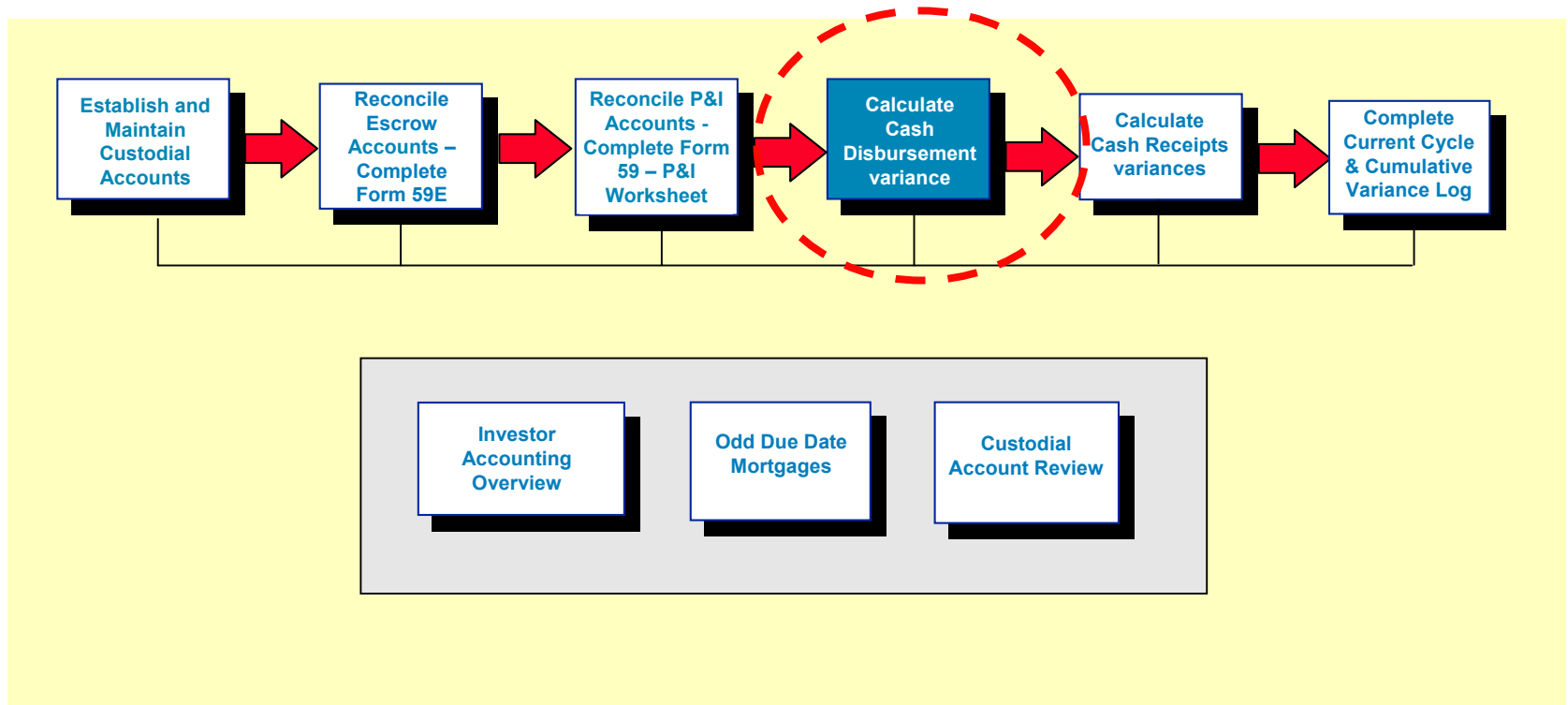


Cash Disbursement Variances



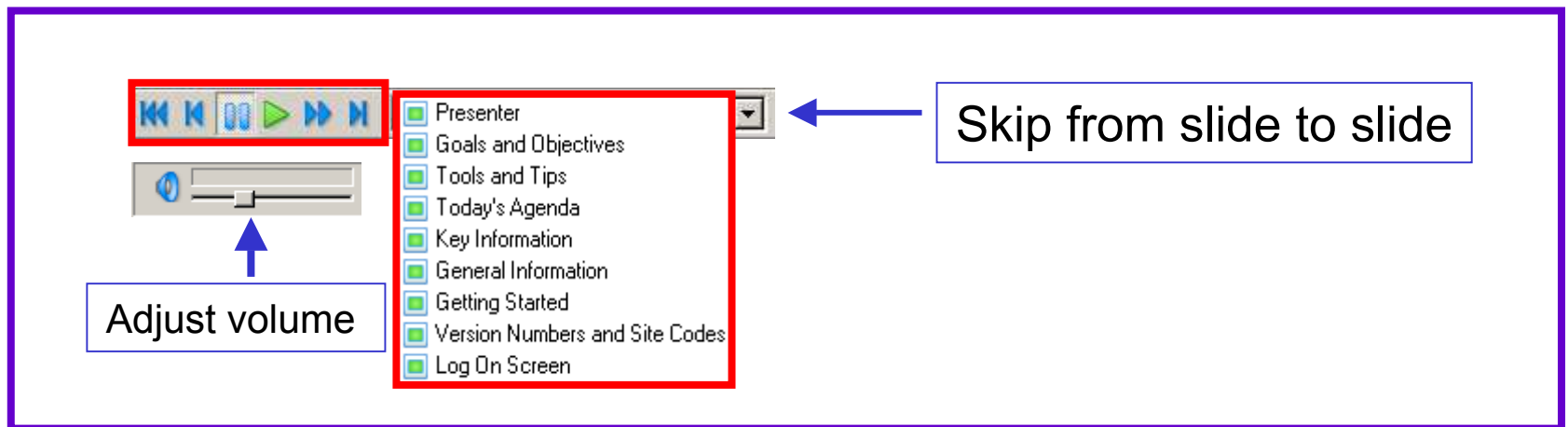
Your Freddie Mac presenter is:

➤ Tara Connors



Tools & Tips for a Recorded Session

- **Close all other applications to enhance your workstation's performance.**
- **Maximize the window used for viewing this recording.**
- **For technical assistance contact Centra support at (888) 617-7499.**



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Objectives

- **After completing this session you should be able to:**
 - Explain what a cash disbursement is
 - Determine your cash disbursements variance
 - Identify and resolve cash disbursements variances

Agenda



- **Define Cash Disbursements**
- **Review Common causes**
- **Completing the Cash Disbursement Variance Worksheet**
- **Identifying and Resolving Cash Disbursement Variances**



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- Single Family Home
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- Selling & Delivery
- Servicing
- Training
- Quick References
- Mortgage Products
- Certification Program
- Housing Counselors
- Learning Center Updates
- Learning Center Glossary

Investor Accounting: Custodial Accounts

Use the following resources to help you reconcile your principal and interest custodial accounts.

To access additional items, select a topic and click 'Go'. Servicing Home Page > GO

Resource	Link
Mortgage Document Manager	Fact Sheet
Servicer Certification Program	Fact Sheet
Custodial Accounting	Best Practice [PDF 25K]
Understanding Custodial Accounts	Reference Manual [PDF 6.4M]
Understanding Custodial Accounts	2 day workshop
Understanding Custodial Accounts Case Study	Reference Manual [PDF 3.6M]
Freddie Mac's <i>Single-Family Seller/Servicer Guide</i>	Forms and the Guide
<ul style="list-style-type: none"> > Chapter 76: Basics of Investor Accounting > Chapter 79: Managing Custodial Accounts > Exhibit 68: Cash Remittance System > Form 59: Principal and Interest Custodial Account Reconciliation Worksheet – Monthly Account Statement > Form 59E: Escrow Custodial Account Reconciliation Worksheet > Form 1057SF: Letter Agreement for Servicer's Single-Family Principal and Interest or P&I Disbursement Clearing Custodial Account > Form 1058SF: Letter Agreement for Servicer's Single-Family Buydown or Escrow Custodial Account > Form 1059SF: Letter Agreement for Single-Family Principal and Interest or P&I Disbursement Clearing Custodial Account > Form 1060SF: Letter Agreement for Single-Family Buydown or Escrow Custodial Account 	

To order a hard copies of the Understanding Custodial Accounts manuals

<http://www.freddiemac.com/learn/service/pub.html>

Reconcile P&I Custodial Account Process

- 1. Complete form 59, P&I reconciliation worksheet
2. Calculate your cash receipts variance
- 3. Calculate your cash disbursements variance
4. Verify that your worksheets are correct by using the numbers check formula
5. Identify transactions causing cash receipts variance and record on a current cycle variance log
6. Identify transactions causing cash disbursements variance and record on a current cycle variance log
7. Record all outstanding variances on the cumulative variance log and designate as cash or paper
8. Repeat the above steps for each previous cycle until the total cumulative variance is identified

Principal and Interest Custodial Account Reconciliation Worksheet - *Monthly Account Statement*

AS OF: 15-Feb

Seller/Servicer Number: 999999 Seller/Servicer Name: Mongol Mortgage

Section 1 - Adjusted Bank Balance

1a)	Bank balance as of <u>15-Feb</u>	741,395.99
1b)	Subtract: Outstanding debits	0.00
1c)	Add Deposits in transit	1,860.50
1)	Adjusted bank balance	743,256.49

Section 2 - Total Liability

2)	Ending Balance from the <u>15-Feb</u> <i>Monthly Account Statement</i>	211,275.43
----	---	------------

Subtract cumulative totals for:

3a)	Delinquent interest on active mortgages	8,885.13
3b)	Delinquent interest on inactive mortgages	0.00
3c)	Delinquent principal on Timely Principal & Interest and scheduled/scheduled mortgages	0.00
3)	Subtotal for Delinquents (Lines 3a+3b+3c)	8,885.13

Add cumulative totals for :

4a)	Prepaid interest	1,566.62
4b)	Prepaid principal on Timely Principal & Interest and scheduled/scheduled mortgages	0.00
4c)	Minority principal and interest collected but not reported as of <u>15-Feb</u>	0.00
4)	Subtotal for Prepays (Lines 4a+4b+4c)	1,566.62
5)	Total Liability Lines 2-3+4	203,956.92

Section 3 - Total Variance

6a)	Current cycle's total cumulative variance (Line 1 less Line 5)	539,299.57
6b)	Previous cycle's total cumulative variance (Line 6a from previous cycle)	3,898.10
6c)	Current cycle variance (Line 6a less 6b)	535,401.47

Current Cycle Variance Analysis

Cash Receipts Variance

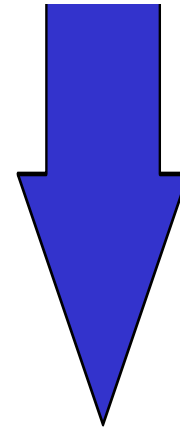
- Cash Disbursements Variance

= Total Current Cycle Variance
(Line 6C of Form 59)

What is a Cash Disbursement?

A *cash disbursement* is any transaction that reduces your bank balance

- ◆ Journal entries
- ◆ Manual adjustments
- ◆ Check transfer
- ◆ GPI EFT/ACH debits
- ◆ Payment reversals



Cash Disbursement Variances

Cash disbursement variances occur when the amount on the “Remittances Made” line of your MAS is different from what was withdrawn from the bank.

Bank Withdrawals \neq MAS Remittances

Cash Disbursements to Amount Remitted

Worksheet

As of: February

Section 1 - Adjusted Cash Disbursements

1 a) Cash Disbursements from Bank Statement

1 b) Add outstanding debits _____

1 c) Less previous cycle's outstanding debits _____

1) Adjusted cash disbursements (Line 1 a + 1 b - 1 c) _____

Section 2 - Total Remittances to Freddie Mac

2) Total cash made available to Freddie Mac in the cycle
(Remittances made from the *Monthly Account Statement*) _____

Section 3 - Total Variance

3) Total cash disbursements variance (Line 1 - Line 2) _____

BANK OF BAGWAN

15-Feb

Posted Date	Withdrawals	Deposits	Transactions	Bank Balance
15-Jan			BEGINNING BALANCE	46,000.00
18-Jan	38,314.75		GPI ACH - FHLMC	7,685.25
25-Jan		637.40	MORTGAGE COLLECTIONS	8,322.65
27-Jan		1,051.01	MORTGAGE COLLECTIONS	9,373.66
31-Jan		869.63	MORTGAGE COLLECTIONS	10,243.29
1-Feb		1,966.73	MORTGAGE COLLECTIONS	12,210.02
2-Feb		5,579.84	MORTGAGE COLLECTIONS	17,789.86
3-Feb		2,752.47	MORTGAGE COLLECTIONS	20,542.33
6-Feb		1,336.99	MORTGAGE COLLECTIONS	21,879.32
7-Feb		3,782.87	MORTGAGE COLLECTIONS	25,662.19
7-Feb	7,114.57		GPI ACH - FHLMC	18,547.62
8-Feb		140,630.61	MORTGAGE COLLECTIONS	159,178.23
9-Feb		2,526.99	MORTGAGE COLLECTIONS	161,705.22
10-Feb		2,590.54	MORTGAGE COLLECTIONS	164,295.76
13-Feb		672.92	JE - ADJUSTMENT- January	164,968.68
13-Feb		5,201.78	MORTGAGE COLLECTIONS	170,170.46
13-Feb	138,986.14		GPI ACH - FHLMC	31,184.32
14-Feb		710,759.35	MORTGAGE COLLECTIONS	741,943.67
15-Feb	4,571.02		JE - ADJUSTMENT- January	737,372.65
15-Feb		4,023.34	MORTGAGE COLLECTIONS	741,395.99
TOTALS	188,986.48	884,382.47	ENDING BALANCE	741,395.99

Case Study - Feb

BANK OF BAGWAN

15-Feb

Posted Date	Withdrawals	Deposits	Transactions	Bank Balance
15-Jan			BEGINNING BALANCE	46,000.00
18-Jan	38,314.75		GPI ACH - FHLMC	7,685.25
25-Jan		637.40	MORTGAGE COLLECTIONS	8,322.65
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31-Jan		869.63	MORTGAGE COLLECTIONS	10,243.29
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15-Feb	4,571.02		JE - ADJUSTMENT- January	737,372.65
15-Feb		4,023.34	MORTGAGE COLLECTIONS	741,395.99
TOTALS	188,986.48	884,382.47	ENDING BALANCE	741,395.99



Case Study - Feb

Cash Disbursements to Amount Remitted

Worksheet

As of: February

Section 1 - Adjusted Cash Disbursements

1a)	Cash Disbursements from Bank Statement		<u>\$188,986.48</u>
1b)	Add outstanding debits	_____	
1c)	Less previous cycle's outstanding debits	_____	
1)	Adjusted cash disbursements (Line 1a + 1b - 1c)		_____

Section 2 - Total Remittances to Freddie Mac

2)	Total cash made available to Freddie Mac in the cycle (Remittances made from the <i>Monthly Account Statement</i>)		_____
----	--	--	-------

Section 3 - Total Variance

3)	Total cash disbursements variance (Line 1 - Line 2)		_____
----	---	--	-------

Cash Disbursements to Amount Remitted

Worksheet

As of: February

Section 1 - Adjusted Cash Disbursements

1a)	Cash Disbursements from Bank Statement		<u>\$188,986.48</u>
	1b) Add outstanding debits	<u>0</u>	
	1c) Less previous cycle's outstanding debits	<u>0</u>	
1)	Adjusted cash disbursements (Line 1a + 1b - 1c)		<u>\$188,986.48</u>

Section 2 - Total Remittances to Freddie Mac

2)	Total cash made available to Freddie Mac in the cycle (Remittances made from the <i>Monthly Account Statement</i>)	_____
----	--	-------

Section 3 - Total Variance

3)	Total cash disbursements variance (Line 1 - Line 2)	_____
----	---	-------

REPORT: LLR6110R
ACCOUNTANT:
SERVICER 123456

LOAN LEVEL REPORTING
MONTHLY ACCOUNT STATEMENT
AS OF: 15-Feb

BEGINNING BALANCE 45,429.32

TRANSACTION APPLIED	PRINCIPAL DUE	INTEREST DUE	TOTAL P&I	
NON EXCEPTIONS	4,349.39	38,460.38	42,809.77	
PREPAID PAYOFF (61)	305,047.27	2,404.53	307,451.80	
ADD TOTAL PRINCIPAL & INTEREST	309,396.66	40,864.91	350,261.57	350,261.57
LESS REMITTANCES MADE				184,415.46
ADD ADJUSTMENTS MADE BY FREDDIE MAC				0.00
ENDING BALANCE				211,275.43



Cash Disbursements to Amount Remitted

Worksheet

As of: February

Section 1 - Adjusted Cash Disbursements			
1a)	Cash Disbursements from Bank Statement		<u>\$188,986.48</u>
1b)	Add outstanding debits	<u>0</u>	
1c)	Less previous cycle's outstanding debits	<u>0</u>	
1)	Adjusted cash disbursements (Line 1a + 1b - 1c)		\$188,986.48
Section 2 - Total Remittances to Freddie Mac			
2)	Total cash made available to Freddie Mac in the cycle (Remittances made from the <i>Monthly Account Statement</i>)		<u>\$184,415.46</u>
Section 3 - Total Variance			
3)	Total cash disbursements variance (Line 1 - Line 2)		<u> </u>

Cash Disbursements to Amount Remitted

Worksheet

As of: February

Section 1 - Adjusted Cash Disbursements			
1a)	Cash Disbursements from Bank Statement		<u>\$188,986.48</u>
1b)	Add outstanding debits	<u>0</u>	
1c)	Less previous cycle's outstanding debits	<u>0</u>	
1)	Adjusted cash disbursements (Line 1a + 1b - 1c)		\$188,986.48
Section 2 - Total Remittances to Freddie Mac			
2)	Total cash made available to Freddie Mac in the cycle (Remittances made from the <i>Monthly Account Statement</i>)		<u>\$184,415.46</u>
Section 3 - Total Variance			
3)	Total cash disbursements variance (Line 1 - Line 2)		<u>4,571.02</u>

Cash Disbursements to Amount Remitted Worksheet - *Monthly Account Statement*

AS OF: 15-Feb

Seller/Servicer Number: 999999 Seller/Servicer Name: Mongol Mortgage

Section 1 - Adjusted Cash Disbursements

1a)	Cash Disbursements from Bank Statement		188,986.48
1b)	Add outstanding debits (line 1b current cycle P&I Worksheet)	0.00	
1c)	Less previous cycle's outstanding debits (line 1b previous cycle's P&I Worksheet)	0.00	
1)	Adjusted cash disbursements (Line 1a+1b-1c)		188,986.48

Section 2 - Total Remittances to Freddie Mac

2)	Total cash made available to Freddie Mac in the cycle (Remittances made from <i>Monthly Account Statement</i>)		184,415.46
----	--	--	------------

Section 3 - Total Variance

3)	Total cash disbursements variance (Line 1 - Line 2)		4,571.02
----	---	--	----------

Causes of Cash Disbursement Variances

Cash disbursement variances are created by

- **Recovery of advances**
- **Removal of servicing fees**
- **Unauthorized withdrawals**

Cash Disbursement Variances

First record the total amount of your cash disbursement variance (line 3) on a Current Cycle Variance Log.



Cash Disbursement Variances

Next, identify cash disbursement variances by recording any withdrawals from the custodial account that are not GPI debits.



BANK OF BAGWAN

15-Feb

Posted Date	Withdrawals	Deposits	Transactions	Bank Balance
15-Jan			BEGINNING BALANCE	46,000.00
18-Jan	38,314.75		GPI ACH - FHLMC	7,685.25
25-Jan		637.40	MORTGAGE COLLECTIONS	8,322.65
27-Jan		1,051.01	MORTGAGE COLLECTIONS	9,373.66
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15-Feb		4,023.34	MORTGAGE COLLECTIONS	741,395.99
TOTALS	188,986.48	884,382.47	ENDING BALANCE	741,395.99

Case Study - Feb

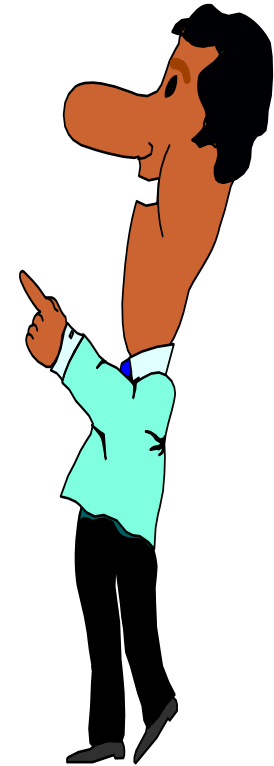
Recording Variances

We suggest recording the corrective action necessary to clear the variance

- +** Record as a positive (or add) amounts that need to be deposited to the bank account
- Record as a negative (or deduct) amounts that need to be withdrawn from the bank account

Cash Disbursement Variances

Under remittances and over remittances do not cause cash disbursement variances!



The Bank Statement, Monthly Account Statement, and Cash Statement

Jan		
Bank Statement (16th-15th)		
<u>Debits</u>	<u>Credits</u>	<u>Balance</u>
16th (Beginning Bal.)		0
1st	100	100
15th (Ending Bal.)		100

Jan	
Monthly Account Statement	
Beginning Bal.	0
Transaction Applied	
Non Exceptions	100
+ Total Principal & Interest	100
- Remittances made to FM	0
+/- Adjustments by FM	0
Ending Balance	100

Jan			
Remittance Analysis (16th-15th)			
	<u>Received</u>	<u>Due</u>	<u>Over/(Short)</u>
16th (Beginning Bal.)			0
ARC	0	0	0
15th (Ending Bal.)			0



Feb		
Bank Statement (16th-15th)		
<u>Debits</u>	<u>Credits</u>	<u>Balance</u>
16th (Beginning Bal.)		100
1st	100	200
15th (Ending Bal.)		200

Feb	
Monthly Account Statement	
Beginning Bal.	100
Transaction Applied	
Non Exceptions	100
+ Total Principal & Interest	100
- Remittances made to FM	0
+/- Adjustments by FM	0
Ending Balance	200

Feb			
Remittance Analysis (16th-15th)			
	<u>Received</u>	<u>Due</u>	<u>Over/(Short)</u>
16th (Beginning Bal.)			0
ARC	0	100	<100>
15th (Ending Bal.)			<100>

The Bank Statement, Monthly Account Statement, and Cash Statement

Jan		
Bank Statement (16th-15th)		
<u>Debits</u>	<u>Credits</u>	<u>Balance</u>
16th (Beginning Bal.)		0
1st	100	100
15th (Ending Bal.)		100

Jan	
Monthly Account Statement	
Beginning Bal.	0
Transaction Applied	
Non Exceptions	100
+ Total Principal & Interest	100
- Remittances made to FM	0
+/- Adjustments by FM	0
Ending Balance	100

Jan			
Remittance Analysis (16th-15th)			
	<u>Received</u>	<u>Due</u>	<u>Over/(Short)</u>
16th (Beginning Bal.)			0
ARC	0	0	0
15th (Ending Bal.)			0



Feb		
Bank Statement (16th-15th)		
<u>Debits</u>	<u>Credits</u>	<u>Balance</u>
16th (Beginning Bal.)		100
1st	100	200
15th (Ending Bal.)		200

Feb	
Monthly Account Statement	
Beginning Bal.	100
Transaction Applied	
Non Exceptions	100
+ Total Principal & Interest	100
- Remittances made to FM	0
+/- Adjustments by FM	0
Ending Balance	200

Feb			
Remittance Analysis (16th-15th)			
	<u>Received</u>	<u>Due</u>	<u>Over/(Short)</u>
16th (Beginning Bal.)			0
ARC	0	100	<100>
15th (Ending Bal.)			<100>

The Bank Statement, Monthly Account Statement, and Cash Statement

Jan		
Bank Statement (16th-15th)		
<u>Debits</u>	<u>Credits</u>	<u>Balance</u>
16th (Beginning Bal.)		0
1st	100	100
15th (Ending Bal.)		100

Jan	
Monthly Account Statement	
Beginning Bal.	0
Transaction Applied	
Non Exceptions	100
+ Total Principal & Interest	100
- Remittances made to FM	0
+/- Adjustments by FM	0
Ending Balance	100

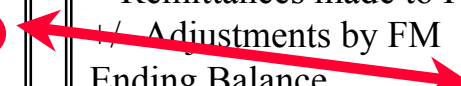
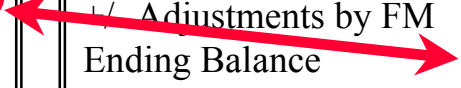
Jan			
Remittance Analysis (16th-15th)			
	<u>Received</u>	<u>Due</u>	<u>Over/(Short)</u>
16th (Beginning Bal.)			0
ARC	0	0	0
15th (Ending Bal.)			0



Feb		
Bank Statement (16th-15th)		
<u>Debits</u>	<u>Credits</u>	<u>Balance</u>
16th (Beginning Bal.)		100
1st	100	200
15th (Ending Bal.)		200

Feb	
Monthly Account Statement	
Beginning Bal.	100
Transaction Applied	
Non Exceptions	100
+ Total Principal & Interest	100
- Remittances made to FM	0
+/- Adjustments by FM	0
Ending Balance	200

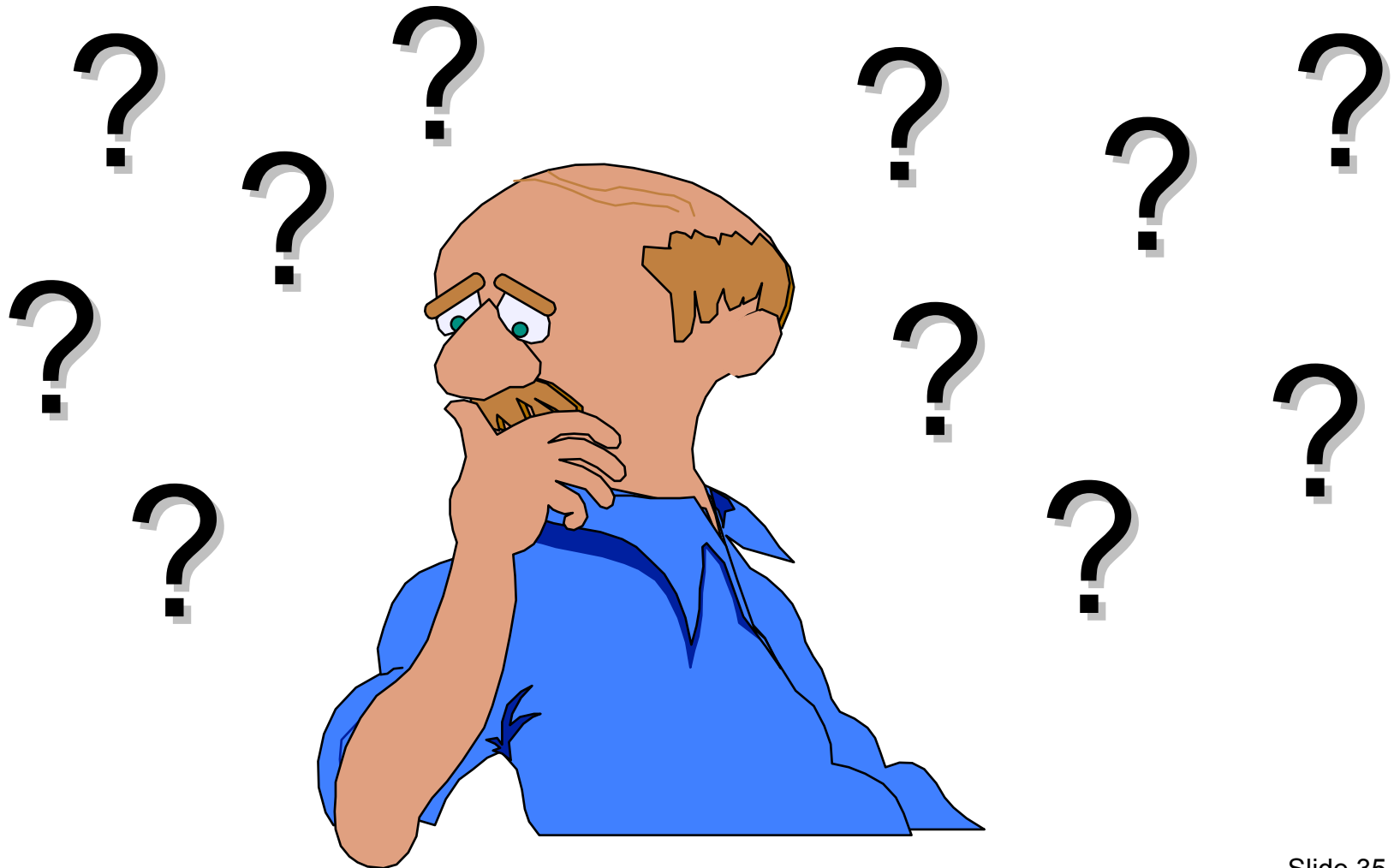
Feb			
Remittance Analysis (16th-15th)			
	<u>Received</u>	<u>Due</u>	<u>Over/(Short)</u>
16th (Beginning Bal.)			0
ARC	0	100	<100>
15th (Ending Bal.)			<100>



Summary

- **A cash disbursements variance:**
 - occurs when you withdraw funds from your principal and interest custodial account for any reason other than remitting the funds to us through the cash remittance system (GPI)
- **Reconciliation steps.**
 - 1. Calculate the amount of your cash disbursements variance by completing the *Cash Disbursements to Amount Remitted Worksheet*.
 - Identify the transactions that make up your variance by reviewing your bank statement for any debits that are not remittances to us through GPI.
 - For each identified variance, determine if it is a cash or paper adjustment.
 - Cash adjustments will not clear until you make the corresponding deposit to the P&I Custodial Account.
- **Reminder: overages or shortages on your Remittance Analysis have no bearing on your Cash Disbursement variance**

What Do I Do Now?





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Investor Accounting: Custodial Accounts

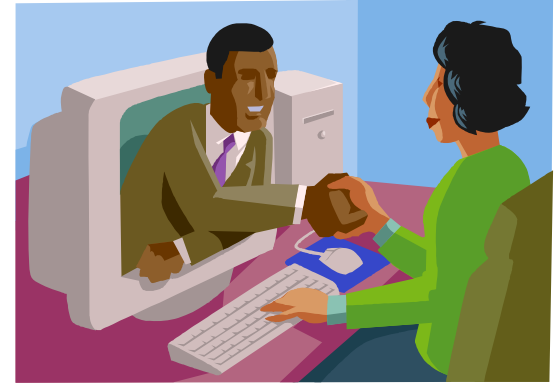
Use the following resources to help you reconcile your principal and interest custodial accounts.

To access additional items, select a topic and click 'Go'.



Resource	Link
Mortgage Document Manager	Fact Sheet
Servicer Certification Program	Fact Sheet
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Understanding Custodial Accounts	Reference Manual [PDF 6.4M]
Understanding Custodial Accounts	2 day workshop
Understanding Custodial Accounts Case Study	Reference Manual [PDF 3.6M]
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Thank You!



Please complete the session
evaluation before disconnecting from
the session.

Thank you for your participation!