**Product**

GMF Product: what productsGMF has:

On a high level there are 2 pdts which is used by GMF and classifies contract into Sch A and B

**Schd A:** This is a contract which has both Vehicle and Services provided to the vehicle. This is a kind of contract where a vehicle is taken on a loan/lease and services like maintenance fee, fuel card etc are provided

**Schd B:** Services only contract with (only maintenance, fuel card)

Vehicle linked to a contract is identified by VIN, similar to what we have in India like Chasis no., so VIN is used to identify the vehicle uniquely, and used to identify the asset/vehicle which is linked to your contract.

*Para*

So, do you now understand the difference between Loan and a Lease? Could anyone explain me please?

Lease is something where the vehicle is not owned by the lessee and use for business purposes.

In loan Loan the customer buys the vehicle from GMF through dealer and pays the loan instalment month on month.

So, till now we have majorly come across 4 main pdts with which GMF contracts are built:

1. TRAC lease is a special type of lease (Terminal Rental adjustment clause…)

In India when you take a car on lease lets say, depending on the term of contract like 3 to 5 years, on the1st day itself they decide the depreciation type, like straight line depreciation or the way they want to depreciate the vehicle, so at the end of 3 years we get the (FMV)of the car. So, we basically need to calculate the residual value post 3 years.

Only for a traditional lease when you sign the lease agreement before that only the term, the loan amt, the residual value and monthly instalment everything will be calculated.

TRAC lease is a special type of traditional lease basically also called as a (financial lease) that allows the lessee/borrower to decide on the residual value wants to buy the vehicle at the end of the contract term.

He can adjust the payment term if he decides to pay less monthly instalment, then the residual value will increase, at the end of the contract during termination and he has to pay higher residual value.

If he wants to pay higher instalments, then he has to pay less amount of residual value.

2. APR loan: PR is a type of loan, that is when a customer buys a vehicle on loan and starting itself, they decide based on the term, amt financed and the annual percentage rate the EMI gets calculated like a normal traditional loan.

**3. Schedule B:** This is aservices only contract for vehicle, suppose a customer had taken a TRAC lease and completed the term of lease, he has already bought the vehicle with the residual value, so he wants to continue with the services, in such cases GMF has tie up with different vendors like FleetIO, Coast and Rex, so these vendors provide services like maintenance fee, Fuel card,(like in India when you buy a vehicle you get AMC (annual maintenance card).

Since GMF is in Fleet business, the customers will not have just one car they will have minimum of 10 to 50 fleet of vehicles. As it is difficult to track so many cars, so GMF give vehicle card/fuel card and the drivers can use the card in any fuel station and fuel up their vehicle/ do maintenance, it is like a post-paid service.

At the end of the month the billing data comes from these 3rd party billing systems and uploaded to the core system (AAF) and then applied on the contract. Once the term of the Schd A contract is completed and the customer wants to continue with the services, and he can continue with the Schd B contract with a new contract number and with a new pdt but the asset number will be same. Here the VIN no will be there just for tracking, but the asset cost will always be 0.00.

So, we covered TRAC, APR, schd B we have another

4.New product PLC (Party level charges are the product name) this product is used to create contracts for all the services which are applied at **account level (customer level) not at vehicle level**. **Example** will be like, if someone takes subscription for fuel services then, once a customer takes a subscription, all his vehicles will have the fuel service. It will be charged to one single customer at account level.

**Product Set up**

Navigate to Set up / click on Menu🡪 Product🡪 you can see all the products which are set up for GMF

Or search with Products under Menu

If you want to see the product hierarchy🡪 view as tree🡪 it will show how the pdts are classified

TRAC Lease🡪 Product 6

**Details:**

1. Code (382): We use the code to refer the product, as the name spelling could be incorrect

**Type:**

1. Enhanced Pricing: this checkbox enables the tax-based lease option, what kind of tax is applied would be enabled in the product level (what tax settings need to be applied)

**General DEFAULTS:**

1. GMF business model: GMF introduced model, anytime you create a contract there will be basically 3 parties which we add: customer, dealer and vendor party because we are using a GMF business model. So these parties’ defaults from Business Model from Product level,
2. Asset ownership type: it is marked as financed but it’s an operating lease, just for accounting purpose/entries GMF wants this to be marked as financed lease
3. Accounting classification: The accounting classification also therefore marked the same as financed lease

Coming to other settings:

**Calculation Defaults:**

**Instalment timings:** Arrears/Advance (For all GMF contract the instalment timing is at the end of every month

**Instalment Frequency:** All GMF contracts will have Monthly payment

**Cash flow date rule:** it talks about on what date the cash flow process will be applied/run.

If the cashflow process is run on 31st then 31st will be the contract actual date.

**Calculation mode: Instalments:** This talks about on the contract calculation. So there are diff options. Do we want to calculate instalments or other things on the contract like residual value, interest rate etc.

Depending on other inputs we will be calculating the instalments or rate or other things as given in the dropdown on the contract.

So suppose if a customer wants to pay a fixed or rather flat amount of 5K dollars as instalments month on month and if he has set as rate, depending on what amount you have selected the rate will be calculated by the system and considered as a monthly payment. But its other way round you take the amount financed, rate number will be calculated, similarly as system calculates the instalments from the rate.

**Enhanced pricing:**

**Enhanced pricing** since we have checked the box its coming here, so for all tax-based leases this section will come. This talks about how the taxes will be applied

* Profit Based: If the profit is calculated pretax or post tax application. Here in the set-up it is calculated pre-tax, so when the accounting books are generated, profit will be shown as pretax that is to say that; tax will not be applied on the profit.
* Days convention: we follow 30/360, this is like one month on month assuming every month has 30 days we calculate tax on 30/360 days basis

**ACTIVATION:**

When we create a contract if this option is not selected the contract input date will be defaulted as contract start date

If you allow a manual update start date, you can create a backdated or a future dated contract, I can create a contract today which can start in 1st of July (future dated) or 1st of Jan 2025 (backdated), this helps us giving the option to back date or future date a contract

**METRO 2 DEFAULTS:** we don’t need to worry, just remember the entries, it is related to credit rating agencies.

**RATE DEFAULTS:**

This is not important for GMF as they just have one asset against one contract. This setting is not common to GMF. It always fixed rate which is applied on GMF contract payment calculation.

But where we have 2 assets like 2 cars on the same contract for non GMF clients and let’s say for one car if you are paying 6 percent interest, on the 2nd car you are paying 8 percent interest that’s where you can apply different rates on different assets.

Fixed /floating: In India you might be aware if its fixed interest throughout the loan period your home loan interest will be the rate decided in the loan contract.

Let’s, say if its 10 percent, so 10 percent will be applied through out the loan period

In India if its floating the rate will be applied depending on the Repo rate. If repo rate fluctuates the home loan interest rate fluctuates. Depending on the base-rate, when in the US it’s the treasury rate like our repo rate, when it goes up and down the interest rate also fluctuates. But for GMF as I said its always fixed.

**TERMINATION METHOD**

Talks about when you terminate the contract how the balances will be calculated. Whatever is the unpaid amount/amount due will be added under the termination quote as termination amount

FMV default Calculation Method: At any point the customer wants to terminate the contract, how will be the Fair Market Value be determined, it won’t be exact amount, but we follow the principal balance. So, let’s say

If the vehicle is 10 k dollars and every month it depreciates by 200 dollars, at the end of ten months it depreciates by 2000 dollars, right? At the end of ten months if the customer goes for a contract termination the FMV will be calculated as (10k-2k) that is 8 k.

This is not actual sell value but the calculated sell value. Depending on what amount they sell the asset, it will either be a profit or loss and will be added on the termination quote.

So, these were the key settings.

Lets’ now go through:

**End Of Term:**

Asset Disposal Type: Option is given to the customer or lessee to buy the vehicle at the end of the contract term; he can buy the vehicle with the residual value.

Extension Default: We do not allow product extension, so it is set as None

**CONTRACT CALCULATION CUSTOMIZATION: These are few BLDs which are configured and applied, these are used for pre-calculation.**

**There is a ‘Calculate button’ on the contract which you might have noticed while we were going through the contract creation training, which helps in calculating using the calculating logics set up here in these BLDs. So, these are contract calculation events**

***Fleet APR (Product 18) and TRAC has similar settings only except the residual value.***

1. ***A TRAC lease has concept of residual value as it’s a lease but in APR since it’s a loan the customer buys the vehicle, so there is no concept of residual value.***

***( Product 18 ) And we have few plugins which are not enabled for APR. Since we do not calculate residual for APR so the residual amount calculating plugins are not enabled in APR product level setting***

**SCHEDULE B: Product 19:**

Just to keep the product set-up consistent we have similar set ups

**Calculation Details:** Since we do not have any financed asset for Schd B contract, so Instalment doesn’t make any sense.

**Enhanced Pricing Defaults:** But yes, Taxes will come to play, so the charges added in the contract, will be added based on similar pricing rules

Contract Calculation Customization: We donot have any plugins so plugin section is blank

**Party Level Charges Product: Product 26**

It is similar to Sched B only difference is here we do not have any vehicle asset because this is an account based and directly charged to the customer.

So, let me show you a PLC contract, if you try creating a party level charges contract the default is such that it is non-vehicle type asset under financial asset. If we see asset type, it will just show party level charges under Asset Type not any vehicle.

And Cost will be 0.00.

**SHOW EXAMPLE**

***PROGRAMS:***

It is very similar to product; Program is where you want to apply different set of defaults.

Typical example let’s say amazon is selling a mixer grinder machine and throughout the year at 8k except during few days during the **big billion day** they sell the same brand of mixer grinder machine at 4k.

They will create a program “BIG BILLION DAY” 1st oct to 15th oct, with a validity 15 days and the cost of the mixer will be 4k.

So as in product I showed you settings like business unit, OU, end of term, termination set up etc Program is used to override any such settings.

**Example** GMF has several models like GMC, chevy etc, in chevy model one variant if they want to give a 5% discount so they will create a separate program for it where they will add different set of defaults under the program.

I will show you how to override

All Program, we have 4 program set ups and let’s say lets open Program 20 for TRAC lease and go to “Contract Defaults” sub tab, by default BU is Ameri credit, let’s say I want to add GMF BU I can add a separate BU, so it will override.

Why I said Product and Program has similar settings, under maturity and termination subtab you can see Termination Settings is defaulted from product

**Program will override the settings of the Product.**

**In GMF we always populate using the program, we have put a validation if a program is not added we wont allow to save a contract.**

*Show an example by not defaulting a Program*