Interest Setup, Calculation & Troubleshooting

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This article explains how to enable interest charging in StrataMax, and provides information on how it is calculated. It also provides solutions to challenges that may arise when charging or crediting/reversing interest.

StrataMax will calculate overdue interest on any outstanding levies at the rate specified in the *Overdue Levy Interest Rate* field in *Building Information*. Overdue interest will <u>not</u> be charged on a lot's 'Other' or 'Overdue Interest' funds - only levy funds. Overdue interest is calculated from the due date of the levy (if there is discount it will be calculated from the discount date).

There are a number of circumstances which require different treatment, depending on internal office procedures and practices.

Setting up Interest

The setup and charging of interest can be affected by different settings within the local/ individual property. *Levy Invoice Codes*, transaction types an also lots can have settings that impact if interest is to be charged.

Building Information

These fields are located in **Building Information** and directly affect the interest calculation and charging in StrataMax.

Overdue Levy Interest Rate	Function	Will Interest calculate?	Notes
Rate	Rate for the selected Building / Plan.	mandatory field for	Other factors may determine what will calculate interest – see below for calculation.

Interest Days	To allow set days for not charging interest, after the due date, after the number of days has elapsed, interest will then calculate back to the due date.	Yes, after the set number of interest days after the due date.	lf zero – default will be 30 days - check.
Overdue Interest Start Date	To select a date usually in the future, to start the calculation of the interest.	set and when the date is	
State	To assist with what method to use for calculation.	Yes, but may vary depending on the State selected.	QLD calculates interest on a monthly basis, all other states are daily, which means that the amount charged will vary based on the number of days in the selected period / month.
Overdue Levy Interest Rate (2)	NSW – option for a higher rate to be charged.		Will charge as well as the normal interest rate as setup above.
Higher Interest Days	NSW option to allow for calculation an additional amount of interest.		Days when the higher interest rate will take effect, from original due date of levies.

Disable Interest

If it has been resolved to not charge interest in a building, you just need to remove the *Interest Rate* figure in *Building Information*. This is a per building configuration. To reinstate interest charging again, simply enter the *Interest Rate* figure again and interest charges will apply from the current month

onward, based on overdue amounts (interest will not back charge).

Interest Options and Posting Priority

Interest options for each levy invoice code are configured in *Levy Invoice Code Setup* interest options. The posting priority for interest when owners pay their lot account balance (levies, interest, arrears fees) is determined in *Levy Invoice Code Setup*, as well by amending the posting priority of invoice code '17 Overdue Interest'.

As per state legislation, overdue interest will be posted before anything else if the 'Overdue Interest' levy invoice code is the highest priority. This will ignore any overdue or earlier dates. If the 'Overdue Interest' levy invoice code is not the highest, there will be no special priority for interest, and outstanding balances will continue to be paid according to their due or charge dates.

Not Charge Interest for One Owner

This section explains how to not charge individual owners interest, which may be required if they have been placed into a *Payment Plan* in *Legal Action*. All lots are automatically tagged in the Interest Charge List. This function however, allows the user to tag lots which are not to calculate or post overdue interest. An example, would be for lots owned by the developer and should not to be charged any overdue interest. Use *Global Debtors* to report on all lots that are set to not charge interest.

1. Search or select Levy Management.



- 2. Click Options > Interest Charge List.
- 3. Click the *Lot Balances* button, then remove the tags from those lots which are in the developers name.

When the lot changes ownership from the developer to an owner, the lot will need to be re-tagged in order for overdue interest to calculate and post on this lot for the new owner. This will need to be added to your internal processes.

Ledger Card

In *Ledger Card*, under the *Interest/Links* tab, there is a tick box labelled 'not calculate interest'. For those buildings under the BCCM Act (Qld), normally you would not have this option selected.

Charging Interest

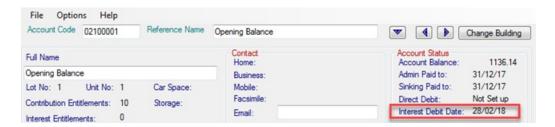
Once interest is set up, calculated and deemed to be chargeable to a particular Lot, there are certain functions and points in time when the interest will charge to a lot:

- Receipt Entry automatically from the daily banking file download (interest will calculate from the last 'Interest Debit Date' to the date of the receipt, and transactions will have the receipt date).
- Receipt Entry manual entry usually from the Bank Reconciliation screen and / or Receipt Entry
 (interest will calculate from the last 'Interest Debit Date' to the date of the receipt, and transactions
 will have the receipt date).
- Month End Rollover on amounts which fit the criteria of overdue and are chargeable (interest will
 calculate from the last 'Interest Debit Date' to the end of the month being completed / rolled over,
 and transactions will be dated the last day of the month).

If a receipt has been processed during the month and a proportionate amount of interest already charged, the interest calculated at the end of the month and processed will be for the unpaid amount only, as the amount applicable to the receipt was processed at the time of the receipt.

Interest will be applied to the lot, and the income account for the balancing entries will be determined in *Trading Fund Setup*, using the selected accounts for 'Overdue Interest Code'.

The date where interest has been applied to for a particular lot can be located in *Owner Info* next to the 'Interest Debit Date' field.



Calculating Interest

If set up, interest calculation will be based on a few variable factors:

- Transaction type see table below which may assist in determining if interest should be applied to the Lot and when the amount is considered to be overdue.
- Levy Invoice Code Setup if the transaction type created is applied to an Invoice Code that has the ability to charge interest.
- Excluded Lots where they have been set to 'No Charge'.

Transaction	Transaction	Attributed to a Lot by	Considered Overdue	Is Interest
type	Reference		- When?	Calculated on this
				transaction type?

Levy	I	Levy Management / Generation	After Levy Due Date, but also considering setup of Building Information.	Yes – levies are always considered for charging of interest and can calculate appropriately as each levy has a specific due date.
Invoice	М	Invoice Entry Standing / Auto Reverse Journals / Auto Entry Transactions		If configured to charge in Levy Invoice Code Setup where the Invoice Code is used for Invoices only and not used for Levies.
Receipts	R	Receipt Entry - manual Bank Statement (auto processed) – Receipt Entry		If the receipt is paying an overdue debt, there may be an amount that is calculated to be charged since the last 'interest charge' date to the date of the receipt. The User may be prompted to choose to process if the receipt is being completed manually.
Journal (J) (excluding Interest)	J	Opening Balance Setup Debtor Adjustments Journal Preparation Standing / Auto Reverse Journals / Auto Entry Transactions		Yes, however as journals are entries that do not have a 'due date' these amounts will be considered overdue when processed and interest attributed for the month that posting occurred.

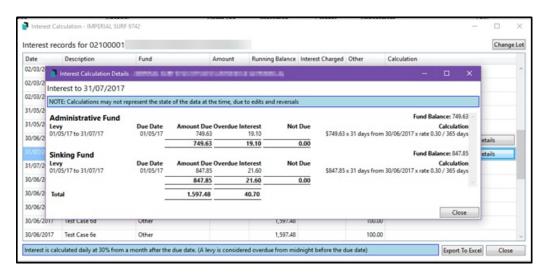
Journals -	J	Interest calculations are	When the due date is	No – Interest is not to
Interest		processed as journals, split to	passed.	be applied on already
		the applicable income		applied interest.
		account for each fund and		
		have a due date.		

Interest Calculation



Interest Calculation provides the ability to quickly and efficiently view how interest was calculated on a lot, and presents the data used to calculate interest. The icon may be located on your *StrataMax Desktop* or found using the *StrataMax Search*.

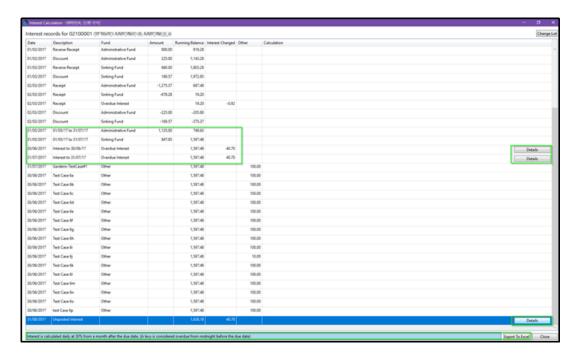
- 1. Search or select Interest Calculation.
- 2. Click on Change Lot.
- 3. Select the Lot required.
- 4. The interest records will appear on screen for the selected Lot.
- 5. Select 'Export to Excel' will report all information to Excel.
- 6. Any Overdue Interest that has been charged will appear with a 'Details' option.
- 7. Click on the 'Details' option to view the calculation.
- 8. The Interest Calculation Details will appear.



Although a lot more information about each charge is stored, this information may not be correct if a levy edit or reverse was performed, or a journal to the lot was edited.

• Edit Levy Due and Discount Dates – could affect the due date compared to what it originally was.

- Edit Debt Journal could affect displayed fund balance compared to what it originally was.
- Generating a new levy with an old generation date.



Details on report:

- Full ledger activities for the selected Lot.
- · Levy Descriptions and Funds.
- · Amounts posted to the Lot.
- Running Balance.
- Interest Charged to the Lot.
- Other and Calculation Details.
- Export to Excel.
- A note at the bottom will advise the Interest Calculation setup calculation.
- Unposted Interest for the selected Lot.

State Information on Interest

QLD - BCCM ACT:

- Overdue Interest is calculated monthly on outstanding levies and is debited to the owners' accounts at Month End Rollover or when paid, this is however reliant on the Levy Contributions being due on the 1st of the Month.
- As an example, if Levy Contributions are not due until the 5th (not on the 1st), the system will
 calculate Overdue Interest which is due but not yet posted against the account for the current
 month. Overdue Interest wouldn't become due until the 5th of the next month. Where a levy is not

due until the 5th, you will note throughout the system will calculate the 'Unposted' interest'.

- Ledger Card In Interest/Links tab, this should be set to 'Do not calculate Interest', as it is not required.
- When a Body Corporate Certificate is printed, any interest owing is calculated to the end of the previous month.

NSW - SSM ACT:

- NSW legislation provides for daily interest calculations. Interest on overdue levies is calculated and accrued at the end of each month. If monies are received during the month, interest may be calculated from the start of the month to the date of receipt.
- Interest is also calculated when entering a receipt, and accounts are debited with any amount owing at the time of receipting at the option of the operator.
- When Section 109 certificate is printed, any interest owing is calculated (daily) to the end of the previous month.

WA:

WA legislation requires that interest be calculated from the days set for Overdue Interest. WA
buildings will charge interest when the Levies are overdue by the number days set in the Interest
Days field in *Building Information*.

Overseas Clients:

 Where applicable the wording of Overdue Interest has been changed to 'Penalty'. This applies to Ledger Cards, Levy Notice/ Reports and Transaction Lists. The only manual step required, is to change the wording of 'Invoice Code 17' from Overdue Interest to Penalty. This is done in Levy Invoice Edit.

Credit Overdue Interest

Charged interest can be credited/reversed for a lot account using the *Reverse Charged Interest option in Debtor Adjustment.*

Interest FAQ's and Troubleshooting:

- Q. Can interest be automatically charged on a Second Debtor Lot?
- A. No. However if a second debtor invoice is raised against a regular levy income code then interest can be charged on Receipt of payment. The levy income codes can be identified by viewing the levies set up in Levy Invoice Code Setup, with the exception of the income code for Interest / Other.

- Q. Interest should have charged to a Lot as there was a small amount of funds overdue at the end of the month, what should be checked to determine why it didn't charge?
- A. **Receipt Entry** > File > Configuration minimum auto posted overdue interest if calculated below the amount then would not have processed automatically with the receipt. Interest Charge List **(Levy Management** > Options) where a particular Lot has been removed from charging any interest.
- Q. Interest is not charging on the Marina /Air Conditioning Sub-Group why?
- A. Yes. Interest will be calculated and paid depending on the state legislation that applies to an individual building and the default settings in Receipt Entry.
- Q. Does interest charge on the Utility / Bylaws Sub-Groups?
- A. Yes. This is possible if the **Building Information** fields are set up. These types of Sub-Groups do not rely on the generation of levies for calculation, but more on the issue of Invoices. See above table for transaction types for calculation. Levy Invoice Codes can be set to charge interest manually.
- Q. When levies and interest are paid in full, does the procedure automatically allocate the sum paid between Admin, Sinking and Interest?
- A. Yes. Interest will be calculated and paid depending on the state legislation that applies to an individual building and the default settings in Receipt Entry.
- Q. What happens when part payments are made is interest the last to be credited?
- A. No. Interest is credited first depending on Posting Priority.
- Q. If the levies remain unpaid to the next periods due date (say 1/10/2013) and the committee resolve to alter the interest rate from 1/10/2013, does the new rate only apply as from 1/10/2013 or does the program adjust backwards?
- A. The new interest rate applies to all levies from interest rate entry date. The levies will have the same interest rates. Interest is not adjusted backwards.