Loans Management - Business Operations

The Loans Management - Business Operations ES bundle is a means of enabling financial institutions to perform business operations during the lifecycle of a loan, such as creation of the loan, disbursement of funds, allowing customers to skip a payment or payoff a loan fully. An installment loan is a standardized short- or mid-term loan product, which is typically used to finance consumer-related products for private customers. It could also be used to finance investment goods for small enterprises. A mortgage loan is a standardized mid- or long-term loan product which is typically used to finance any purpose related to real estates, i.e. building a new single family house or buying an apartment. Following examples are given as example on the usage of a installment loans.

As soon as bank and customer have agreed about the installment loan contract the loan creation is initiated and the loan capital is disbursed as soon as all preconditions, i.e. collaterals, are fulfilled. Usually the customer repay the installment loan in equal monthly installments including interest and principal, but other repayment schemes are also possible (for example, adjustable installments or balloon payments at end of the loan term). Because of a liquidity shortage in a manageable time frame the customer might also ask to skip some payments. The enterprise services in the Loans Management - Business Operations ES bundle allow banks to create loan contracts, disburse capital from a loan, offer skip payment functionality as a way of marketing their loan products and initiate the payoff of a loan.

In the first use case a customer and the bank agree about a new loan contract. The customer consultant enters the contract data into his front office application so that the loan contract is created in the backend system.

In the second use case the customer will request a disbursement from the loan to be transferred to his bank account. A loans manager will go into the system to pull up the customer's account details, and then run a series of steps to find out the amount which can be disbursed. The loans manager can select due items such as fees or interest payments to be deducted from the gross amount being requested for disbursement in order to calculate the net loan disbursement.

In the third use case the customer asks to change the current payment plan as he would like to increase the monthly installment rate. The loans officer can go into the system, read the details on the current loan, specify when the next payment will be due, and perform the payment plan change.

In the fourth use case the customer received unexpected money and the bank agrees that he can make an early payoff. The loan manager accesses the system and specifies which amount the customer has to pay to payoff the loan completely. The loan manager initiates the required steps in the system.

The Loans Management - Business Operations ES bundle leverages enterprise SOA through enterprise services that communicate with SAP for Banking using the Business Process Platform (BPP) for Banking.

| Loans Management - Business Operations (click to enlarge) |

**Audience**

The primary group who will benefit from this ES bundle are banks that offer installment loans to consumers or small businesses. But other companies that offer financing products, such as automobile companies or retailers who sell large items on an installment plan, can benefit from this ES bundle as well.

For details on Service Operations, Business Objects and Process Components, please check the ES Workplace.

**How to Use This ES Bundle**

This section will explore a set of use cases for the Loans Management - Business Operations ES bundle. Each use case will show how different enterprise services might be used in this scenario. While these examples illustrate a couple of the ways that this ES bundle could be used, the intention is to show the flexibility and reusability of
these business objects and enterprise service operations so that you will have a clearer understanding of how to deploy them in your own environment. This wiki is also a space for you to share knowledge and collaborate with others who are implementing the Loans Management - Business Operations ES bundle.

**Use Case 1: Loan Creation Process**

A customer, which already has some contracts with the bank asks for an additional loan offer. The customer consultant searches for existing data of the customer Find Business Partner Basic Data by Elements and based on this for the already existing loan contracts Find Loan Contract By Basic Data_V1. Then he enters the relevant data for the new offer into the system and gets calculated an offering for a loan Calculate Loan Calculation. After checking the offer bank and customer agree about it and the customer consultant initiates the creation of the loan in the system Create Loan Contract_V1 and Confirm Loan Contract Creation_V1.

**Use Case 2: Loan Disbursement**

Two weeks later the customer requests a full disbursement of the loan amount. The loan officer searches for the loan contract of the customer Find Loan Contract by Basic Data_V1 and checks if already a disbursement order exists Find Loan Disbursement Request by Basic Data. As no order exists, he now creates a new disbursement order with the related payment data Create Loan Disbursement Request_V1.

As a release procedure (4-eye-principle) has been implemented for disbursement orders, the order is not processed directly but it is sent for release. A second authorized loan officer now checks the disbursement order Read Loan Disbursement Request_V1 and as everything is fine, he releases it Release Loan Disbursement Request. The disbursement order is processed now.

In case the disbursement order cannot be released because of some wrong data, the disbursement order could be rejected by the second officer Reject Loan Disbursement Request.

**Use Case 3: Creation of Payment Plan Change**

Some months later the customer contacts the loan officer and tells him that we would like to change his current payment plan as he gets a higher salary now and he wants to increase the monthly installment rate because of this. The loan officer searches for the data of the customer Find Business Partner Basic Data by Elements and gets displayed the affected loan contract data Find Loan Contract by Basic Data_V1. The loan officer now enters the details about payment plan change, means the increased monthly installment rate, and gets displayed the payment plan change proposal Calculate Loan Payment Plan Change Request_V1. Bank and customer agree to this proposal and the loan officer initiates the payment plan change in the system Create Loan Payment Plan Change Request_V1. In case the payment plan change was sent for approval, the authorized clerk would check the order data Read Loan Payment Plan Change Request_V1 and either accept the changes Release Loan Payment Plan Change Request or trigger the rejection of it, i.e. in case of any missing data Reject Loan Payment Plan Change Request.

**Use Case 4: Early (full) payoff of the loan**

After one year of regular repayment the customer receives unexpected money and he contacts the loan officer and asks for an early full payoff of the loan. The loan officer searches for the customer data Find Business Partner Basic Data by Elements and checks the related loan contract data Find Loan Contract by Basic Data_V1. After agreeing to the early payoff, the loan officer enters the data for the payoff into the system and gets displayed the calculated data Calculate Loan Contract Payoff Request. As also the customer agrees now to it, he initiates the creation of the payoff order Create Loan Contract Payoff Request. The early payoff is now processed in the system.

In case the payoff order was sent for approval, a second authorized clerk would check the order data Read Loan Contract Payoff Request and either accept the order Release Loan Contract Payoff Request or reject it, i.e. in case of any missing or wrong data Reject Loan Contract Payoff Request.

**Future Directions**

SAP wants to provide more services to allow customers the ability to process additional business operations in the Loans Management - Business Operations sector.

**Connectivity**

Loans Management - Business Operations Instructions achieves connectivity through SAP NetWeaver Process Integration (formerly called XI) and through an ICOD.

**System Requirements**

- SAP ERP 6.0, EHP 3 (for FI-CA) on SAP NetWeaver 7.0
- Banking Services from SAP 7.0 on SAP NetWeaver 7.1
Related ES Bundles

- Sales and Service - Account Origination
- Financial Accounting - Loans Integration
- Integration Services for Banking Platform

Links

SAP and SDN Links

- SOA Homepage on SDN
- SAP Banking