AMB's Commission Calculation Module Q & A

3rd Quarter, 2018 edition

Thank you for your interest in AMB's Commission Calculation Module. I am confident that AMB's Commission Calculation Module will substantially improve your commission calculating and reporting efforts. Even though it was not custom built for you, it suits your needs today. We have developed the product over the last 15 years based on the comments of hundreds of AMB customers. The module is extremely robust. You get the flexibility and suitability you need while having the security of knowing that ASI is responsible for updating the system as market conditions change. Currently, there is no annual fee associated directly with the module, as the enhancements are currently bundled with the enhancements to the overall AMB system. The ROI gets better and better the longer you use it. I look forward to a formal webinar presentation once your commission staff has had a chance to review the following Q & A.

This document was created from an actual list of questions provided by an AMB prospective customer. We were impressed by the comprehensive nature of the questions, so we made it into a general Q&A. The customer questions are in *black italics*. The AMB responses are in blue regular type. Please direct questions to Joe Ludlow at Advantage Systems, (949) 250-0260 Ext. 201 or jludlow@mortgageaccounting.com.

Definitions:

Profile – This is the "comp plan". The user creates different Profiles to accommodate the different LO comp plans. In other words, a Profile is where we define the number of basis points to be paid per loan, as well as tiers, formulas for max/min, dollar amount adds/deducts, etc. Profiles may apply to groups of LOs that receive the same compensation for a certain type of loan. Any one LO may participate in several Profiles for different situations. For example an LO may receive different compensation for a first position loan vs. a second lien, a banked vs. brokered loan, a self-generated lead vs. a company provided lead, etc. A Profile may be individual for a certain LO as well.

Adjustments – These are additions/deductions to a LO's pay that are not related to any one specific loan. LO specific marketing expenses, for example, are adjustments.

Loan Code – Broad categories of loans like Conventional, Jumbo, HELOC, VA, Reverse

Source, Purposes, etc. – These are other factors that may cause AMB to select one profile instead of another. A Purchase Money Conventional loan sourced by the LO's on marketing efforts might have a different Profile than a Refi Conventional loan from a company provided lead. These various factors are data fields within the AMB borrower database.

Can the system pay on two contracts due to lock date differences:

-We interpret the contract terms based on lock date

-We pay the LO's based on funded date

In the Commission Setup screen, the user can set the Profile Lock Date as the Loan Lock date. Therefore, although AMB only calculates commissions for Funded loans, the Profile used for a given loan (and therefore the Tiers, deductions, etc.) is based on the Lock Date.

Semi-Monthly vs. Full Month Commissions

-Need to be able to account for commission already paid for the first half of the month when processing the full month

Since AMB is an accounting system, AMB can use the loan level commission transaction to determine what has already been paid on a loan. Therefore, the loan level report shows Commission Earned (as of the full month), Commission Previously Paid, and Commission Due

Personal Loan rate vs. In House Referral rate

-In House Loans typically paid at a lower rate

These are Sources in the borrower record, and therefore help to determine the Profile used.

Minimum Guaranteed Commissions

-Usually for new LO's to pay them a commission before they get production up to speed

If we are talking about a minimum commission per loan, minimum commissions are handled properly in the Formula section in the Profiles. You can also have a Maximum commission per loan. If we are talking about a minimum compensation per LO, then minimum compensation is usually handled through payroll and is considered a draw, which can then be deducted from the LO's comp in the commission module.

LO Hourly deductions from Commissions:

- *Need to be able to keep track of an ever changing balance of LO Hourly vs. the commission recovery*

In the commission draw section of the commission module, AMB provides the ability to apply the draw recovery to the commission report. The LO Hourly is calculated by your payroll provider. The final number per LO is imported into the AMB Commission Draw section. The individual LO's report shows Commission Earned, less Draws, Equals Commission Due. Draw adjustments can be set to be revolving with a beginning and an end date (such as bi-weekly) or can be based on imported or entered data (best for hourly wage reimbursement that varies due to overtime).

The report will provide a recap showing the beginning draw balance, draws added during the period, commissions earned during the period, and commissions applied to the draw balance. Therefore, the running draw balance total will be included in the commission report.

Users may run the commission report many times until they are happy with it, prior to finalization. LO's commonly review a preliminary run of commissions before the commission report is finalized. To increase auditability and flexibility, users can run the commission report at any time, for as far back into the past as neede. To keep a running balance of LO hourly and Draw Amounts Due, the user must "finalize" the commission report, which will total the draw balance and stores the number. That's the only way to ensure that the system deducts from the running balance only once per pay period.

Advances on Commissions

-Payments on commissions made before the loan is funded

Using the Draw function, users can pay the LO and then record the amount as a Draw in the commission system. The user can then allow the system to reduce the current period or future period commission earned by the Draw amount (the default behavior), or forgive the Draw.

Team Splits:

-3 teams in one city

-Share equally in commission and deductions

-Each team member will have different loans / volume, but will end up being paid the same

Users may define commission teams as a fixed team. In this case, a loan will be split based upon a pre-defined percentage among the members of the team, based on a team member being the LO for the loan. The split can be based on the primary LO's comp (split the commission), or based on the individual LO's various arrangements with the house (split the loan).

Alternatively, team splits and percentages are also included in the borrower table, allowing for ad-hoc commission splits. We can import the split data from the LOS. Otherwise, users may enter the data directly using the pick lists in the split screen.

Sign On Bonuses

These are positive Adjustments, entered to the Adjustments screen, either as a per-pay-period amount with an end date, or as one lump sum.

Min / Max per loan:

-Min / Max apply to Personal Loans

-Max applies to In House Loans (Min does not apply to In House Loans)

Min/Max levels are entered directly on the commission profile screen.

Deductions per loan

This is a standard Profile feature

Tiers:

-Retroactive vs. Incremental

-$ based vs. unit based

-based or unit based (Tampa)

In AMB language, we use Volume Based or Unit Based. Tiers are retroactive or incremental. You can have a 0% tier for the first tier if you like (i.e. no extra money until you do a minimum amount of business per pay period). Since LOs may use distinct Profiles, their tiers can be different. Tiers work for all employees who receive either commissions or overrides from the AMB system, such as LOs, branch managers, processors, LO assistants, etc.

Straight Commission

Of course! If only the world were always this simple!

Brokered Loans:

> *-One specific branch – Brokered Loans will start to count towards tier determination*
>
> *-Historically – Brokered Loans do not count towards tier determination*
>
> *-Brokered Loans paid at rate as determined by either: (Personal Loans & In House Loans) or: (Personal, In House, and Brokered) – One specific branch*

AMB has a Global Variable capability. The Global Variable can be used to determine a rate based on a tier. The tier can be based on a given set of loan programs. The Global Variable results in a rate that can be applied to other loans outside of the set of loan programs used to calculate the Global Variable. So, the rate can be based on the non-brokered loans, but then applied to the brokered loans to calculate the commission. The only caveat is the brokered loans have to close in the same date range as the non-brokered.

Commissions earned, accrued and paid and to be paid

The commissions Earned screen shows commissions earned, accrued, due, paid to date, and to be paid. The user can "make payments" or view "payment details" from this screen. Users use the Commissions Earned screen to review and book commissions to the GL, as well as export the commission data for submission to your payroll system.

Lock dates determine contracts

Yes, in the Commission Setup screen. The system will determine the rate based on the lock date, but apply the rate only to loans that have closed/funded.

Fund dates determine overrides / volume bonuses

You can calculate based on one of the following three dates: Funding Date, Closing Date, or Sale Date. Most clients pick one and stick with it, but you can change.

Overrides (being paid on other LO(s) production):

-Brokered Loans excluded from overrides, unless otherwise noted

Yes, the Overrides are paid either by branch activity or by a specific LO's production. You can establish all of the same rules for Overrides as you can for normal commissions, including the exclusion of certain loan types.

Relationship Overrides

Custom Relationships allow individuals to receive an override based on the actions of a specific other individual. For example, a regional manager can be awarded overrides from certain branches or loan officers. Or, a processor can receive a different override rate for work done on behalf of specific LO's.

Volume Bonuses (being paid a bonus based on $ or Unit volume):

-Brokered Loans excluded from volume bonuses, unless otherwise noted

Bonuses are calculated, with tiers if you like, much like commissions. You can include or exclude certain loan types. Both Units and Volume are available.

Split Forms:

-Where the LO's share the commission on one loan

-Usually 50/50, but can be any percentage split

This is really just a "Team of Two" from AMB's perspective, so the Split screen us used.

Referral Forms:

-Where the referring LO gets paid $500 & the receiving LO gets paid the commission on that loan

We have a special feature for Referrals between LOs. This is a very common occurrence among our clients.

Loan Partner Bonuses

A Loan Partner is someone who assists the Loan Officer in closing the loan. The Loan Partner for compensation purposes will be paid in one of three ways:

a. *Paid $ X per loan that a Loan Officer or Officers fund in a given month ($50/file x 8 files)*
b. *Paid X BPS on the funded volume of a Loan Officer or Officers (10 BPS x $1,000,000 in funded volume)*
c. *Sometimes the Loan Partner is paid per loan on some Loan Officers & paid X BPS on the funded loan volume of another loan officer (a combination of a & b)*

Loan Partners can be paid through the Overrides feature. In Overrides, a Loan Partner may be paid on basis points or $ per loan, based on which LO the loan is with. In other words, the rate and method are set per LO from the Loan Partner's Perspective. This type of override can deduct from the LO or be paid by the house.

Processor Bonuses

Either $ or basis points, based on either the Processor being listed in borrower's records (imported from LOS), or based on the concept that processors work for certain LO's or Branches. Or, a processor can be identified by loan in the loan level database (downloaded from your LOS), which would then be used to determine which loans to pay the Processor Bonus.

Branch Manager Pay

Overrides for branch managers, and district managers overseeing the same branches, are calculated in either basis points or $.

Termination of LO's, LP's, Branch Managers, and Processors

One click deactivation! We need to keep former employees in the database for audit, so we just deactivate them so they can't get paid going forward. Also, the LO commission report can be run as of any date, to ensure that the cutoff matches the termination date.

Adding new LO's, LP's, Branch Managers, & Processors

As a control point, a new individual must be set up in the system. AMB has a control list for loans closed by an LO, where the LO was not properly set up. We want accounting to control who are the legitimate LO's, LP's etc.

What about getting payroll data in an automated upload process to ADP?

Yes, most of our clients upload their commission data to ADP or another payroll service. We store the payroll employee ID numbers for each LO.

Internal Controls – Verification of commission payroll calculations:

> *-Were loans missed?*
>
> Loans with No Matching Profiles Report – Identifies loans that closed but AMB could not match the LO with a proper profile. Cleaning out this list is the first step the User takes after the first preliminary commission report run.

-Was LO Hourly captured properly?

We can import hourly wages into the Adjustments section, based on the LO's Employee ID number with ADP. The hourly wage is shown on the commission report. If you run the Custom Report to Excel, the second tab shows only adjustments per LO. That would be a great list to compare to the actual file you got from ADP with the wages.

-Were overrides calculated accurately?

Overrides have a separate report that reports Overrides by recipient. Or, Overrides can be incorporated into an inclusive report.

Loan Population:

-Funded Loan Population – (need to consolidate)

-Brokered Loan Population – (need to consolidate)

*-Loans that need to be **excluded** from population:*

i.e. Branch Managers (paid on branch profitability, not individual loans)

We have two separate loan populations that need to be added together. There is the funded loan population & brokered loan population. The loan data comes from two separate sources. Basically I need to bring the funded loans & brokered loans together in one data set. Then there are loans within the funded or brokered loans that need to be excluded if they were closed by Branch Managers. We exclude the loans closed by Branch Managers because they are paid on branch profitability more so than on a loan by loan basis.

-The lead funder in our department provides me with the funded loan population.

-The lead branch accountant in our department provides me with the brokered loan population.

This question is different in that I'm trying to address the logistics of setting the loan population up for commission calculation processing. The other question about paying on funded loans, excluding brokered, and overrides has more to do with how we do the actual commission calculations once the loan population is set.

The process of recording (via imports generally) loan/borrower data (which is not debits nor credits) into AMB begins long before a loan is closed, either brokered or funded. The system, according to proper procedures, should be updated at the final funding date with the most up to date info. Since we can import data from multiple sources, the data set should be complete when we calculate commissions. Since AMB is based on unique loan numbers, all of the loans will be in the database, comingled but identifiable. Brokered loans are identified in the Loan Type field. So, all of the data, properly matched to the proper profile in both commissions and overrides, should be in the system prior to calculation.

We have the ability to exclude loans that were closed by branch managers. However, it is common for a branch manager to receive a commission on their individual loan activity, but not an override on their loans as they relate to branch productivity.

Please contact:

Joe Ludlow
Vice President of Sales
Main: (949) 250-0260 Ext.201
Direct: (949) 326-9880
JLudlow@MortgageAccounting.com
34 Executive Park, Ste 100 Irvine, CA 92614