Handling Unconventional Term Loan Repayment Terms in ABA

Normally, term loans have conventional repayment terms that are easily accommodated by the ABA program. These comments deal with some loan repayment terms that ABA is programmed to handle, and some that ABA can accommodate.

<u>Interest only payments:</u> Besides payments that have interest and principal payments, ABA can handle term loans that are repayable at interest only in the projected year. To do that, leave the cell in the "Payment Amount" column blank. The assumption for interest only loans, is that after the first year, the loan will be retired over the numbers of years shown in the "Years Left" column. In the "Year 2" column on the DS SUM sheet then, the principal required in the next year will be shown, and the year 2 total payment amount will include principal. You could play with this a bit, but if it is a blended loan, if you put 300 in the "Years Left" column, no, or very little, principal should come in the Year 2 column on the DS SUM sheet either.

<u>Loans that have no repayment terms:</u> Some loans, such as Shareholder's Loans, or loans to family have no interest and no repayment terms. Those loans can be accommodated in ABA. When entering them, leave columns E (Interest Rate), I (Years Left), J (Payments per Year), and K (Payment Amount) blank. ABA will then deal with this entry the same in both the projected year and Year 2 on the DS SUM sheet by charging no interest and taking nothing out for either interest or principal payments.

<u>Loans that have mixed repayment terms:</u> More and more, loans are being set up with mixed repayment terms such as annual principal and monthly interest. ABA will not allow mixed repayment terms in the loan definitions on the Term Liab page, so you need to improvise. In this case is it is suggested that you define the loan as having annual payments, then consider the monthly interest payment as being a deposit into an account monthly to be applied to the total payment when due annually. You can do that on the CF SUM page by taking one of the rows ("Cash in bank – saved" is good if not already used). Normally on this page you would make positive entries to draw funds out of money in the account into cash flow, but funds can be assigned into the account from cash as well by making negative entries. The amount of the monthly interest payment can be made as a negative entry, and then, in the month of the annual payment, enter a positive amount equal to the sum of the negative monthly payments for the year. The effect of this, is that the monthly amounts will be taken out of cash flow and collected to be applied to the full interest and principal payment due annually. Below is an example of the entries that would be made on the CF SUM sheet when the interest for the year would be $6,000 payable at $500/mo.

Cash Flow Summary:		**Allocate evenly across each month macro button:**	Allocate										
Cash Flow Items:	*Month:*	*January*	*February*	*March*	*April*	*May*	*June*	*July*	*August*	*September*	*October*	*November*	*December*
Capital Accounts - Sources and Uses of Cash:													
Cash in Bank - C/A	0	0											
Cash in Bank - Saved	0	-500	-500	-500	-500	-500	-500	-500	-500	-500	5,500	-500	-500
Cash Investments	0												

If, on the statement date, some interest payments have already been made, that account used should show that amount of interest in it. That interest could then make part of what is applied to the payment on payment date. Remember, ABA will calculate accrued interest, on the statement date, and in this instance there wouldn't be any, so an asset amount would offset that liability.