilation) di created on a fu date - 01/10/2(the month bor is due to start servicing loan.
- X212 arrears statement if FC regulated (configured as instalment date working days).
- 03/02/2021 - S (Loan expiry).
- 04/03/2021 - X annual stateme

Second process — Roll up loans where the borrower does not make any interest payments and the rolled-up interest will be paid at the end of the term.

> Process timeline

Stage	Activities	Details	Notes
Loan Inception date	• Generate Welcome letter (L525). • Create diary for loan expiry check dated 3 months prior to the loan expiry to review payment proposals.	Loan requested = £100,000 Loan term = 12 months CMI = £0 Retained payment = £0 Loan completion = 03/03/2020	• Number of retained payments = 0 • Retained transaction amount = £0 • Payment method = O Other and no Direct Debit details are provided.
Monthly anniversary of inception	• Run S090 diary for contact interest. • Run S101 diary for non-contract interest.		
During Loan term	• Bridging - pre-expiry letter is sent (triggered by worflow) 3 months prior to loan term expiry date. • Make any loan account adjustments in A150, if necessary.		
Loan expiry month	• Loan term extension if the loan is not repaid. This should be done before S070 diary. • Run S070 diary to trigger the loan expiry process. • Run Annual statement (X211) on the annual anniversary of inception date if the loan is not repaid.		

Right column notes (partially cut off):

- No S030 (Insta due) diary is n
- S090 (Contrac interest) diary run on 03/04/2... These loans w daily interest a contract intere be posted to s account A cap
- S101 (non-con interest) diary run on 03/04/2...
- No X660 (DD compilation) di created as the borrower does make any payr
- X212 arrears statement - No applicable as r payment is due
- 03/03/2021 - S (Loan expiry).
- 04/03/2021 - X annual stateme

> Phoebus sub-account structure for bridging loans

Phoebus uses the concept of sub-accounts to segregate different aspects of a loan. The total balance of any loan is made the combined balance of different sub-accounts. Each sub-account can be considered as a separate pot and can be interrogated separately or as a total. For Bridging loans, the following sub-accounts are available:

- **sub-account A: Capital** - The Capital sub-account holds the capital balance of the loan. It is affected by redemptions, drawdowns, interest roll up, and capitalisati balance on this account is used to calculate the contract interest to be applied for that account.
- **sub-account B: Retained Interest** - The Retained Interest sub-account holds any retained interest payments. Monthly payments are transferred from sub-accour sub-account C to cover the instalment due.

- **sub-account C: Arrears** - The Arrears sub-account holds any deviation from the contractual balance. Arrears can be interest bearing and the arrears interest need the same as the contractual rate. When a customer overpays the instalment, the overpayment will appear in the Arrears sub-account as a credit balance and is cal 'credit arrears'.
- **sub-account D: Fees non-interest-bearing** - This sub-account holds the balance of any non-interest-bearing fees that have been applied to the account and also simple interest-bearing fees.
- **sub-account E: Fees interest-bearing** - This sub-account holds the non-contract interest charged and interest-bearing fees that have been applied to the accoun
- **sub-account F: Simple Contract Interest** - This sub-account is used to manage the contract interest for bridging loans and is kept separately to the capital sub-ac as it is charged as simple interest. This sub-account will have a balance throughout the term as S030 runs.

> ⚠ The sub-accounts structure is configurable and is aligned to match with your organisation's business process needs.

For more details, see View sub-accounts.

❯ Loan boarding/ Import process

You can import new or existing bridging loans that are originated on a different system to Phoebus solution for servicing. Th Migrations API is used to import newly originated bridging loans as well as do a bulk migration of existing bridging loans int Phoebus.

The loan boarding process involves two parts:

- Validation API
- Import API

Each of these can be used individually, but an account import cannot be guaranteed until a request has gone through the Validation API. The import process involves:

1. A JSON request is submitted to the Validation API.
2. The Validation API runs two sets of rules:
    a. The first set is run on the request and will reject the request if data is not complete or incorrect. For example, when mandatory request data is missing.
    b. The second set of validation is a more complex, which analyses the data contained in the request to ensure that it makes sense. For example, a request doe contain a security property, which will work fine for a savings account, but will result an error for a bridging loan account request.
3. When the request has passed all validation, the data is put into the 'Incoming' staging area. It is used to inspect the data via SQL in its raw form, before it gets trar a Phoebus account.
4. Once the data has been inserted, the Import API takes over. The Import API runs on a schedule and picks up any accounts in the staging area that are marked as 'READY_TO_IMPORT'.
5. Once an account is picked up, the Import API will run through several processing steps, where the request data is transformed into a live account on Phoebus. It a triggers the workflows to create the required system diaries for the account.

PSL provides the REST API documentation as a part of the release process to the clients. The REST documents help to understand the fields that migrated by the API and also includes the details of how the API works. Please refer to the REST documents provided as a part of the release for more accurate and up-to-date information.

Files:

- Sample Rest Documents
- Sample JSON file

❯ Workflows used for Bridging loans

You can configure various workflows in Phoebus to manage activities that require a scheduled action or where one action l logically to another or series of actions. The workflows are configurable to match your organisation's business process nee

A few new workflows have been added and some existing workflows have been changed to manage the bridging loan administration.

W010 - Completions workflow

The W010- Completions workflow will be run as a part of the loan boarding process and performs the following:

- Change the first **S030 (Instalment due)** diary date to the loan completion date.
- Set up all the required system diaries for the bridging loans.
- Creates a diary to trigger the loan expiry check workflow (**W310**) 3 months prior to the loan term expiry date.
- Creates a diary to trigger the Title registration chaser workflow (**W024**) if the Deeds title is not registered within 56 days of loan inception.
- Creates a **W210 Loan expiry** workflow dated **21 physical days** prior to **S070 diary date** for bridging loans.
- Generates the Welcome letter (L525) automatically during the system overnight routine.

W024 - Title registration chaser workflow

The workflow is useful to notify the lender if the Deeds title is not registered. The **N070: Security charge record** screen ca used to check if the value of **Security status** is *A1 Perfected* with an appropriate date in the **Date security perf.** field.

- An activity follow up is created if the Deeds title has not been registered by the borrower's solicitor within 56 days of the bridging loan completion date.
- Create a second follow up action.

W210 Expired account workflow

At the '21 day pre expiry check' the workflow checks if the customer is servicing the loan and checks if the loan is a DD pa and if so, updates the 'payment method' to a non-DD method deletes any X660 DD diaries and also produce the BACS **0C** closure notification file. It also re-dates the **W210** diary to run again at the loan expiry date when it will create an **F202Ter expiry** 'follow up' action to prompt a user to make contact with the customer to discuss full repayment of the bridging loan.

W310: Bridging pre expiry check workflow

This is a new workflow added for bridging loans and is used to trigger an automated Bridging - pre-expiry letter x months p term expiry date. This is a configurable workflow parameter and is set for 3 months. However, you can change it using the / **Workflow Maintenance screen**, if necessary.

- Runs 3 months prior to the loan expiry date to generate pre-expiry letter (**L352**).
- If the payment method is DD, then the Direct Debit diary is cancelled on loan expiry date.

- Create a manual follow up to contact the customer about loan repayment plans. The staff can use the **A174 or A168** and choose to delay the follow up by x days, wr balance, or pass the case to Litigation department, if required.
- If the loan is not repaid by the loan expiry date, the lender may extend the term of the loan using **A150.**
- After loan term extensions, use **N060** to set the DD back up.

› Servicing bridging loans

The Phoebus solution supports the administration of a bridging loans from the time the funds are dispersed until it is paid o the borrower. You can perform functions such as:

- Making payments
- Partial/ Full redemption/ settlement
- Maintain security, insurance, and deeds
- Workflows such as loan expiry
- Maintain customer and account related enquiries
- Loan adjustments and re-optimisation
- Generate reports and letters
- Generate annual statements where the loans are more than 12 months

You can refer to the Servicing section of the Phoebus Online User Guide for detailed procedures and field descriptions. The includes some of the commonly used screens as a part of bridging loan servicing:

Screen	Used to
Bridging Loan Interrogation	View the account summary of a bridging loan.
A003: Customer setup and maintenance	Create and maintain both personal and non-personal customers' details such as address, contact information and others.
A119: Payments received	Post any receipts from the borrower to the loan account.
A227: Partial settlement	Make a partial settlement during the term of the loan.
A228: Contract loan redemption	Make a full settlement
A287: Property security	Maintain security/ property details linked to the loan.
A298: Property Insurance	Maintain building insurance details linked to the security.
A356: Retention management and drawdown	Initiate the drawdown of a retention linked to a bridging loan.
A358: Retention completion	Complete the retention release linked to the bridging loan.
N060: Change payment details	Change the instalment collections details such as change payment method, change bank account details, set up and maintain details.
A150: Account re-optimisation	Make changes to a live loan account such term extensions.
A098: Workflow Maintenance	Maintain the workflow process and steps by changing the logic.

› Retention (drawdown) release

Bridging loan retentions may be released to the borrower based on request depending on your organisation's business pro When retention amount is due to be released, it is managed in two steps -

1. Drawdown of the retention using **A356** screen
2. Completion of the retention using **A358** screen

The **A358: Drawdown Completion** screen caters for any release fee charged and introducer commission payable, if applic It adjusts interest and the instalment accordingly, once the completion is successful. The standard functionality in Phoebus works as follows:

- Where the next instalment is due within 10 working days, as there is insufficient notice to increase the instalment, the additional interest resulting from the drawdov release is deducted from the amount of the drawdown release.
- Where the next instalment is due more than 10 working days away, the additional interest can be added to the next instalment amount or deducted from the amour drawdown release.

The interest on retention release amount will accrue from the date when the funds are released until the end of the loan ter The initial interest amount is deducted from the retention advance regardless of the payment method. If additional funds ar retained (to match the original loan characteristics), it will be a manual process and adjustments are made in accordance w your organisation's business process.

When releasing a retention for a bridging loan via **A358**, you can enter an appropriate release fee value and choose not to produce the retention release confirmation letter (K082) via Phoebus system. If you generate a confirmation letter outside Phoebus system and send it to the borrowers, then you have an option to upload it to Phoebus (using **A042: Image store** screen) and have it on the account's admin history.

> ⚠ The Phoebus system does not support retention releases before the first instalment period.

> ⓘ Deducting a retention release fee from advance can only be done, if the bridging loan was originated in Phoebus as it held at the 'loan plan' level. Since the bridging loans are not originated in Phoebus system, you can use the **A168: Crea note** screen to post a manual adjustment if the fee has been taken out of the advance sent. The retention release fee i interest-bearing fee and will be posted to sub-account A: Capital and will increase the capital balance.

See the Retentions section for detailed procedure and field descriptions related to retention release.

› Rate change process

There is no change the standard Phoebus functionality of rate change. So, any changes to the base rate will be processed normal base rate change in Phoebus.

> ⚠ Any deferred interest calculation will be performed outside of Phoebus system.

› Loan account changes/ term extensions

You can use the **A150** screen to change interest margin rate, term and payment changes in the following scenarios:

- The bridging loan is not repaid at the end of the loan term.
- The borrower has requested for loan term extension.
- The loan is in arrears and an interest margin change is required.

For example, if a higher interest margin rate is to be applied to the account, then you have to amend the margin rate manua using the **A150 Loan adjustments** screen. If the CMI is being calculated in **A150** instead of the usual PMT function, a straig interest calculation is used for the CMI recalculation **capital balance * rate/12** for bridging loans.

If the selected loan is an FCA regulated bridging loan, the check for issue of a **K023 pre instalment change** letter is to be bypassed to enable adjustments to be made.

> ⚠
> - If you change the interest margin rate, a letter must be manually generated to notify the customer about the change.
> - If you wish to extend a loan term, it must be done before S070 (Loan term expiry) diary runs.
>   **A150** checks for the stage of the account (CLAD045) and will not allow you to make any changes if the stage is n *N-Normal*. But, when S070 runs, it sets the account stage (CLAD045) to *E-Expired*. Hence, loan term extensions be done before S070 runs.

› Redemptions

The loan redemption process for bridging process is similar to the redemption of mortgages. See the Redemptions section detailed procedure and field descriptions related to partial and Full redemptions.

Partial settlement

The borrowers can choose to make partial settlement of their bridging loan balance at any point. The interest for bridging lo usually charged at the agreed rate from the date of completion till the end of the period of partial settlement. If a settlemen done part way through an interest period, a full period's interest will be applied regardless of the settlement date.

> ⚠ For roll up bridging loans, the interest is applied till the settlement date and the customer gets the interest benefit immediately.

For bridging loans, no partial settlement letters such as *K002- Part redemption quote to third-party, K004-Part redemption confirmation* and *K005-Part redemption quote to customer* will not be produced. The CMI will be re-calculated at the time settlement and takes effect at the end of the period in which the transaction takes place. Instead of the usual PMT function straight interest calculation is used for the CMI recalculation **capital balance * rate/12** for bridging loans.

Full settlement

When generating a full settlement quote for bridging loans, a full month's interest is applied regardless of the settlement da this controlled using a configuration setting. But, for the roll up bridging loans, the interest will be applied up to the settleme date similar to the current functionality for 1st/2nd charge loans. The actual date when the account is redeemed can be ide from the transactions posted at the time of redemption.

The roll up bridging loans are on a different account type (040001) and use daily interest rest for period interest and if the E method has *Permitted settlement date* is set to *I - interest application date,* then the users can only select the interest date **A228: Full settlement** screen.

> ⚠ Early repayment charges are charged for bridging loans and this is handled outside of Phoebus solution. This is done b selecting the **ERC Override?** option and manually entering a value.
>
> If any interest payments are due to be paid between the quote date and settlement date, it is assumed that the instalm will not be paid, and the quote is generated with this assumption.

› Letters and Reports

Most of the letters that are sent as a part of bridging loan administration are similar to the letters sent as a part of mortgage administration. The letters have been updated to include revised wording and sections relevant for bridging loans.

For example, The **Welcome** letter has been changed to include the sections and details of the bridging loan.

Letter code & description	Description	What triggers the letter generation
L081	Change of address letter	N077 (Letters to customers)
L234	Change of name	N077 (Letters to customers)
K133	DD set up confirmation	N060 (Payment details screen)
L580	Base rate change	Base rate change (for LIBOR rate changes)
K003	Full redemption 3rd party	A228 Full Redemption
K006	Full redemption Customer	A228 Full Redemption

Letter code & description	Description	What triggers the letter generation
K016	ARUDD return	A160 Returned BACS file processing
K017	AUDDIS return	A160 Returned BACS file processing
K018	ADDACS return	A160 Returned BACS file processing
K019 DD	reinstatement	A160 Returned BACS file processing
K048 DD	deactivation	A160 Returned BACS file processing
L056	3rd party auth confirmation	N077 Customer letter
X211	Annual statement	X211 diary runs if term exceeds 12m
X212	Arrears statement	X212 diary
L525	Welcome letter	W010 Completions workflow ⚠ The Welcome letter (L525) displays both *Reduced* and a *Higher rate margin* ra that are specific to the loan account. The reduced rate indicates the starting position for all new loans added into Phoebus. A higher rate is included as a standard rate in the letter and indicates the rate which the customer may get charged if they default on the loan or do repay the loan at term expiry.
L100	32 days arrears	N077 (Letters to customers)
L350	Bridging LBA - Arrears pre-end term date	N077 (Letters to customers)
L351	Bridging LBA-Post term	N077 (Letters to customers)
L352	Bridging - Pre-expiry	W310 - Bridging pre-expiry workflow

Reports

The bridging loans should be included in the MLAR reports (Summary reports R990 to R995) and the PSD performance rep (PSD007 where loans are imported in (X816/X817)).