NoteSmith®
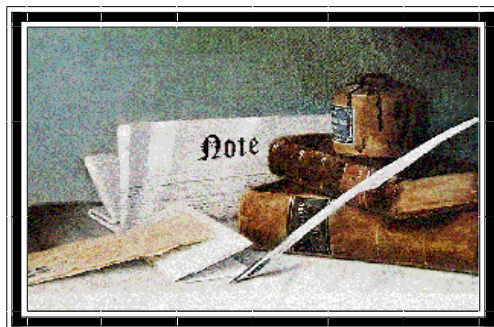

Manual

2024

NoteSmith® Basic
NoteSmith® Pro
NoteSmith® Network

Printed and assembled in the United States of America.

NoteSmith® End User License Agreement

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users may install the Server version onto *one* computer to house shared data and may install the Workstation edition onto multiple computers of a single local area network with continual access to that server data.

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8.6 **Operating system**. The Software is designed to run on Microsoft Windows desktop operating systems available to the retail public at the time the Software is released, including all versions starting with Windows95 except Terminal Server.

8.7 **Third party software**. The Software works in conjunction with other software programs popular in the retail computing environment, although no outside program is required for the proper functioning of the Software. Supported interfaces include Quicken, QuickBooks, and Microsoft Office versions that were released prior to the release date of the currently shipping Software.

8.8 **Tax forms**. Certain IRS tax forms common to real estate investors are supported, including 1098 and 1096 for NoteSmith® and additionally 1099-INT and 6252 for NoteSmith® Pro. NoteSmith® Pro supports electronic filing of 1098 and 1099-INT. The Software is released at the start of the calendar year to print the IRS forms due at the start of the same calendar year using payment data from the previous calendar year. Tax forms are supported only for the current year since Licensor has no control over changes the IRS will make to future forms.

8.9 **Credit bureau and web access**. NoteSmith® Pro enables credit bureau reporting and optional uploading of data to Licensor's web site. Since credit bureau reporting requirements are subject to change beyond Licensor's control, and web services are priced by an outside vendor, both of these features are supported only for one calendar year.

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stored on Licensor's web site is encrypted using Licensee's password in a folder that is password protected by Licensor, with neither knowing the other's password. Data sent to Licensor for technical support is destroyed after a reasonable amount of time, but is otherwise unsecured.

11. **Arbitration**. Any dispute between Licensor and Licensee shall be decided by binding arbitration. Such arbitration shall proceed exclusively in Fort Collins, Larimer County, Colorado, shall be governed by Colorado law, and shall be conducted in accordance with the Uniform Arbitration Act of 1975, C.R.S. §13-22-200 *et seq*. The decision and award of the arbitrator shall be final and binding between the parties as to all claims that were or could have been raised in the arbitration. The award will be enforceable in any court of competent jurisdiction and judgment may be entered thereon. The following disclosures are made as to arbitration: (i) The decision of the arbitrator shall be final and binding on the parties; (ii) The parties are waiving their right to seek remedies in court, including their right to a jury trial; (iii) Pre-arbitration discovery is generally more limited than and different from court proceedings; and (iv) The arbitrator's award is not required to include factual findings or legal reasoning and any party's right to appeal or to seek modification of rulings by arbitrators is strictly limited.

12. **Governing Law.** This NEULA shall be governed by and its terms construed under the laws of the State of Colorado.

13. **Entire Agreement**. This Agreement is the sole agreement between the parties relating to the subject matter hereof and supersedes all prior understandings, writings, proposals, representations or communications, oral or written, of either party. This Agreement may be amended only by a writing executed by the authorized representatives of both parties.

14. **Severability**. If any provision of this NEULA or the application thereof to any person or circumstances shall be invalid, illegal or unenforceable to any extent, the remainder of this NEULA and the application thereof shall not be affected and shall be enforceable to the fullest extent permitted by law.

Welcome

For over 35 years, NoteSmith has been the "go to" solution for thousands of users. We welcome you to the family and look forward to your critiques and ideas. Whether you have used NoteSmith® for decades or only for days, we truly appreciate your business and we will work hard to continue to earn that business for decades to come.

Table of Contents

Introduction

NoteSmith® will save you many hours of tedium in managing your portfolio of notes and, if you are using the Pro version, leases. It is designed to simplify all aspects of note management, but is especially useful in tracking real income (as opposed to just total payments received) and in separating taxable income from total payments received.

The program is useful for servicing leases, mortgages, discounted mortgages, mobile home and car paper, annuity payments, lottery winnings, and any other income stream. A list of some of the major NoteSmith® features appears below to illustrate how it works to save you time and money.

- Easy full payment and partial payment recording
- Automatic late fees, escrow, and service fees
- Daily or periodic interest with 7 compound periods
- Four types of payment histories
- Wraparound note tracking
- True aging report with selectable date ranges
- Multiple portfolio reports, registers, and statistics
- Automatic, fully customizable late letters, mail merged form letters, mailing labels, envelope printing
- Amortization schedules and financial calculator
- Multiple investor portfolios
- Fiscal year capability
- IRS 1096, 1098, 1099-A, 1099-C, and Bankruptcy 410
- Simple installation and painless backup routine

Other features included with NoteSmith® Pro:

- Custom reporting generator
- Sell all or part of a note or balloon to an investor
- User designed note filters apply to all reports
- Export data to a variety of other software programs
- IRS 1099-INT and 6252
- Optional simultaneous multiple user, local area network

What's New for 2024

Here is a list of the additions or modifications for the benefit of users who renewed to this version. This is the 37th annual release of NoteSmith® software, a mature, well tested, stable program for servicing your note portfolio.

New or updated for all NoteSmith® programs

- Print entire 1096, 1098, 1099-A, 1099-C B and C copies on blank paper; print A copies on IRS forms; only the new 2024 NoteSmith® can submit files or fill in the new IRS forms due January 2024.
- Tested compatibility with the Windows 11 operating system.
- Enhanced Account Copy feature to reduce inadvertent data duplication.
- Minor changes based on user feedback to improve usability and enhance reporting.
- Technical support is available weekends in January for installation issues and importing older data.

New or updated for NoteSmith® Pro and Net

- Addition of IRS FIRE e-filing file generation for 1099-A and 1099-C (in addition to 1098 and 1099-INT).
- Significantly revised electronic filing requirements for 2021 and 2023 tax years. Implemented and tested in the IRS FIRE electronic submission system.
- Updates to facilitate compliance with new IRS rules requiring e-filing for all filers with 10 or more total information returns (1098, 1099-A, 1099-C, and 1099-INT).
- Print 1099-INT A copies on IRS forms and B and C copies on plain paper; only the new 2024 NoteSmith® can submit files or fill in the new IRS forms due January 2024.
- Plain paper printing of revised IRS 6252 for installment sales.
- Other features as listed above for all NoteSmith® programs.

Read Me First

NoteSmith® was designed to handle multiple types of income streams. As the program grows in functionality, we try to maintain the ease-of-use features that got us started. You will find the help screens, the index in this manual, and the tutorial useful in learning the intricacies of NoteSmith® and loan servicing in general.

When a feature is added to NoteSmith® that would be helpful to the general user, we try to make it as simple as possible. A constant struggle in software development, however, is striking a balance between flexibility and ease-of-use. Each feature is measured against this ruler and when we err, we prefer to err toward flexibility rather than ease-of-use. An amortization schedule is easy to use but, even if all your payors paid the correct amount on the correct day, it is not flexible enough to handle the requirements of loan servicing.

NoteSmith® is marketed to the financially sophisticated business person with advanced software needs. NoteSmith® is not a common flat file database that stores names and addresses. Calculating a payment manually requires the note holder to check:

- Due dates
- Daily versus periodic interest
- Application of payment sequence
- 360 or 365 day years
- USRule
- Late fees
- Escrow balances
- Service fees, and
- Non-interest bearing accrued interest.

NoteSmith® uses up to 14 files, sometimes as much as 3 times, to record a *single* payment properly and quickly.

How to Use this Manual

Conceptually, this manual is divided into 5 broad areas:

*   Installation
*   Program Tips
*   The Main Menu
*   Accounts and Servicing Functions
*   Exporting and Technical Information

To learn the program, review the section that steps through the Main Menu. The tutorial, available from the Help menu, also uses the main menu as an agenda. When you have a question about how to service a note or set of payments, refer to the Accounts Section and Servicing Functions Section. Finally, if you have a problem or receive an error message you do not understand, go to Technical Information. Answers to all questions we receive are documented in this manual or at our web site. The manual is indexed in detail and has a thorough table of contents. Make use of these resources as you become acquainted with NoteSmith®.

Conventions Used in this Manual

To make learning as easy as possible, we followed certain standards throughout the manual:

*   Names of menus, data entry fields, and payment types begin with a capital letter: Accounts, Record; Next Due; Regular ("R") payment.
*   Actions you might take are described with the names of the menus. From the keyboard, press the ALT key, then the underlined letter of the desired menu choice or field.
*   File names are capitalized in proper format: ReadMe.txt.
*   The Enter key is represented by the bent arrow (↵).

Exit, Escape, ESC, and the verb "escape" all refer to pressing the Escape key, clicking on the Exit key, or clicking the big X to return to the main menu.

Acknowledgements

Writing a software program to do a specific job is not really any big deal. Putting it out to market is. A little program put together to manage one person's books is not really usable by anyone else. It needs help screens, an attractive layout, intuitive functions, and features that make it useful to divergent businesses. It needs a comprehensive manual and a support system. And it needs to work. Right. Every time.

Finally, thanks to all of you who have fed us good ideas and have continued to recommend NoteSmith® to your peers.

Refunds

The license fee of NoteSmith® is fully refundable within 30 days of your *original* license. Just contact NoteSmith Technical Support to confirm your cancellation and return printed/mailed materials, if any, in "as new" condition. Ship with any carrier using delivery confirmation so you have proof that we receive the materials. Refunds are processed promptly. Shipping, incidental or indirect costs, subsequent annual support renewals, and upgrades to more fully featured versions are not refundable. See the NoteSmith® End User License Agreement (NEULA) on page 3.

NoteSmith® has been in continuous use for three decades. Many customers are state licensed legal, accounting, or real estate professionals. If you do not think NoteSmith® is correct for your business, consider very carefully if returning the program is the best solution. Other competitive loan servicing software will cost 5-10 times the price of NoteSmith® and will not be any more suitable to your organization if your personnel are not already experienced loan servicing professionals (see below). We are not familiar with any other software that will train someone to service loans.

We recommend that you contact us by email before returning the materials and explain why you think the program is not right for you. After three decades of publishing loan servicing software, we can tell if a refund is the best solution or if you simply misunderstood a fundamental concept. We do not mind an occasional return but we hate to get a program back that might be perfect for your business.

Loan Servicing Professionals

Loan servicing is not for amateurs and we hope "NoteSmith® for Dummies" is never published. Take the time to learn the program, learn the concepts of loan servicing, and be familiar with simple accounting principles. If you have a question that this manual does not address, email it to us and we will try to help.

Installation

For the Windows installer to track new programs and to allow uninstalling, use the Setup routine to create the appropriate folders on your disk drive and copy the files where they belong. Installation is designed to be run by any computer user with average experience.

Below is a summary of the installation procedure, which may be adequate for most experienced computer users. Details of all steps appear on the following pages.

Installation Checklist

For users of all models: First time and renewals

☐ Using the Windows account you use every day (i.e., *not* as an Administrator), insert the NoteSmith® flash drive and double click on Setup.exe to install the program.

☐ Net: Share server folder C:\Users\Public. Map server folder Princeton to drive P: from each workstation, then install the program on each workstation. (See page **Error! Bookmark not defined.**.)

☐ Define NoteSmith® as a trusted program in your internet security software (see page 51).

☐ Click Start, open the NoteSmith® folder, then choose NoteSmith® 2024. Enter your media key, typing carefully, then a user name. (Network Server media key is licensed for **one** computer.)

☐ Read the various first time information screens.

☐ Go to File, Setup to import any data from an older NoteSmith®. Review the Program and Office tabs. Install Adobe PDF Reader if necessary to view Help.

☐ At File, Company Configuration, change the calendar year and fiscal year, Save, then review the other tabs.

☐ Go to File, Utilities, Backup. Move the copy off site.

☐ Read both What's New and Quick Start in this manual.

☐ Go to Help, Technical Support, Update, Connect.

First Time Installation

NoteSmith® installation takes just a few seconds. Windows no longer runs removable media automatically; you must put the NoteSmith® media into your computer. Using the Windows account you use every day (i.e., *not* as an Administrator), log on to Windows and, after putting in the NoteSmith® flash drive, double left click on Setup.exe to start the installation.

The installation routine is the same for all NoteSmith® users regardless of what model program you ordered.
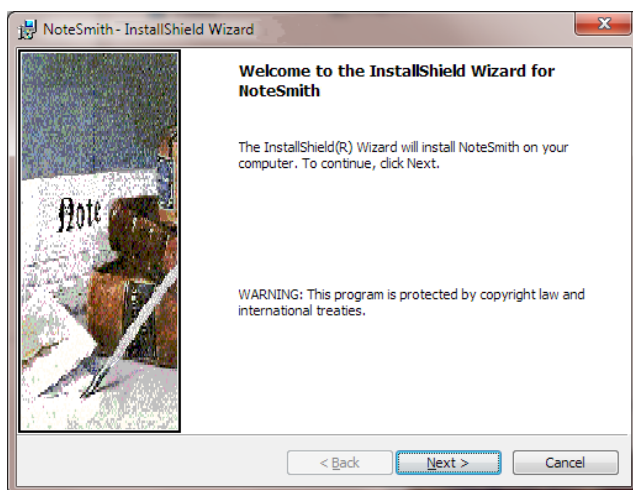
Read the license agreement on the next screen. If you do not agree with the terms and conditions, do not install the program. Click Next for the ReadMe file, which shows issues not available at the time the manual was printed.
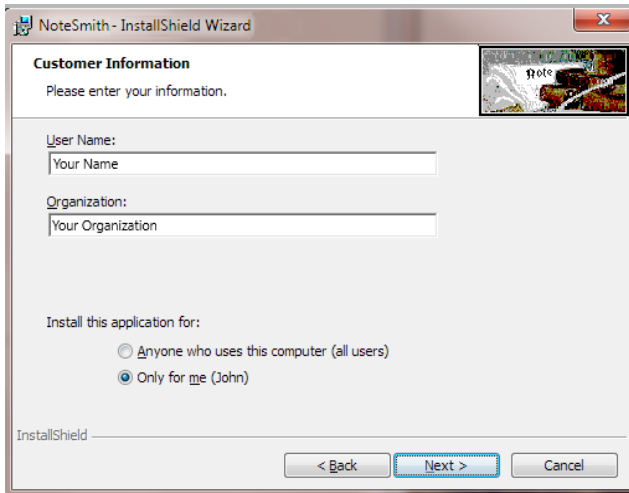
Enter your name and organization. We recommend choosing "Only for me (username)" meaning whether to display a startup icon for each user or just the person installing. The program files and the data files are accessible to all users regardless of your selection. Use the NoteSmith® password feature to keep unauthorized users from viewing the data. You can install the program only once per computer.

Anyone who uses this computer (all users): An icon is copied to the start menu for each account set up on the computer. Each person who logs onto the computer can start NoteSmith® although multiple network users on this computer need the same mapping and sharing settings. A Windows Administrator later can deny access to another user by logging into that user account and deleting the NoteSmith® icon from their start menu. That user still could start the program if they can find the main program file using Windows tools.

Only for me (username): The username will be the log on name of the person who is installing the software. An icon will appear only in this person's start menu. No other user will see a NoteSmith® icon if they log in with a different name and password. The program files and data files can be seen by a user without a startup icon and they could attempt to double

click the main program file to start it. Non-Network users could corrupt data if one user has it open and another logs in.

On most computers, a new program folder
        C:\Program Files\Princeton\NoteSmith2024
is created and the program and help files are copied there. *This folder cannot be changed.* Under 64 bit operating systems, the main program folder is
        C:\Program Files (x86)\Princeton\NoteSmith2024

On all computers, a new data folder
        C:\Users\Public\Princeton\NoteSmith2024\Data
is created where all read and write data files can be found.

A Backup folder is created under the Data folder to store an exact copy of your data, zipped data copies, and audit archives. Other folders include Original (unmodified data files from the installation media) and PrintToFile (PDFs and TXTs you generate). *Do not move or rename any of these folders.*

Define this version of NoteSmith® as a trusted program in your anti-virus software (see page 51) because it treats each annual NoteSmith® version as a new, separate program.

That is the entire installation process! Open the program from the NoteSmith® folder, then NoteSmith® 2024, which was added to your program list during the installation process. You will need the 16-digit media key from the Installation Guide when you start the program. Note that the Windows installer does not create desktop icons for NoteSmith®.

Renewal Installation

Major Annual Renewal from an Older Version

Follow these steps to install a new annual version onto the same computer you used last year and to import data from an older version. Directions for installing a renewal on a new computer appear in a later section.

1. Run Setup as detailed above at First Time Installation.
2. Start your *old* NoteSmith® program, go to Help, Technical Support, and choose Print. The location of your old data appears on this report. Exit the old program.
3. Start NoteSmith® 2024 from the NoteSmith® folder added to your program list during installation. You will need the media key from the Installation Guide.
4. Click on File, Setup, Import Data. Compare the Source with the printout from step 2. If different, click the first Find button and find the old data.
5. Click the Import button to copy your older data into the new NoteSmith® 2024 Data folder
6. If you created another data folder last year, add a new folder from the second tab using that same name. On the first tab, find last year's folder as the Source, then find this year's new folder as the Target, and click Import.
7. Define *this* version of NoteSmith® as a trusted program in your anti-virus software (see page 51).

You cannot back up older NoteSmith® data onto removable media, a web site, or a zip file and restore into a newer version. The program will refuse to start and displays a warning message about mixing versions. Your older NoteSmith® program does not need to be working on the same computer where you set up NoteSmith® 2024, but the older data needs to be accessible to the new program. See the information about moving to a new computer on page 40.

The Setup program never disturbs your older NoteSmith® program or data. Your older NoteSmith® folders and data files remain intact, but back up your existing data before starting. Uninstall the older program after you are sure the new program imported your data and is working properly, then delete any unused, older folders from File Explorer.

To import older data, typically you install the new program onto the same drive as your older NoteSmith®. File, Setup, Import updates the new data files using your existing data. The Source field is set up already to use the data folder from last year's program. Use the first Find button to search for your old data if you moved it. If you cannot access the older program and are not sure where your existing data is located, use the following suggestions.

NoteSmith® for Windows users should look for any of:
C:\NSWin98\Data or C:\NSWin99\Data
C:\NS2000\Data or C:\NS2001\Data
C:\Program Files\NS2002\Data
C:\Program Files\Princeton\NoteSmithyyyy\Data
(where yyyy is any year from 2003-2009)
C:\Users\Public\Princeton\NoteSmithyyyy
(where yyyy is year 2010 or later)

NoteSmith® cannot determine the import version of your data if it is not in one of these folders it installed. An error pops up and the import is cancelled. If your data is in an unrecognized folder, someone in your office renamed it at some point and you need to rename it again to one of those above.

There is no command in NoteSmith® to import part of your older data. The entire older data folder is imported. If data is missing, run Reports, Portfolio, Register and see when the last payment was recorded. You may have installed last year's program and imported the data, but then continued to use the program from the year before due to clicking your own personal icon. Do not import a second time after this.

Once you choose Import, the data really is imported unless you get an error. Resolve the error, delete the Data folder, reinstall, and import again. You should not attempt to use data that displayed an error on importing.

Starting NoteSmith®

To start NoteSmith®, click on NoteSmith® 2024 in the NoteSmith® folder added to your program list during installation. *This is the only way we recommend, and support, starting the program.*

If you store data other than in the default Data folder, once you start NoteSmith® go immediately to File, Folder and locate your desired folder. NoteSmith® remembers the last folder you accessed and tries starting from that folder the next time. NoteSmith®, NoteSmith® Pro, and NoteSmith® Network Server users can access data only on their local hard drives. NoteSmith® Network Workstation users can access data only on their locally networked server.

NoteSmith® does not install a desktop icon! You may create your own desktop icon but be aware that running Setup does not modify your personal, custom icon. If you have an older NoteSmith® with a desktop icon, it still points to your older NoteSmith® when you install a new program. Right mouse click the icon and delete it. Creating a NoteSmith® desktop icon is discouraged. If you do, name it NoteSmith2024 so you know in future years this is an old icon.

On startup, NoteSmith® checks that only one instance of the program is running on any one computer at one time. Files on the single user versions are not designed to be shared. Files on the local hard drive of a Network Workstation also are not designed to be shared. Only data files on a Network Server can be shared by more than one user at one time. If a double log on is sensed, an error is displayed and the program exits.

Lightning, power outages, and exiting the program using Ctrl+Alt+Del (the Windows three finger salute), and letting Windows reboot itself after an update will not shut your data

files properly. Either your files are subject to damage or NoteSmith® will think the files are still open on both this and another computer. If you receive a double log on error, be sure to troubleshoot the cause and take steps to solve it permanently. After too many of these episodes, damage to your data is likely and NoteSmith® will have to work harder to ensure the integrity of your data.

The screen shots in this manual were taken from a Windows 10 computer. NoteSmith® will look different on other versions of Windows.

Previous Versions of NoteSmith

After installing NoteSmith®, your older version is left on your hard drive intact. Change any desktop or start menu icon you created to reflect the new location for this version, which is:
    C:\Program Files\Princeton\NoteSmith2024\NSWin.exe

Uninstall the older version from Windows Settings and delete leftover files from File Explorer when you are sure all your data has transferred. Wait two months before doing so.

Sample Accounts

NoteSmith® installs sample accounts when you install the program. These belong to investor SMPL or CARS. They can be deleted from Accounts, Edit when you have no need for them, but first print out reports and payment histories. The accounts have the last name BSchedule, InterestOnly, Lease, Partial, Total, Wraparound, and Underlying. Their loan numbers and lookup names are similar to their surnames.

If you cannot find your own accounts and only the samples appear, go to File, Company Configuration, choose All Notes, and space over the investor code. Save, Use, then try again.

Alternate Folder Installation

This is for experienced computer users only and is not recommended. After installation is complete and your program is fully functional, Pro users can create additional data folders using File, Setup, Data Folders. From Windows File Explorer, they optionally can be moved to a different location on the hard drive. This facilitates, for instance, backing up all personal computer data from one location. NoteSmith® Network users may find that they cannot grant full read/write permission to certain folders on the server's C: drive.

Leave the existing, originally installed folders in place and do not modify startup icons! To ensure it always can start, and to generate temporary files as needed, NoteSmith® must have its program files in the Princeton folder of the Windows Program Files or Program Files (x86) folder and one set of data files must be in this folder:
              C:\Users\Public\Princeton\NoteSmith2024\Data

If you did this in past years, you already have a second Princeton data folder on your hard disk so create the new NoteSmith® folder in that second Princeton data folder. This makes it easy for network users because your new Princeton data folder should have been shared for workstation access in previous years, so no new sharing needs to be done.

Once the copy is complete, start the program and use File, Folder to find the new location. NoteSmith® remembers it the next time you start. The new location must be on the same computer as the default installation. Although the files can be copied across a network, NoteSmith® cannot use them.

When upgrading your NoteSmith® in future years, you will have to find the data manually before importing. The next version of the program automatically looks for older, existing data in the folder: C:\Users\Public\Princeton\NoteSmith2024
It is imported with one click of the Import button. Failing to change the source folder from File, Setup, Import causes the future program to import the 2024 sample notes instead of your live data and you will think your data was lost. If this happens,

start your old program, go to Help, Technical Support, use the Print button and the location of your older data appears on the report. Exit, restart your new program, go to File, Setup, Import and find that location as the source. If you still cannot find your data, enlist the help of a local, knowledgeable computer expert. *We recommend that you do not change data folders from their installed location.*

We recommend using only one NoteSmith® data folder because there is adequate capability within the program to separate taxable entities. To combine data from multiple folders, simply import the various data folders to the standard Data folder at the same time you install a new version from File, Setup, Import. The program checks the source data to avoid importing duplicate loan numbers and warns you to modify the duplicate.

Moving to a New Computer when Renewing

You can move to a new computer at the same time you install your new NoteSmith®.

1. Install the new program on both the old and new computers as shown in the checklist above. Neither program needs to be activated at this point.
2. On the old computer, start the new program and run File, Setup, Import.
3. Go to File, Company Configuration, choose All Notes, enter the current year, Use. Check the data is available.
4. From File, Utilities, back up to a USB Flash Drive.
5. Take the USB Flash Drive to the new computer and start the new program. Go to File, Utilities, Restore, enter the drive letter of the USB Flash Drive, then OK.
6. Go to File, Company Configuration, choose All Notes, enter the current year, Use. Check the data is available.
7. On the old computer, go to Help, Technical Support, Activation, Deactivate for both old and new programs.
8. Exit NoteSmith®, go to Windows Settings, and uninstall. Optionally delete the folders from File Explorer since Windows does not uninstall user modified data.

When your older computer does not work, but you have a data backup from an older NoteSmith® version, install the old program onto the new computer temporarily, restore the data, install the new program, then import your data. Deactivate and uninstall the old version since activation will not let the old program work on the new computer indefinitely.

Details about activation, deactivation, moving an activated installation to a different computer, and uninstalling from Windows appear later in this chapter, starting on page 52.

Update

Once you have done the full installation of NoteSmith®, update the program during the year using one of these methods. The program will check once a month to see if newer files are available. Updating gets you newer program files with added or modified features based on user feedback. Update at least once during the year.

- **From Within NoteSmith Program**: Go to Help, Technical Support, Update, and choose Connect. If any of the "Local" files are sufficiently older then the "Web file," chose the corresponding Update button. When it is done, exit NoteSmith® and restart it. See "Run As Administrator" below.
- **Browser**: Go to NoteSmith.com, the Support link, then the Download link. Right click the relevant file, click Save As, and download right into your
       C:\Users\Public\Princeton\NoteSmith2024
  folder, then restart the program. See "Run As Administrator" below.

Run As Administrator: Use either method above, but recent versions of Windows protect you from installing malicious files unwittingly. Restart the software by clicking Start, scroll to the NoteSmith® icon, right mouse click the NoteSmith® icon, and choose Run As Administrator from the pop up menu. After the new files are installed, a message will tell you to exit and restart NoteSmith® normally.

Internet security: A firewall, internet security software, or anti-virus software may not allow NoteSmith® to connect to the internet causing a download error. The directions for your security software will explain how to allow access for known programs. If you cannot get the program to download, just use your browser. See page 51 for details.

Network models: NoteSmith® Network users can update the server or one workstation using either method above. Restarting the program will copy the downloaded file to the server. The server, workstations, and any laptop version will update from that server file the next time the program is started, saving you download time, *only if* the folder:

       C:\Users\Public\Princeton

is shared and mapped as in the Network Installation section below. Using recent versions of Windows, start the program by right clicking the icon and choose Run As Administrator, let the program copy the files, exit, then restart normally to access your data. A restart is not necessary for locked closet servers (LCS).

If you run into any problem, such as error messages restarting NoteSmith®, it may be due to an interrupted connection during the download corrupting a single file. If the program senses a bad download, it reuses any older program files it finds in the program folder so at least the program will start. You can retry updating once again using either method above or reinstall, choosing Repair.

Jumping to a Higher Model

If you have any NoteSmith® 2024 model and mid-year pay the price difference to receive a more fully featured Pro or Network model, follow these steps. *This applies only to the new model being the same version year as the older program!*

1. From File, Utilities, back up your data to a USB Flash Drive.
2. Go to Help, Technical Support, Activation and click Deactivate. Print the page and save it. You *must* deactivate the old installation from your computer.
3. Exit NoteSmith®.
4. Run Setup from your original media and choose Remove to uninstall it from Windows.
5. Reinstallation to Network Workstation *only*: Rename C:\Users\Public\Princeton\NoteSmith2024 to NoteSmith2024Old from Explorer. Do *not* rename the folder if this will be a Pro or a Network Server.
6. Run Setup again from the original media. To save you time, all versions are on the media and covered in one manual. You will not receive another program package.
7. Start NoteSmith® and enter the *new* media key you receive by email or fax from Technical Support.
8. The program may require activation. See page 52.
9. Update your program files. See page 41.
10. Network installers should read Network Installation and follow the directions *exactly*. See page 45.

Windows 10, 11, and Other Versions

Throughout this manual, the use of the word "Windows" generally applies to Windows 10 or 11. Legacy versions, such as Windows Vista, 7, and 8 use similar buttons and screens but may not be identical to Windows 10.

Security starting with Windows Vista is vastly different from earlier versions of Windows. This impacts the installation of software and printers most significantly. Some legacy Windows versions no longer are supported. Using NoteSmith® on a new Windows 10 or 11 computer is recommended. You are typically a "User" while earlier Windows operating systems allowed you to access the computer as an "Administrator." Log in as a User when installing new software. Users generally cannot use software installed for Administrators.

If you are the only user, you can be both User and Administrator by creating an Administrator log in and a User log in. With only one log in, Windows 10 pops up a box anytime an Administrator function is required, allowing you to enter the password or cancel the action. Always log in a the User to run your computer. Only rarely should you log in as Administrator to perform specific tasks such as installing printers, which Users cannot do.

If you receive any file or folder errors starting the program, click the Windows logo in the lower left corner, choose File Explorer, open the C:\Users\Public folder, click Share, Advanced Folder Settings, and turn on Public Folder Sharing.

To access Windows 10 File Explorer, use the Windows key or click the Windows logo (Start button) to open the start menu. Older Windows versions use MyComputer or Computer.

Network Installation

NoteSmith® Network must be installed following these instructions *exactly*. The program is designed to stop when it senses these directions were modified. If a workstation gives a server error when starting, re-do these steps *exactly*.

The installation routine was designed for the average computer user and these directions were written with that in mind. Any computer user with access to the computers on the network can perform this installation. Note that two steps are not necessary if last year's version of NoteSmith® was installed *exactly* according to the directions.

☞ One of the most common questions received by technical support comes from people who install the Network version and do not follow these instructions *exactly*.

1. Server installation: Sit at the server computer which will store the working database files and install. Start the program and enter the Server (1 only) media key. The term "1 only" means you may use this media key on this one (1 only) computer. Make sure NoteSmith® works properly using the sample notes. Import any data in an older version from File, Setup, Import.
2. Server Sharing: This step is not necessary when upgrading from previous version of NoteSmith® Network if installed *exactly* according to directions. Be *sure* folder:
    C:\Users\Public\Princeton
    and all its subfolders on the server are shared for read and write access. Read/write or sharing errors means this step was not done properly. Workstations cannot use files if the server's Windows has not given the workstation correct permissions. If you are not familiar with sharing folders, instructions appear on page **Error! Bookmark not defined.**.
3. Workstation Mapping: This step is not necessary when upgrading from the previous version of NoteSmith® Network if it was installed *exactly* according to directions. Sit at each workstation and map the *server's* folder:
    C:\Users\Public\Princeton

to drive letter P: (P for Princeton). Instructions to map folders to a drive letter appear on page **Error! Bookmark not defined.**.

4. Workstation installation: Install onto each workstation (up to 5, optionally up to 25). Start NoteSmith® on each workstation and enter the Workstation media key. *Do not use the Server media key because you already used its one (1 only) installation.* The File, Folder window opens. Choose the previously mapped server drive P:, find the folder NoteSmith2024\Data, double click the Data folder so its icon opens, then choose Select. This folder is used each time the workstation starts the program. The toolbar should display P:\NoteSmith2024\Data. Define NoteSmith® as a trusted program in your anti-virus software (see page 51).

You should not log into Windows with administrator privileges to install or run NoteSmith®. Further, note that printers installed and drive letters mapped by an administrator are unavailable to users.

There are two ways to install a program on a network. The wrong way is to sit at the computer with the media and *push* the installation across the network to another computer. This registers the software with Windows on the computer with the media, not the computer with the program. The files are copied but the program will not run.

The correct way is to sit at the computer onto which you want the program installed. Use the media on that computer or *pull* the installation across the network with the media in a remote computer. Files are copied and registered on the computer where you are sitting.

NoteSmith® and NoteSmith® Pro are desktop computer applications used only on a single computer with the data on its local hard drive. The NoteSmith® Net Workstation license does not allow it to be installed on more than one network or a wide area network (WAN), only onto more than one workstation of a single local area network (LAN). The Network Server media key can be installed on one (1 only) computer, one (1 only)

time. Contact the ordering office if you have multiple networks
or computers at remote locations.

Locked Closet Server (LCS) Installation

If you have a server locked in a closet where no one sits to access NoteSmith®, it has no monitor or keyboard, and it cannot have software installed, it can be used as a Locked Closet Server (LCS). To install onto this type of server:

1. Access the LCS and create a folder called Princeton in a shared location, usually the Public folder. Do not put it into Program Files or any protected Windows folder. Be sure network users have full read/write access to the new Princeton folder. See sharing on page **Error! Bookmark not defined.**.
2. On one workstation, map the server Princeton folder to drive letter P: for Princeton. See mapping on page **Error! Bookmark not defined.**.
3. Install NoteSmith® onto the same workstation as if it were a single, standalone computer.
4. Start the program and enter the workstation media key.
5. The program will inform you it cannot use data from its local hard drive and ask if you want to set up a Locked Closet Server. Select OK.
6. You are taken to the File, Setup window.
7. Choose the Folder tab, then click the LCS button.
8. The first tab will copy the files, the second requests your Server (1 only) media key, and the third allows you to activate the LCS immediately.
9. Exit the screen, exit the program, and restart it so you can locate the LCS data from this workstation.
10. If desired, additional data folders can be added from the workstation to the LCS as peers of Data. At a workstation, go to File, Setup, Data Folder.

Complete the information on all 3 tabs, which requires you to enter an activation number at our web site and retrieve its matching response number. The response number is typed into this window. You need internet access and a web browser available in your office before you begin.

Sharing and mapping server folders

To access the server computer from a workstation across your LAN, the data folder on the server must be shared by the server *and* mapped to a drive letter by the workstation.

Sharing from the Server:
1) At the server computer, choose File Explorer icon on Taskbar *or* click Start Menu, select Windows System (*not needed in Windows 11*) and select File Explorer
2) Under 'This PC', choose 'Computer Name (C:)' (*Windows 11 choose 'OS (C:)'*)
3) Double-click 'Users'
4) Double-click 'Public'
5) Right-click 'Princeton'
6) Choose 'Properties' from drop-down list
7) Choose 'Sharing' tab from menu box
8) Click the 'Share' highlighted box
9) Choose People to share with by either typing in the search box or selecting the name. Make sure Permission Level is set to 'Read/write'.
10) Click 'Share' box

Mapping on each workstation (two methods possible):
1) At each workstation, choose File Explorer icon on Taskbar *or* click Start Menu, select Windows System (*not needed in Windows 11*) and select File Explorer
2) Under 'Network', choose server name
3) Right-click 'Princeton' file icon
4) *Windows 11: Select 'Show more…' on drop-down*
5) Highlight and click 'map network drive'
6) *OR replace steps 1-5 by accessing 'map network drive' from within NoteSmith Net by going to File, then Setup, Data Folders, and click the Map button.*
7) A menu box will appear, showing Drive: and Folder:
   a. Choose drive letter 'P'. If not listed, choose any letter.
   b. The 'Folder' path should show:
      \\SERVERNAME\Princeton
   c. Make sure 'Reconnect at sign-on' box is checked
   d. Click 'Finish' box

Installation issues

Defective Media

If you think you have defective installation media, write down the error message and email it to support to determine if the media is defective. Also try the media on another computer to see if it works. We will exchange it at no charge to you if it proves to be defective and offer you a download to save time. Technical support contact information appears on page 354.

Import Data Twice

If you attempt to import data a second time, NoteSmith® will warn you. *Heed this warning.* You simply may be importing from two different folders of an older program with the goal of combining your data into one folder this year. The number of accounts is displayed in the old and new folders to help confirm a correct import.

You cannot import again if the program finds the same loan numbers in the old (source) and new (target) folders. Attempting a second import of the same data is from selecting an unused company configuration and not seeing your live data. Go to File, Company Configuration, choose All Notes (investor code must be blank), and your accounts will appear. Delete unused configurations.

100 Series Errors

Errors numbered 101 and higher indicate a problem with your program registration data. Write down the exact text of the error, add any details about your installation, especially recent changes, and contact Technical Support.

Background Software Issues

Random errors such as "File not found" or "Access denied" can be caused by overzealous background software running on your computer, such as anti-virus, internet security, firewall, or backup software. Background programs cannot both monitor files and make them accessible to NoteSmith® quickly. Try adjusting the settings or options of any software that runs in the background while you use your computer. Have an experienced co-worker or professional help if necessary.

- **Anti-virus**: Set NoteSmith® or NSWin.exe as a trusted program installed deliberately to Program Files. Turn off continuous, real time scanning. Exclude DBF files.
- **Internet security and firewall**: Give NoteSmith® or NSWin.exe permission to access the internet by FTP.
- **Backup**: Do not back up files immediately as they are saved but only once or twice a day.
- **Windows**: Even Windows can damage files by moving them while NoteSmith® is open. Always return to the Main Menu when not actively using your computer.

Invalid Media Key Detected

There are three causes of this error, which might appear after typing in your media key:

- The media key was typed incorrectly. The key is a series of 2 capital letters followed by 2 numbers, in 4 blocks. Try starting the program again and type carefully.
- The program was previously installed successfully using a different media key, which was not deactivated before entering this one when upgrading from non-Pro to Pro or from installing the Server media key onto a Workstation. Restart the program, enter the original key that was used, follow the Deactivation directions below, exit and restart, enter the correct key.
- NoteSmith® installation settings were modified by hardware failure.

Activation

Activation is quick and you can do this in less than 5 minutes per computer. The program pops up a message telling you when it is time to activate and you have quite a few days to accomplish it.

☞ You cannot activate a newly installed program. The program will let you know when it is time to activate and is fully functional until that time.

If you do not have internet access on your NoteSmith® computer, use a separate computer that does have internet access, such as at your public library. You do not need internet access on your NoteSmith® computer. The program guides you through the activation process at the appropriate time. You cannot activate the program until it requests activation.

To activate your NoteSmith® program, do all of the following steps. *Pay particular attention that each step is done exactly*:

1. Go to Help, Technical Support, Activation, and read the screen. Use the Print button to print a report. Circle your 16 character Media Key and the 7 digit Activation Number on the Status line.
2. If you have internet access on your NoteSmith® computer, click the link on the Activation tab. On any other computer, go to www.NoteSmith.com, click Support, then Activation, for the same page.
3. Enter your 16 character Media Key from your printed report and enter the 7 digit Activation Number that you circled, which is unique to that one computer. Click Submit on the web page and follow the directions. *Print the page* that displays your Response Number, write the Response Number on your printout from Step 1 as a backup, then exit your browser.
4. Type the Response Number into the same computer that generated the original printout at Help, Technical Support, Activate. The program is not activated until you type the Response Number from the printout. Save the printout with the Installation Guide.

Additional Activations

NoteSmith® users are granted limited use of the installation media. The media key, activation number, and the subsequent response number are exceptionally important to you, as important as the media itself. NoteSmith® users receive a response number for their primary computer only. Pro users can activate a primary and one backup computer, which should use the same database files as the primary and should *never* both be used simultaneously. Network users receive one (1 only) server response number and up to five (5) workstation response numbers.

Additional activations are available if you want another computer to serve as a backup, if you lose your original activation, if your hard drive crashes, or if your computer is no longer available, and you have not deactivated. NoteSmith® users can license a second activation, NoteSmith® Pro users a third, and NoteSmith® Network users either a second server or up to 25 total workstation numbers. License these at a reduced price from NoteSmith.com and a response number will be made available. You do not receive new media, just the rights to install what you already have onto another computer and a response number to activate it. Directions are sent to you.

Deactivation

To deactivate any installation except a Locked Closet Server:

1. Go to Help, Technical Support, click the Print button and test that you can print to paper or to PDF. If your test is unsuccessful, resolve the issue before deactivating.
2. If the print test is successful, choose the Activation tab and click the Deactivate button.
3. *To avoid an additional activation charge later, print the receipt directly to paper or a PDF.* Save the receipt in the printed manual (paper) or the PrintToFile folder (PDF).
4. Immediately exit the program.
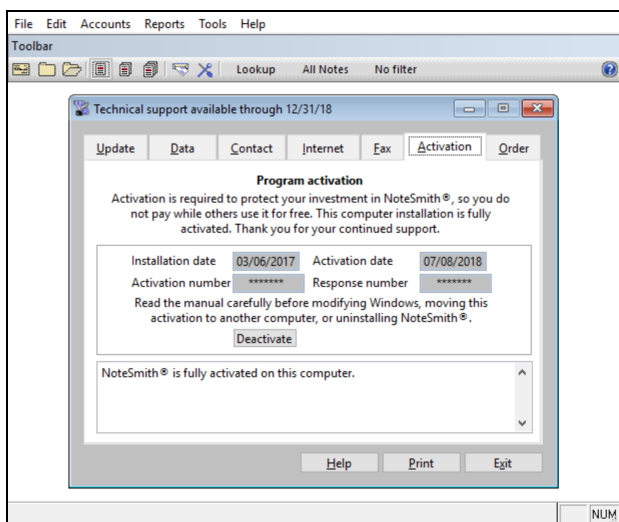
To deactivate a Locked Closet Server (LCS):

1. Start the program from any *workstation*.
2. Go to Help, Technical Support, click the Print button and test that you can print to paper or to PDF. If your test print is unsuccessful, resolve the issue before deactivating.
3. Go to File, Setup, Data Folders.
4. Click the LCS button, choose the Activate tab from the window that opens, then click the Deactivate button.

5. *To avoid an additional activation charge later, print the receipt <u>directly</u> to paper or a PDF.* Save the receipt in the printed manual (paper) or the PrintToFile folder (PDF).
6. Install NoteSmith® Network Server onto another computer on your local area network immediately as either a locked closet server or a desktop server so the workstations have access to shared data.

Activated installations can be deactivated to move to a different computer if you have a receipt. *If your computer is sold, donated, lost, stolen, destroyed, crashed, reformatted, or damaged and the activated NoteSmith® installation is not deactivated, you lose that activation permanently.*

Just as a furniture company will not give you free furniture if your house burns down, we cannot give you free activations if your computer burns down. Be sure to have adequate business insurance that will pay for new software in case of calamity. *It is no one else's responsibility to replace your software or activation for free if you lose it.* You can order an additional activation at a reduced price at our web site.

NoteSmith® is a *single user* program. Pro is *single user*, but you receive a license to an original and a backup activation for only your single use; if one installation is lost, you have a second activation to make it through the year. They should *never* be used simultaneously. NoteSmith® Network Server comes with *one* (1 only) activation number, so manage it, protect it, and insure it carefully. There is no "two user license" for any version of NoteSmith®.

Normally, do not deactivate a program that has not been activated. You might do so, however, if you licensed Pro and upgraded to Network or if you installed the Network Server onto a computer that was supposed to be a Workstation. Contact Technical Support if you have questions.

Uninstallation

To uninstall NoteSmith®, deactivate the program (see above). Then either uninstall from Windows Settings or run Setup from the installation media and choose Remove.

Uninstall previous versions of the program once your data is imported and the new program is functioning normally. Wait at least two months to be safe. Since Windows will not remove user data, delete the older folders manually from Windows File Explorer. Data from versions prior to 2010 are inside:

C:\Program Files\Princeton

Later versions use:

C:\Users\Public\Princeton

Do not remove the Princeton folder.

Moving Activated NoteSmith® to a New Computer

You can move your activated installation to another computer during your support year at no charge by following these directions *exactly*. Note that this applies *only* to programs that have been activated. We cannot replace a deactivated installation with a new response number if that installation had never been activated in the first place. If you are unable to execute these directions, you can license an additional activation at our web site at a reduced price.

1. On the old computer, go to File, Utilities, and back up your data to a USB Flash Drive.
2. On the new computer, install and start the program.
3. Go to File, Utilities and restore your data from the USB Flash Drive.
4. Go to File, Company Configuration, choose All Notes, enter the current year, and see that the data is accessible.
5. On the old computer, follow both the Deactivation and the Uninstallation directions above *exactly*.
6. When the new computer requests activation, go to Help, Technical Support, Fax, enter a brief message, then choose Print. Send at the same time *both* this page *and* the deactivation receipt from the old computer in step 5.
7. Directions will be emailed for you to activate the new computer. You cannot otherwise activate at the web site without using one of your limited activations.

Reinstalling Windows

If your Windows operating system ever must be reinstalled, if you upgrade your Windows operating system, if your hard drive must be formatted or replaced, or if you use the Windows System Restore function, be sure to first back up your data from File, Utilities. Deactivate NoteSmith® as described above, then print and save the receipt page as proof of deactivation. Install NoteSmith® into your new Windows as if it were a first time installation and restore your data from File, Utilities.

Reinstalling After Improper Data Import

Use these steps when you improperly imported data from an older version and want to redo an installation:

1. Go to Start, File Explorer, then C:\Users\Public\Princeton. Rename folder NoteSmith2024 to NoteSmith2024-old. Be *sure* it is the 2024 folder. Close File Explorer.
2. Reinstall from your media. Choose Repair if it asks.
3. Restart the program. If you deactivated your program trying to solve this issue, you need to activate the program immediately after installation by visiting our web site. See Activation on page 52 for details.
4. Once the program is running, go to File, Setup, Import. That will put one copy of your older data into the 2024 program. Do *not* repeat this step. Exit the Setup window.
5. If you cannot find your data, go to File, Company Configuration and be sure you are in your company or in All Notes. Pro users also should be sure no filters are set.

Windows does not remove user data that was modified after installing a program. Despite either deactivating or using Add/Remove Programs, you must remove the NoteSmith® 2024 Data folder manually using the steps above in order to remove the doubled or damaged data.

Program Tips

This section contains tips to help put NoteSmith® into use quickly and easily. The first part will help you set the program up for your company. Read over the information following that which explains keyboard shortcuts for data entry and shows the dialog boxes you will use to make common choices.

Quick Start

You can view the tutorial on screen or work through the items below. The tutorial is accessible from the Help menu.

1. Set up your company information. Immediately after starting the program, you are presented with the main menu. Select File, Company Configuration, or click the configuration button to the right on the toolbar (this button changes names according to the configuration you choose), or press C. Select the All Notes configuration and enter the relevant information, but leave the Investor field blank. Save your changes. Click on Add and name this new configuration after your company. Enter unique company initials in the Investor field and Save. If you have more than one company or taxable entity, click Add again and enter a new configuration and unique Investor code for each. Re-select the All Notes configuration, then click on Use. Do not delete any configurations at this time.

2. View available notes. To see what notes already are entered, click on Reports, Portfolio or press the ALT key, then R, and then P. Select Due Dates with the mouse or by pressing D. Click OK at the next printer window and the report appears on your screen. Read about the shortcut keys available during preview on page 73. When you are finished, press Esc and return to the main menu.

☞ Note the As Of date defaults to today's date. Asset based reports such as this one are snapshots "as of" a given date. Income reports, like a payment register, have a start and end date. Shortcut keys for changing dates, which can be done for most reports, appear in Editing Tips (below). The program

offers a date range or As Of date, and starts with today's date, first of year, or last of year, as appropriate for the report you have chosen. Calendar year and fiscal year default dates can be set up in File, Company Configuration.

3. Record a payment. One of the sample payors is Mr. Partial. We now will record a regular monthly payment received from him. Select Accounts from the main menu, then select Record a payment (or click on the Record button in the toolbar or type R). If Mr. Partial is not the payor whose data appears, click on the Lookup button in the Toolbar (or type L) and select Mr. Partial. There are numerous shortcut keys for the Lookup window, too. See page 67.

The date field is highlighted. Type a date about one month after his last payment received. Press Tab and the Amount field is highlighted. Change the amount if you want and press Tab again to enter the Payment Type drop down list. We will accept Regular, so press Tab again to enter the Reference field. Type in a check number, press Tab to highlight the Record button and press Enter, or click it with the mouse, or type ALT+R. You will see the payment split between principal, interest, late fees, service charges, and other items.

You can highlight and delete that new payment or print a receipt. When finished, select Exit to return to the main menu.

4. View a payment history. Next we can view the Payment History of Mr. Partial. From the main menu, select Reports, Accounts, Payment History from its drop down menu, or click History on the toolbar, or type H. Click OK or press Enter at the Print Options window and the history of Mr. Partial appears. Use the mouse or the shortcut keys to move about the report, then Esc back to the menu.

5. Edit the account. To bring Mr. Partial's account up on the screen, select Accounts, Edit, or click on Edit in the toolbar, or type E. You have tabbed pages from which to choose: Payor, Payor2, Collateral, Note, Investment, Escrow. Account information is split up this way so that each succeeding screen will not appear too busy. Highlight the various fields and watch

the status bar at the bottom left present additional information for your reference. Click on other tabs to view successive screens of information. (If you are adding a new account, always fill in the Note tab before viewing the Investment tab because whatever is on Note is copied to Investment the first time you click there.) On the Investment tab, notice this note was assigned to the SMPL (Samples) company you saw in File, Company Configuration. When you are finished, click Exit to return to the menu.

6. Check your financial status. We complete our brief tour again at the Reports, Portfolio choice from the main menu. This time select Ordinary Income. Follow the windows to display this report to the screen, showing the net effect of all incoming and outgoing notes in the sample portfolio.

7. Practice. Use the sample receivable and payable notes to practice. When you are finished with them, Accounts, Edit, Delete, each sample. If you decide to save them, they have investor initials of SMPL for The Sample Company or CARS for The Automobile Company. As you add your own notes and assign them to your company, NoteSmith® ignores the SMPL and CARS notes but keeps them on your computer.

Keyboard

Time Savers

The program simplifies the time consuming task of inputting data. You will find the following features advantageous:

- The first letter of all names and cities, and all letters of the state, are automatically capitalized properly.
- The program is controlled internally by loan numbers (up to 9 characters: letters, numbers, or punctuation) but interfacing with data can be done by "Last, First" names or "Lookup" names you assign. Type the first letter of a name at the Lookup screen and the program finds the closest match. Use the mouse to find a different account.
- Note that the Lookup list is filtered by the data you provide in File, Company Configuration, so some payors may be hidden temporarily.
- Any data that you have already stored, such as a monthly payment, is provided for you the next time you need to input it. If nothing has changed, you merely need to press the Enter key to confirm.
- When appropriate, you are provided a choice to print a given report on one individual or on the entire remaining portfolio. If you want payment histories on everyone, find the first payor at the Lookup window. At the Print Options window select All Remaining.
- An envelope addressing module and a mailing label module are provided which can print your payors' addresses in bulk or individually. Individual payor reports are printed in window envelope format so printing envelopes and mailing labels is discouraged.
- A calculator button appears next to the payment amount, late fee, and yield when adding accounts. Related numeric fields must be filled in to give accurate answers.

Editing Tips

You are in edit mode anytime the program pauses for you to type. This includes payor names on Accounts, Edit, the text file editor, and the File, Company Configuration screens. The following information should help you enter data quickly.

- Use your Insert key to switch between overstrike and insert modes.
- To quickly move around a report preview, use the arrow keys. Use L (for Littler) to shrink the report on screen a bit at a time, then return to full zoom.
- To move between fields (these are the different colored data entry rectangles), use Enter (↵) or Tab keys. Shift+Tab moves backwards. In larger edit boxes, use Ctrl+Tab to move out of the box. The Left (←) and Right (→) arrow keys move within the field. Click to place the cursor in a field, double click to highlight a word in a field, triple click to highlight the entire field.
- ESC, the Exit button, or the Windows close box (the upper right box with the X) gets you out of what you are doing and gets you to the previous menu or the main menu. If ESC does not return you back, it means NoteSmith® is waiting for a choice to be made. Select or type a choice, then hit Esc. For instance, when the Payor window pops up, you must hit Enter to select someone, then ESC returns you to the main menu.
- F1 brings up help, click on Help at the main menu, or click the icon at the right of the Toolbar.
- DO NOT USE ALL CAPS, as it is harder to read and does not appear properly formatted on form letters (Dear MR. SMITH). In emails, it signifies SHOUTING.
- If your computer locks up, hold down keys Ctrl, Alt, and strike Del. This takes you to Windows, which can close NoteSmith® without having to reboot your computer. If the lock up can be repeated, write down the sequence of events, then email or fax us the problem. Watch that the program is not waiting for you to type some valid input, especially a date. If you are a networked user, go right to File, Utilities, Maintenance after restarting NoteSmith®.

- Hold down the Alt button and the underlined letter of tabbed windows or field names to move to that spot.
- Use Alt+PrintScreen to print out whatever appears on just the NoteSmith® screen in an emergency or for giving you hard copies of input screens to train other people. Open your word processor and select Edit, Paste or Ctrl+V. Type a comment above or below the screen image before printing it. Do *not* email screen prints or photos of your monitor to technical support.
- The text of error messages can be highlighted with your mouse and pasted into an email using standard Windows shortcut keys and mouse clicks.
- Many date shortcuts are available. Right mouse click date fields to enter today's date. Use the + and - keys to change the date a day at a time or the PgUp and PgDn keys to change a month at a time. Type "J" to enter January 1, "D" to enter December 31, "F" for First of month, "L" for Last of month, or "T" to enter today's date. Triple click to highlight the entire field.
- Windows standard cut, copy, and paste is available by using the Ctrl plus X, C, and V shortcuts.
- Ctrl+PgDn changes pages on any multi-tabbed window.
- Alt+Spacebar pops up a Windows menu from which you can maximize, minimize, or move the screen.

Common Screens

There are four common screens in NoteSmith®: Adding a new account in the Loan Number dialog; searching for an existing account in the Lookup dialog; displaying or printing reports in the Print Options dialog; and Print Preview mode. A description of each window follows.

Loan Number Dialog

A loan number is 12 characters long, with nine (9) account characters (all 9 must be used) using capital letters or numbers and a 3 character suffix used for a hyphen and loan type.
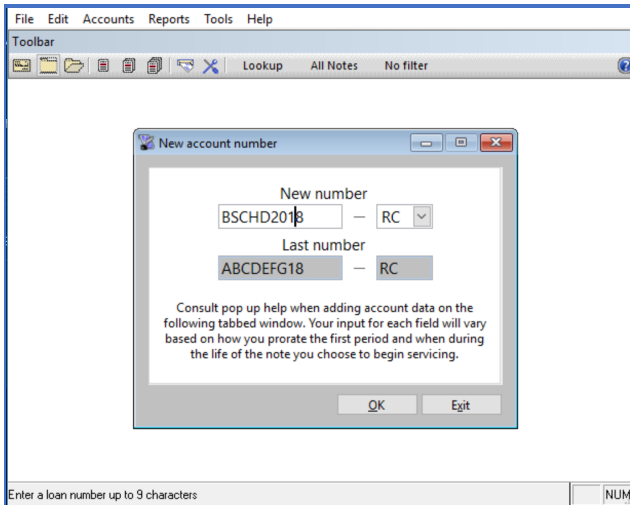
Before adding records, have a strategy for assigning loan numbers. You might use 2024-1234 for 2024 acquisitions or JD-9876-5 for notes sold to you by John Doe. You can fall back on 000000001 but you can take better advantage. Perhaps use two specific places for the payor's initials to make it easier to find a given payment on long lists. Use all 9 characters, capitalized and no punctuation, for compliance with exporting formats to the IRS, credit bureaus, or QuickBooks.

If you broker notes, especially if you collect a few payments first, try keeping your unique loan number prefixes to 8 characters. Use the ninth for the automatic sell module (Pro only) by entering an otherwise unused character there, such as N for New. If you resell parts of notes and hold residuals, you can assign new loan numbers overtyping N with S, I, or R in the ninth place, for Sold, Investor, and Residual.

The last loan number added appears on screen in case you enter new loans sequentially. If you use barcodes (which only read upper case) or export your data (credit bureau, IRS, or QuickBooks), use upper case only and no punctuation.

The tenth character in a loan number is always a hyphen. The two character suffix has special significance to NoteSmith®, so their use is limited to these:

RC: Receivable note, payments coming into your business.

PY: Payable note not secured by one specific property or associated with one receivable note you own.

U#: Underlying obligation. (*Use the numbers 1-9 in place of the # sign*.) This type of loan is underlying a receivable note and should carry the same 9 character prefix as the RC.

LP: A lease you pay, available with NoteSmith® Pro only.

L#: A lease you receive. (*Use the numbers 1-9 in place of the # sign*.) You may have up to 9 receivable leases using the same loan number prefix, representing a 9 unit building. Available with NoteSmith® Pro only.

If you service notes for other investors, their initials are not incorporated into the loan number directly, but each account is assigned an Investor code. This information is used to construct investor portfolios, segregating any given investor notes from other investors. The initials appear on all reports and are stamped on each payment.

Lookup Dialog

As you move from module to module in NoteSmith®, the program remembers which account you were using last and displays the name as a button on the Toolbar. This is called the "current account." When the Lookup dialog box appears, this same account is already entered for you. Press Alt+O, Enter, or click the OK button to continue using this account.
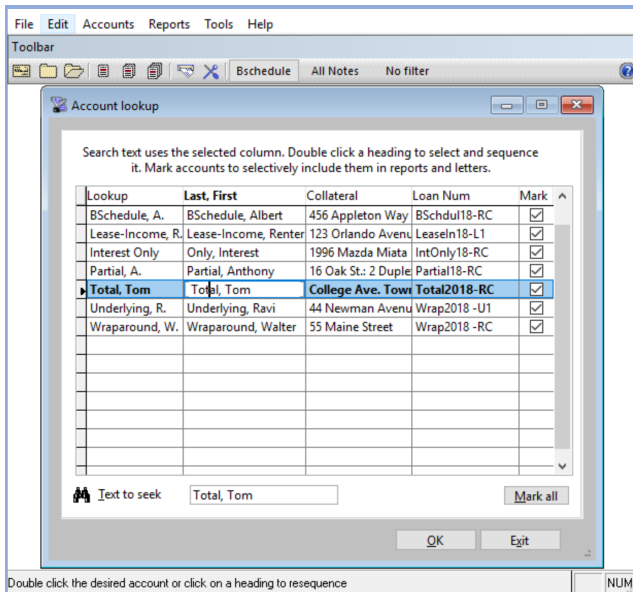
When you need to change accounts, double click the desired line. Alternately, type the name or the first part of it into the Text to Seek box to find the closest match instantly. Use the vertical scroll bar to move backwards and forwards through the database of names.

While in the Text to Seek box, hold down the Ctrl key and press the up or down arrows, the PgUp and PgDn keys, or Home or End to quickly move through the list. Type a space after the word you are typing to ensure a correct match. If you were looking for Mr. Total and Mr. Partial's name was already in the box, after typing the first 3 letters you would see

TotPartial with the cursor between the t and the P. Type a space to seek Tot instead of TotPartial.

NoteSmith® Pro displays lookup dialog names using the current account filter. To see only non-closed accounts, select the Not Sold filter or create one of your own.

Click a column heading to search in lookup name, last name, collateral, or loan number order, which bolds that column heading. To search for an account by loan number, click the loan number column heading to display the accounts in loan number order, then enter all or the first few characters of the desired loan number. Still in the Text to Seek box, Ctrl plus the left or right arrow keys change the order of the columns without using the mouse. Use the mouse to shrink or expand column heading widths or to resize the entire window.

Most frequently, you will use the lookup name assigned to the account. A lookup name is like a loan number in that it identifies the account. It does not need to be unique, but it would be a good idea to keep them unique to search for a specific account. Type the payor's last name and first initial as a lookup name, with maybe a number if they have multiple accounts. For trust accounts or company payors, you might use the personal contact name as the lookup name.

The Mark column allows you to select or deselect accounts currently visible due to company configuration and filter settings. Unmarking an account does not cause it to disappear from this window so you can easily mark it again. Marking persists so you can exit and restart the program later with the checkmarks on the same accounts.

The button under the Mark column marks or unmarks all visible accounts instantly. Clicking the Mark heading sequences accounts by their marks, as it does for other columns, but you cannot use Text to Seek to find a mark. All accounts should be marked except for special circumstances you require, such as sending a letter to just two people.

Marking is a master filter for your custom use. Unmarked accounts do not appear on any bulk reports, tax forms, mail merge letters, or when exporting for use by another program, such as Word or QuickBooks. Reports display a message when all accounts are not marked. *Generally, you want to click Mark All before running bulk functions.*

Print Options Dialog

NoteSmith® gives you the option to view any report on screen, send it directly to the printer, print to a file, or send the report file by email. For individual reports such as payment histories, choose to print one account or, starting with the account you selected in the Lookup dialog, print an individual report for all the remaining accounts.

You may print any report to an ASCII text file for editing with your word processor. Pro users also can choose an Adobe PDF (Portable Document Format) file or an Excel Comma Separated Values (CSV) file, which you name in advance. PDF is the default for Pro users. The file is sent to the PrintToFile folder inside your Data folder. For Network Workstation users, this is on the local hard drive. Check the View box to open the file on screen automatically, then save it to any location you desire. The print to file feature was used to create Intake.txt from the setup report.
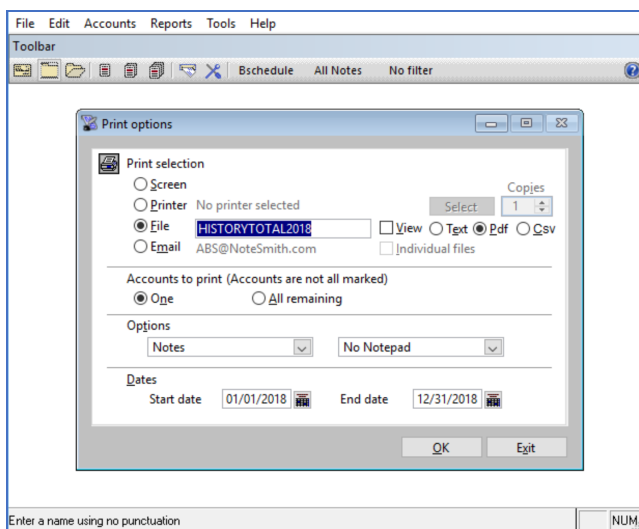
The number of copies can be set when Printer is chosen. When appropriate, the Print dialog allows you to set a date range, an "As Of" date, or just a report ending date.

Selecting File, then PDF creates a replica of the printed report. Choose File, not Printer, because you are generating a file.

Reports, letters, and some IRS forms can be sent by email (Pro feature). You might print the technical support cover letter to a file to save an error message or to include with an email. Generate a TXT file and email it to either a payor or an investor. Simply create a new email from your chosen email program, then attach the new file you generated. Attaching can be done from the paper clip icon in most email programs or look for an Insert, File menu.

Pro users automatically can generate PDF attachments to email. The program prints the report as a PDF, then attaches it to a new email message using the File, Setup, Office information you selected. The attached file can be viewed from your chosen email program.

When emailing, choose One to send one account statement to one person. Choose All Remaining to generate one PDF file with all statements, which opens a new email with a blank address to send to a CPA, manager, or other person. Choose All Remaining and Individual Files to generate one PDF file per account, each of which is sent to one new email using the matching account's email address.

Emailing from Reports, Accounts uses the first payor's address. You can send these reports individually or in bulk: history, escrow analysis, adjustable rate analysis, invoice, receipt, coupons, and generic letters (not late, balloon, or escrow). IRS 1098 or 1099-INT can be emailed with the account holder's written permission. Email to second payors manually by right clicking their email address in Accounts, Edit and attaching their file from the PrintToFile folder.

SMS or text messages can be sent from this screen (Pro feature) under limited circumstances, such as when generating short form letters. The Email label changes to SMS if it was checked in Accounts, Edit and the form letter contains –SMS.TXT at the end of its file name. See the sample letter Intro-Merged-SMS.txt, which illustrates how to merge data fields into a text message.

Emailing from Reports, Portfolio opens a new message with a blank address so you can enter the address of your CPA, attorney, or other business associate. Reports, Portfolio printouts are not for viewing by customers.

Windows supports an XPS file format and you must select Printer to access it, then follow the on screen directions. Save the file in the PrintToFile folder or elsewhere on your hard drive, but not in the Data folder. XPS files can be viewed using a browser. These files are huge, 7-10 times larger than a PDF, so we do not recommend using them.

Creating an Excel CSV file causes some reports to be altered slightly to allow Excel users to run calculations on columns and to insert formulas. The history and some portfolio reports are modified to allow summing of similar information by converting the double row payor information to a wider single row format. Due Dates and Aging deliberately are different in their CSV versions to allow calculations. Some reports, such as IRS forms, form letters, and the collections report are not conducive to viewing in Excel. After opening a CSV in Excel, right click columns or rows to delete ones you do not need, then modify fonts or add any formulas you desire. Save it as a CSV or a native XLS file when you are done.

Certain reports lend themselves to graphing and NoteSmith® Pro sends its data to Excel 2000 or newer if you check the box when it appears. Go to File, Setup, Office to enable this capability if Excel is installed.

You may have the option of printing notes, leases (Pro only), receivables, payables, or all accounts depending on the report. Choose to order portfolio reports by loan number, lookup name, or a field relevant to that report. Options and the printer used are memorized for each report. A printer box appears the first time you print a report so it can be memorized.

The Print Options dialog enables (black text) or disables (grey text) options as they apply to the particular report. It is not appropriate to print the Aging report using a date range, so only one date box appears and is used to enter an As Of date.

Print Preview Mode

The print preview mode is useful for generating a quick review of your data without waiting for it to print. Originally, reports appear at 75% zoom and the toolbar is docked at the top. Grab the toolbar with the mouse and drag it wherever is convenient or let it float. Careful with a floating toolbar, though, because you can close it by clicking its X. Get it back by right mouse clicking the report and choose Toolbar.

The easiest way to navigate the preview is with the arrow keys. Use arrow keys to move up or down the page, the PgUp and PgDn keys to move to the next page, and Home or End to move to the first or last page. The L key makes the screen "Littler" and Z "Zooms" in to 500% or out to Whole Page. If you click in the toolbar, it retains focus so the arrow keys operate the toolbar, not the navigation. Click again on the report to use the arrow keys for moving around the report.

You cannot scroll horizontally with a mouse when the bottom scroll bar is hidden behind the Windows Taskbar. The Taskbar must be set to Auto-hide. Right click it, then choose Properties. Alternately, resize or move the NoteSmith® screen so the bottom is above the Windows Taskbar. See your Windows help system for sizing and moving windows.

The report font is carefully chosen so all reports and letters should be legible on paper. The preview is controlled by Windows, which displays nicely at all monitor resolutions and zoom levels, especially 75%. NoteSmith® remembers the toolbar settings, including zoom, for each report you view. Previewing 2-up and 4-up is possible, but to print either of these your printer must support it. Click the printer icon to bring up your printer setup window where you can choose any options your printer offers, including a range of pages.

Avoid printing form letters from the preview window since
NoteSmith® will not be notified that a letter was printed and the
database will not be updated.

You may see a message that says "No data matches your
request." Using the parameters you chose for the report, there
were no matching records. Try a different date range or change
File, Company Configuration to All Notes with a blank investor
code.

Previewing a report uses the same Windows driver used for
printing, so your screen version is identical to what would print.
If reports printed at one time but not now, you may have
switched printers. Double-check Windows printer settings,
especially if you are on a network. Be sure you have the most
recent drivers from your printer manufacturer.

Asterisks (*******) instead of numbers displaying can be
caused by bad printer drivers or printers that substitute for the
Windows TrueType fonts. Try installing a different or updated
printer driver from Windows. If a problem happens with only
one report or form letter, contact Technical Support.

Reports can appear quickly on the screen but printing may take
longer when using LPT1: printers. They have limited memory
and even may use computer memory to save money if they
have none of their own. A report is generated as a graphic
image so it is compatible with all printers or converters like
PDF, but unfortunately is much larger than a text document. It
takes time for the LPT1 printer to process the large image file.
Speed up printing from File, Setup, Program, Shrink Reports.
Network printers have adequate memory and deal better with
graphics. You can tell the difference because an LPT1 printer
uses a thick cable with a 2 inch plug while network printers use
a thin cable similar to a phone cord.

Status Bar

The status bar at the bottom of the screen gives an indication to what NoteSmith® expects and informs you of program activity. The current database record number and total records are displayed. The total includes filtered and deleted records, so total accessible accounts may be less.
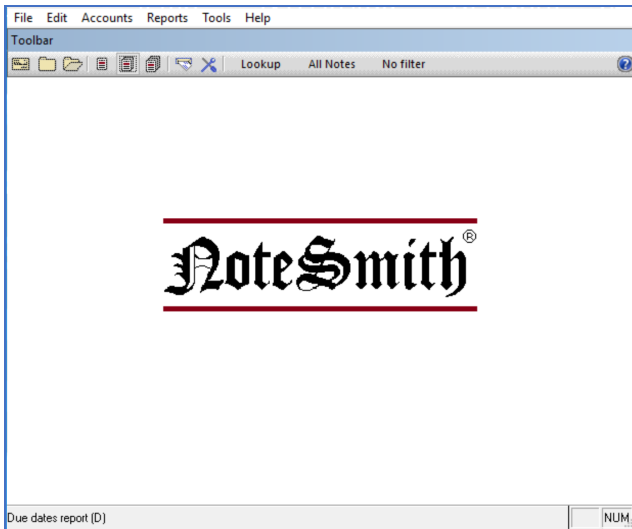
As you add information into various fields or move among the toolbar and main menu, NoteSmith® displays tips in the status bar so you know the type of data the program expects. Set the Windows Taskbar to Auto-hide by right mouse clicking it, then Properties, so it does not hide the status bar.

Window Sizes and Positions

Certain NoteSmith® windows can be resized and placed about the screen for easy viewing. The window sizes and positions are stored for the next time they are viewed. The windows include Lookup, Record, Notepad, Legal Description, Collections, Text Editor, and Tickler.

You can recognize an adjustable window by the 3-dot grab bar in its lower right corner.

These are windows that either have information hidden when the window is too small, cover other windows that need to be seen for editing, or have grids which may benefit by increasing the column widths. Adjustable windows which contain a grid also have their column widths memorized.

The Toolbar resizes as you resize the main window. When the window narrows sufficiently, the words are dropped off the buttons that have icons. The toolbar items on the right (lookup, company configuration, and filter) always display names only.

The Main Menu

Users of NoteSmith® Pro have access to all menu choices, limited only by an optional password. If you are using the standard NoteSmith® program, certain menu choices are unavailable to you, as indicated by grey text.

File

From the File menu, you can perform a variety of tasks related to accessing—or restricting access to—your data. Watch the status bar at the bottom of the screen to see a description of the highlighted menu choice.

Folder—Pro Feature

This menu choice allows you to jump between folders. As you leave one folder, the data is optionally encrypted and the newly selected folder is decrypted.

NoteSmith® Pro or Network Server users can create data folders for multiple companies from File, Setup (see page 312). The folder must be on a drive inside the same computer that stores the Data folder. *Do not copy data folders from other versions of NoteSmith® or create them from Windows. The program will not work.* You can segregate data from each company completely. Data folders normally are in:

C:\Users\Public\Princeton\NoteSmith2024

Unless you create them elsewhere using the Find button, new data folders are subordinate to this folder and are peers of the original Data folder inside it.

Network Workstations must use shared, mapped data folders on a server. Once done, NoteSmith® remembers the folder and uses it the next time the program starts. If the data is unavailable, such as when a network cable is disconnected, the program starts in this window so you can locate the data. Networked data folders on the server must have full read/write access from Windows.

Company Configuration

Configurations allow you to modify and save many NoteSmith®
settings. You should set up a configuration for your company,
informing NoteSmith® of your company name, address, and
contact person. Any letters printed by the program reflect this
information.

From the window that appears, choose to use, edit, add, or
delete one of the configurations. Never delete "All Notes."
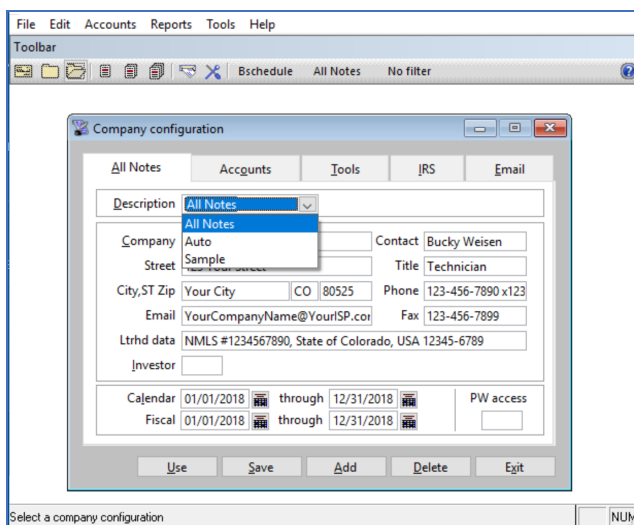
Use a Configuration

The first control on the first tab is a drop down list. All
configurations are presented here, showing the names in
alphabetical order that you previously assigned. The current
configuration is highlighted. Using the mouse, highlight the
desired configuration. Click on Use and NoteSmith® resets
itself as if you had just started the program.

Use the configuration choices to force NoteSmith® to look at
your portfolio in subsections, usually divided by the Investor

codes you assign to each note at Accounts, Add. Some accounts or payments may disappear when changing configurations if they do not belong. This does not mean they are missing permanently.

You can add up to 9 company configurations in NoteSmith® and an unlimited number in NoteSmith® Pro.

Add a Configuration

If you have more than one entity in which you hold notes, add another configuration. Clicking on the Add button adds another configuration using the data from the current configuration. Assign a memorable configuration name, which is initially called NEW as in other places in the program, but *must* be changed immediately. Choose a set of investor initials representing the notes in this configuration.

Repeat this for each entity you wish to have available in your NoteSmith® program. Ensure you have a configuration titled All Notes, with a blank investor code and the current calendar year, so you can view all the notes on your computer.

Configurations can be added for any purpose, including business name, calendar year, international settings, or even something as relatively minor as envelope feed or font. Separating taxable entities is the most common reason for having multiple configurations. Once saved, it is a simple matter to pick the configuration you want and never have to type all these fields again. Previous NoteSmith® users should delete unused configurations to save disk space and time in selecting from this list.

Edit an Existing Configuration

The calendar year is the basis for all payor report dates and is checked by NoteSmith® to ensure a 1/1 through 12/31 year. The fiscal year is used for investor reports and portfolio financial data, although you can override these dates when printing. NoteSmith® checks that you followed IRS guidelines: a fiscal year begins on the first of a month and ends on the last day of the twelfth month following. The fiscal year does not have to match the calendar year.

The investor code field tells NoteSmith® which investors' notes and payments you want to use. The field is case sensitive, so "ABCD" is different from "Abcd." To display all investor notes, leave the field blank or overtype it with spaces.

The code is progressive. Typing just "A" in the field displays accounts of both ABCD investors *and* AXYZ investors. For instance, using the investor's initials (AB) plus a subdivision code (01 or 02) allows you to run a report for both the investor's subdivisions (an AB company configuration), just the first subdivision (AB01), or just the second (AB02).

We recommend you use all 4 characters, and in upper case,for every investor code to maintain compatibility when exporting to IRS, credit bureau, and QuickBooks electronic files. In this case, you also should not use any punctuation marks.

Investor codes appear in two places in NoteSmith®. When you set up NoteSmith® from File, Company Configuration, you create an investor code. When in Accounts, Edit, you assign an investor code to that account.

Another way of visualizing how NoteSmith® sorts through your notes is to realize that all the notes are commingled in one large data file. Use the File, Company Configuration, Investor field to force NoteSmith® into ignoring all but the desired notes. If your configuration does not have an investor code (it is set to blank), all notes are accessible to that configuration. Make sure every account has been stamped with an investor code in Accounts, Edit, Investment.

☞ Always reserve one configuration for "All Notes." In File, Company Configuration, add a new configuration and set the investor code to blank by spacing over anything that is in that field. Type All Notes in the name field.

Depending on your needs, under rare circumstances you may be better separating your data into different data folders. More information about investor codes is on page 155.

Enter specific information about your company to be printed on reports, form letters, and receipts. Letterhead data is an extra field for your use, such as a Nationwide Mortgage Licensing System (NMLS) number, state license number, or company catch phrase. Your contact person's name does not appear on form letters so that you can customize your letters. Your Taxpayer Identification Number (TIN) appears on IRS Forms 1098, 1099, 1096, and 6252. The Transmitter Control Code (TCC) is used to submit forms to the IRS electronically.

NoteSmith® Pro users should modify the password access level when planning to use passwords. The field takes numbers from 1 (lowest level or unrestricted access) to 9 (highest level demanding a high level password). See Passwords on page 88 in this manual for more details.

In computerese, "default" means what the software does if you do not tell it to do something else. There are many places in NoteSmith® where using default values speed up data entry. If all of your notes come from Michigan, it would be nice if "MI" appeared in the state fields when adding a new note. The Accounts tab allows you to do that. Similarly, if you leave any of these fields blank, NoteSmith® defaults to blank when you add new accounts.

Use this screen to title the fields appearing on Accounts, Edit, Collateral and Accounts, Edit, Investment. The next set of fields allows you to store note information that is entered automatically when adding a new account.

The Late boxes should be filled in for each configuration. The first box is the order that late fees normally will be withdrawn and the general application of payments. We recommend order 2 for notes and 3 for leases, which takes the late fee after service fees and escrow, but before interest, principal, or rent. See page 148 for details on late orders.

The next boxes tell NoteSmith® what is your typical late fee, grace period, and late fee as percent of the payment. To calculate late fees at Accounts, Edit (Note or Lease tab) on just the PI or rent portion of the payment, clear the check box. Check to use the total payment, including escrow and periodic service fees. Click in any field you do not know and read the status bar text at the bottom left of your screen.

Enter your company-wide NSF fee and NoteSmith® offers to debit this amount each time you record an NSF payment. Store the number of months in reserve you build into escrow. Most banks require that you keep 14 months of escrow available, which would be 2 months reserve.
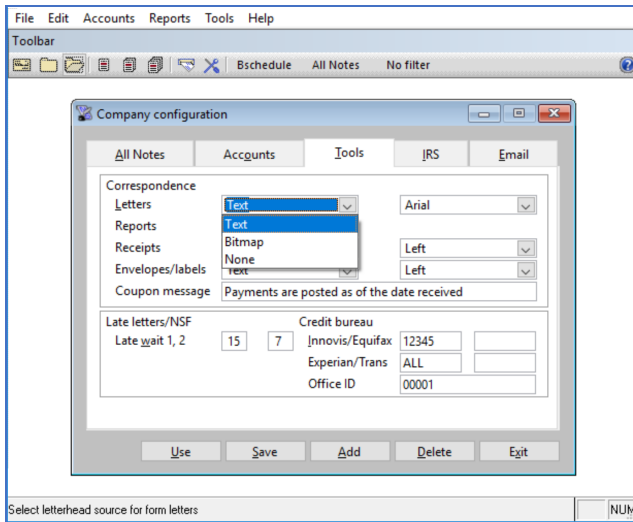
The Tools tab corresponds to items on the Tools menu. Select Text or Bitmap letterhead and NoteSmith® prints letterhead for you on the upper left margin. Chose None to use your own preprinted letterhead. You can have NoteSmith® print your bitmap letterhead. The NoteSmith® letterhead is distributed with the program. If you have a bitmap (BMP) file, save it as NSLtrHd.bmp in the NoteSmith® Data folder. NoteSmith® scales it to fit. Be sure it includes your phone number or add the number to the boilerplate text of your letter.

NoteSmith® reports are printed with the Arial font. Your correspondence can be set to print in the same font or Times, if that more closely matches your business style. The heading prints left so payor reports fit in a double window envelope.

Receipts can be printed letter size or using short, envelope sized paper, which is letter size cut in thirds. Tell NoteSmith® how

short receipts and envelopes are fed into your printer and if you want a return address printed. Mailing labels use the same letterhead settings as the envelope.

Enter a "late wait" for your first late letter to go and a second "late wait" for subsequent letters. This lets you set a longer grace period for the first letter than for follow up letters.

The Tools tab stores your national credit bureau reporting number for exporting and reporting credit histories directly from NoteSmith® along with your unique office identifier.

The IRS tab saves your electronic filing information (Pro version only) for IRS Forms 1098 and 1099. This information appears on the report you print before logging onto the IRS site so you have all that you need in one handy location.
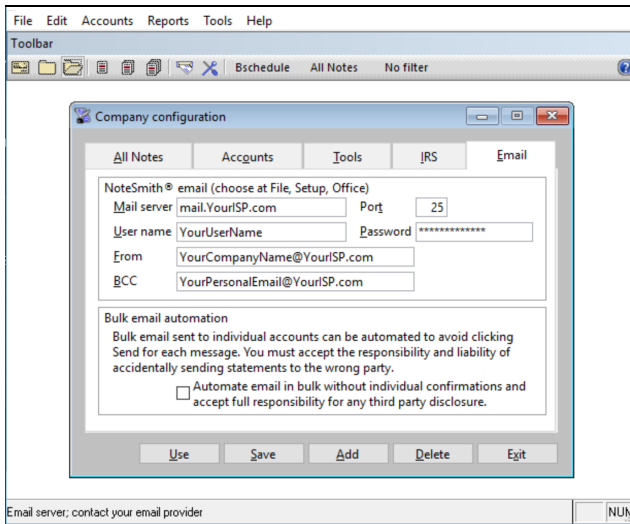
The email tab sets up NoteSmith® email instead of your own (page 105), which avoids security warnings and automates emailing reports to accounts you service. Contact *your* internet provider or check the Options area of *your* email program for your mail server, user name, password, and port number. The server will be similar to mail.YourISP.com or smtp.YourISP.com. Common port numbers are 25 and 587. Passwords up to 20 characters can be used. NoteSmith® Technical Support does not know any of the personal, private settings to access your email.

To send email with Gmail, the message has to be encrypted by third party software into SSL (Secure Sockets Layer) format. The program Stunnel on the installation media can do so. See StunnelReadMe.txt.

Use the BCC box to receive a blind carbon copy in your personal email inbox of any email you send.

Adjustable Rate Configuration—Pro Feature

Store your adjustable rate indices in NoteSmith®. When you add a new adjustable note, just pick the index that is the foundation for that new loan. As with the company configurations above, NoteSmith® saves you typing by entering the information for you, but it can be modified on a case by case basis.
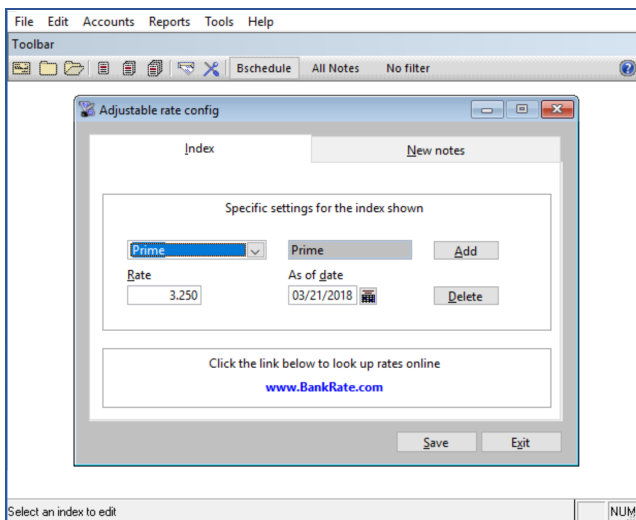
The Index tab stores specific information about the index, such as its current rate and when you last checked it. Add or delete indices as necessary. A link is provided to help research current indices.
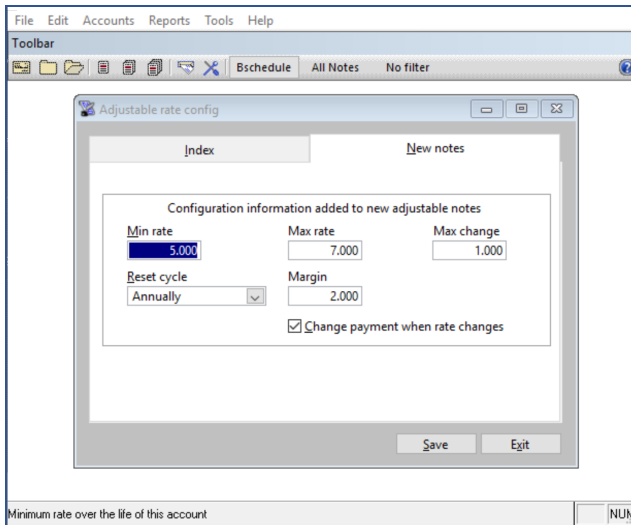
The New Notes tab stores information that will be typed into any new adjustable rate loans. Most loans change payment amount when the rate changes so it amortizes in a fixed time span. If the payment does not change, you may end up with a negative amortizing note, which may be non-USRule. Read the ramifications of using USRule on page 144.

Filter accounts—Pro Feature

The ability to filter accounts is a Pro feature. Set up and save filters which are used to view accounts in sub-portfolios. A full description of filters appears on page 315. This window allows you to use, create, delete, and edit your filters.

Log On Name

Each NoteSmith® installation requires a log on name. If you are on a network, NoteSmith® informs you of others who have necessary files locked. The first time you use NoteSmith® it asks you for a name. Change it from here.

Log On Password—Pro Feature

NoteSmith® uses a password system that allows you three levels of password protection. Passwords are assigned from levels 1 (lowest) to 9 (highest).
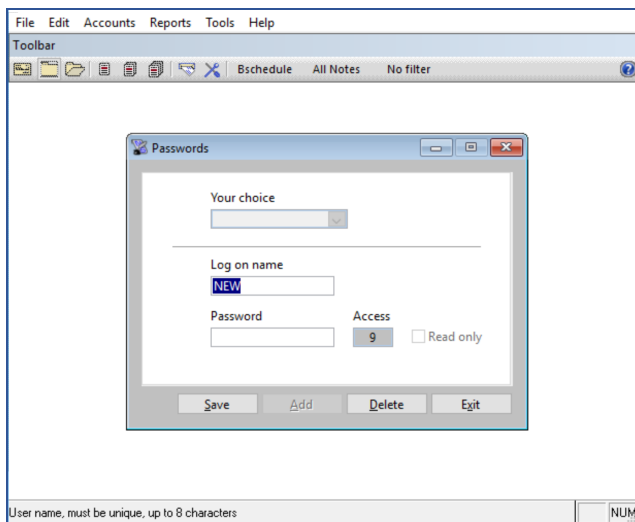
When passwords are empty, the program allows free access to all menus. *If you add a password and immediately change your mind, delete the password before exiting.*

The philosophy behind the password system is to allow the lower level password holder access to administrative functions to service accounts. Mid-level passwords have access to all functions except the password menu, auditing, and certain exporting functions. High level users have access to everything, including passwords. By assigning password levels carefully, you can provide limited access, for instance, to personal records and unlimited access to corporate records with the same password.

A level of password from 1-4 has financial access limited to only the payment register, which would be needed by a bookkeeper. Access to accounts is limited to adding a new account, editing addresses, and running reports. Data entry clerks cannot change financial information on payors they may know personally or to whom they may owe favors.

Passwords with levels 1-4 give access to these functions:

- File: excluding Password
- Accounts: Record a payment, Add an account, Edit non-financial fields
- Reports, Accounts: Pay history, Payoff, and IRS 1098
- Reports, Portfolio: all except Balances, Balloons, Seasoning, Yields, Register-Change, Ordinary Income, Capital Gains, Cash Flow, and Statistics
- Reports, Miscellaneous
- Tools: except for Text File Editor, Credit Bureau, Escrow Adjustments, PDF in Bulk
- Help

Destructive features within various screens, such as adding or deleting filters, configurations, or tickler items, are excluded from access by the lower level password holder. For instance, they can use a filter but cannot edit it.

Passwords with levels 5-8 give full access to NoteSmith® with the exception of the Password menu, auditing, and certain exporting functions. Passwords with level 9 have full access and the ability to assign, change, and delete passwords. Two people, and maybe a third, should hold a 9-level password although there is no limit.

If you wish to protect your personal portfolio, but grant access to your business notes and car notes, create separate data folders for each entity and assign the same access level to each company configuration within that folder. (NoteSmith® does not create consolidated reports across folders because of the likelihood of duplicate loan numbers, so consider multiple data folders only if each folder is a separate taxable entity. See page 312.) Passwords work on folders and within folders, which

means an administrator could get someone with a lesser password shut out of all configurations! Administrators using someone else's workstation must be careful to exit NoteSmith® from a generally accessible configuration.

As an example, assign a password level 1 to the company configuration in the car folder, 4 to the business folder, and 7 to the personal folder. Anyone can access the car note config-uration, although users with password levels of 1-4 could access only menu items shown above. A user with access level 2 could not get into the business or personal notes. A level 5 user has full access except for changing passwords, can view business and car notes, but cannot see the personal notes.

A read-only checkbox allows the administrator to grant any level of viewing (1-9) but shuts off the ability for that user to make changes to the data. Carefully assigning password access levels and configuration access levels provides significant protection to data subsets.

☞ Although passwords are encrypted, they are stored in database files. Experienced computer users could expose the encrypted passwords and attempt to crack the system.

If you accidentally lock yourself out, try user name NEW and password NEW (all caps). For technical support, fax a letter of explanation signed by the registered NoteSmith® user so we can verify the authenticity of the request, then email file Password.dbf to the technical support staff. It is located in:

C:\Users\Public\Princeton\NoteSmith2024\Data

Audit—Pro Feature

The audit window is available only to 9 level password holders.
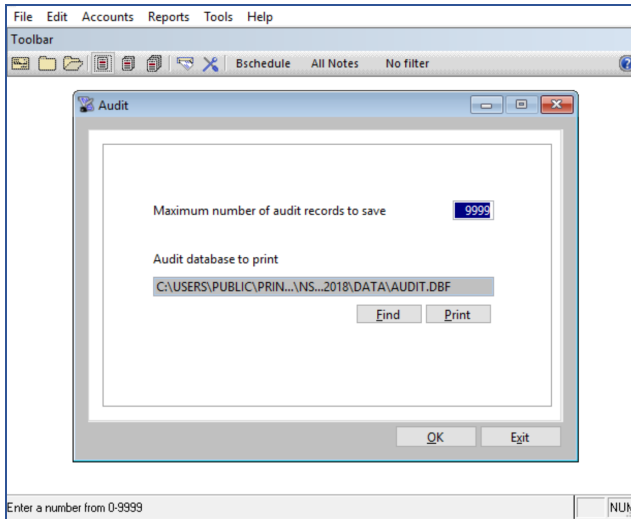
Set the number of actions you want NoteSmith® to log. Each action the user takes, such as editing a payor, creates a 50 byte record in the audit database on each workstation, so ten thousand actions take up a half megabyte of local disk space. Once the limit is reached, older actions are archived in the Data\Backup\Audits folder.

A report can be printed for each user.

Online

The online module broadens your reach, allowing you to access other servicing resources and optionally letting your customers access their data. Establish your internet connection manually if you are not on a constantly available broadband connection, such as DSL, cable, or satellite.
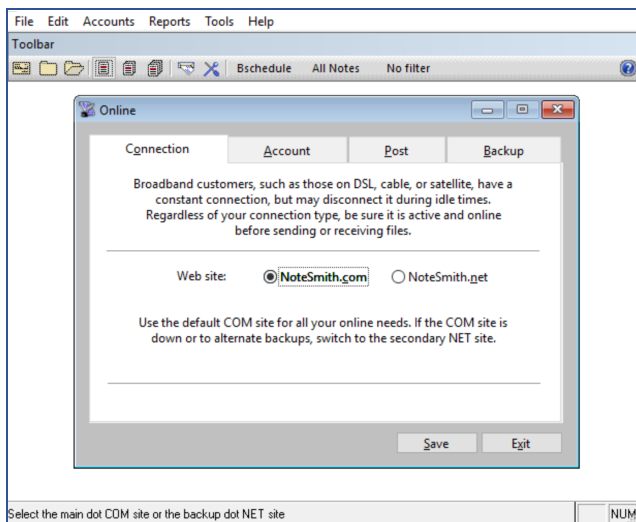
The opening Connection tab sets the web site. The official site is www.NoteSmith.com and should be the site you typically use. In case that site is unavailable, www.NoteSmith.net is maintained as a backup site. Dot net can be used for alternating online backups.
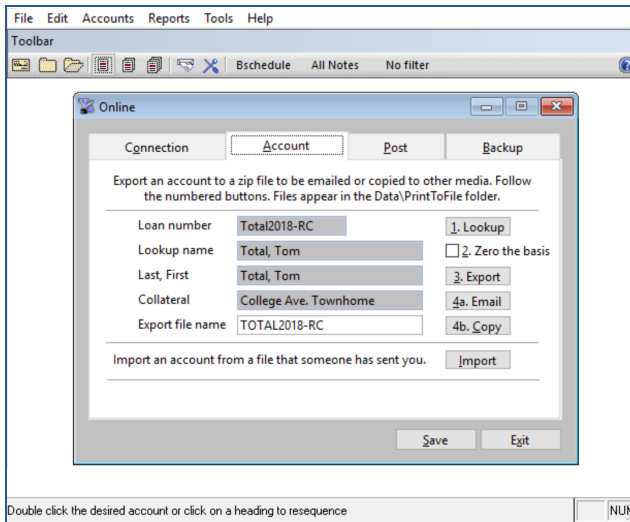
The Account tab (Pro feature) lets you email an account to another NoteSmith® 2024 Pro user who, for instance, might want to buy your note. It creates a small, password protected zip file with just a single payor which can be attached to an email. Check the box to hide your basis from the recipient.

The file is created, as with other similar functions, to the PrintToFile folder on your local hard drive. Copy it to removable media to save it for later use. Do not save this file on your hard drive since it is redundant. The File, Online, Backup module will exclude it from uploading.

If someone sends you an account using this function on their computer, save it to your PrintToFile folder, click Import, find their file, and the account is added to your program as if you typed in the history. Accounts can be shared this way only when both parties use the same model year of the program.
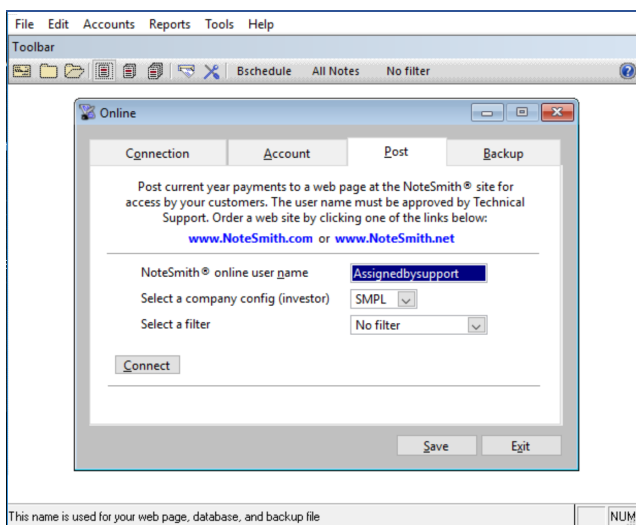
Post (optional Pro feature) creates a condensed version of your payment database and then copies it to an Active Server Page we can set up for you on the NoteSmith® site. The file is created from a single company configuration for the current calendar year honoring any active filter. To keep the size of the file transfers small and quick, only the current calendar year can be uploaded and displayed. You receive both a static billboard page and 3 active data pages. There is a small annual charge which can be paid at our web site. Go to Help, Technical Support.

Enter the name provided to you by Technical Support. The loan number and last 4 digits of the payor's TIN are attached to the payments so your payors can find them. Use 9 character loan numbers, no spaces, and all caps to simplify look ups for your customers. There is no personal identifying information in the file. The Connect button generates the file and posts it to the NoteSmith® site. Upload failures typically are caused by your firewall blocking access to the site.

Loan information has both a static and a dynamic component. Static information includes items such as the servicer's contact information and the payor's monthly payment. Dynamic information changes with each payment, including the next due date and the principal balance.

Federal guidelines, found through ConsumerFinance.gov, address how servicers must provide static and dynamic information based on the size of their portfolio. Some will have to mail monthly statements. Servicers with smaller, fixed rate mortgage portfolios can satisfy the requirements by providing static information in an annual mailing of payment coupons accompanied by a cover letter. The cover letter must explain how to obtain dynamic loan information. NoteSmith® prints the cover letter and coupons from the Tools menu.

The simplest way to provide dynamic information is with a web site address, avoiding phone calls or personal visits requesting printed reports. The optional NoteSmith® web site shows the calendar history, annual totals, and, depending on the next due date, either the next payment due or the arrearage as of the date of posting.

Two additional dynamic pages for your use may be shared with your investors. They are a Due Dates page and a Payment Register page. These two pages can display all the data, typically for your use, or can be filtered by investor code so each of your investors can view only their data.

Next are screen shots taken from NoteSmith.com/Sample to show how they would appear to your customers whether on a monitor or a mobile device. You can go to this site and display some of the sample notes to see how easy it is to bring up the data. Notice there is no personally identifiable information on these screens, nor is there any behind the scenes.
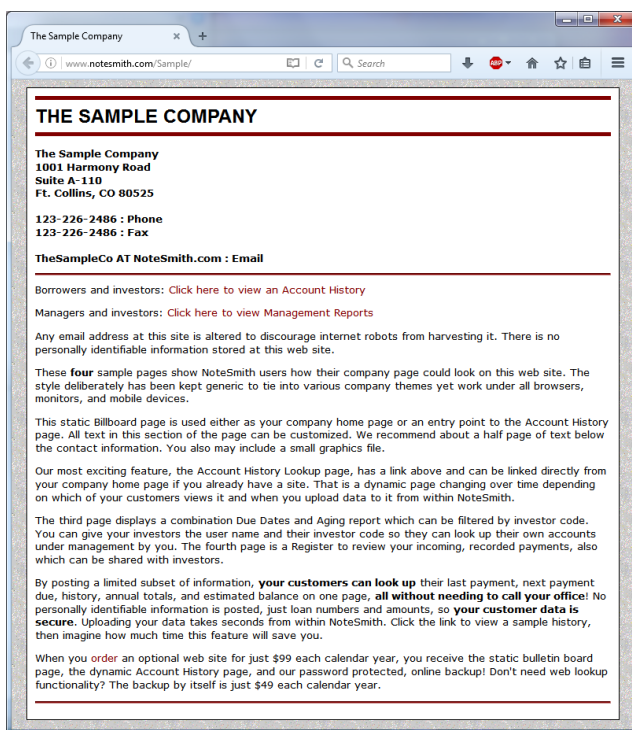
The static or bulletin board page describes your firm.

The dynamic History page changes with each payment recorded and with the date your data was uploaded.

The dynamic Due Dates page can display all accounts or you can restrict access by investor code.

The Sample Company

www.notesmith.com/Sample/register.asp   Search

THE SAMPLE COMPANY

The Sample Company
1001 Harmony Road
Suite A-110
Ft. Collins, CO 80525

123-226-2486 : Phone
123-226-2486 : Fax

TheSampleCo AT NoteSmith.com : Email

Click here to view the Company Contact page

Data appears in Pay Date order

Printed 6/9/2016 using data current as of 3/4/2015

Register

Loan num	Pay Date	Due Date	Amount	Reference	Type	Interest	Principal	Balance	Escrow	Late Fee	Svc Fee	Inv
Partial16-RC	05/05/16	05/01/16	152.15	Check 64	R	82.10	50.05	9802.28	20.00	0.00	0.00	
Total2016-RC	05/04/16	05/01/16	180.00	Check 55	R	82.10	50.05	9802.28	47.85	0.00	0.00	
IntOnly16-RC	05/03/16	05/01/16	312.50	Check 55	R	312.50	0.00	25000.00	0.00	0.00	0.00	
Wrap2016 -U1	05/02/16	05/01/16	121.68	Check 76	R	63.09	63.59	8759.26	0.00	0.00	-5.00	
Wrap2016 -RC	05/01/16	05/01/16	132.15	Check 75	R	82.10	50.05	9802.28	0.00	0.00	0.00	
LeaseIn14-L1	05/01/16	05/01/16	100.00	Check 60	N	0.00	0.00	1000.00	0.00	0.00	0.00	
BSchdul16-RC	05/01/16	05/01/16	140.00	Check 55	R	82.10	50.05	9802.27	7.85	0.00	0.00	

The dynamic Register page can display payments from all accounts or you can restrict access by investor code.

Long time NoteSmith® users know how diligent we are about reminding you to back up the NoteSmith® data because it is not yours, it belongs to your customers.

The last tab (optional feature) allows you to create an industry standard PKZip file, double encrypted with your password, to store on our internet server, protected by our password. Your backup file is safely off site and out of your office. We make a monthly backup of the dot com server and store it outside of our office. There is a small annual charge for this invaluable protection which can be paid at the web site. Go to Help, Technical Support.
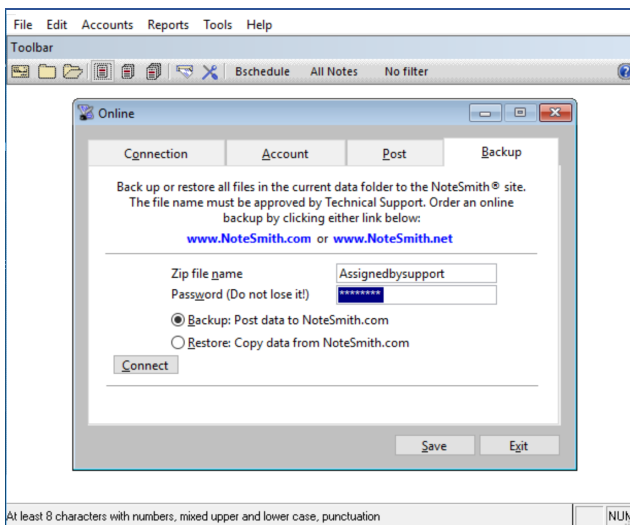
Enter the name provided to you by Technical Support, then enter a *strong* password, which includes upper and lower case letters, numbers, and punctuation. The program remembers it for future use. The support staff will not know your password so do not lose it. *No one can recover your password for you.* Be *sure* you know what it is before uploading, otherwise simply create a new, *strong* password.

We recommend uploading a backup file twice a month, alternating between our two sites. Go to File, Setup, Program and check Auto Online Backup, which will do this twice a month on exit automatically, using NoteSmith.com when the month changes and NoteSmith.net mid-month. *Otherwise, you must trigger the upload manually from this screen.* Never rely on any one method as your only backup. Maintain an additional type of backup on removable media and store it off site.

Choose Backup, then Connect to generate the backup file and upload it to our server. Local and remote file sizes are compared as assurance the upload was successful. Choose Restore, then Connect to get the remote file back onto your computer. When the download finishes, the file will unzip the data. You cannot back up from NoteSmith® 2024 and restore to any version of NoteSmith® other than 2024.

Certain files will not be backed up to our web site. PDF, XPS, ZIP, and similar files, which are derivatives, simply duplicate your data in another format. If they exist in the Data folder, you should move them to the PrintToFile folder and archive them manually as you see fit. Mail merge DOC files should not be in the NoteSmith® 2024 folder either—see the Word merge section on page 225.

Access to our web site may be restricted by any security software and firewall in your office. If you cannot access the web site from within NoteSmith®, your administrator needs to make adjustments to your security settings. For Windows firewall:

1. Go to the Windows Start button, then Settings, and type Firewall in the Search box.
2. Choose "Allow an app or feature through Windows Firewall."
3. Windows populates a list of installed programs.
4. Check the desired box for NoteSmith® then OK.
5. In NoteSmith® click Help, Technical Support, Update, FAQ File for detailed information about internet access.

Printer

This menu choice pops up the Windows printer setup dialog box from which you can change printers or modify other printing parameters. If you have fax software installed, you can choose the fax printer as the default.

Pro users may have installed the NoteSmith® PDF printer, but due to our license with the PDF publisher, this can be used only from within NoteSmith® and only by creating a file at the Print Options window. You may have other PDF creation software installed that is accessible as a printer.

The Print Options window pops up before printing any report and allows you access to printer setup information. Your printer setup screens also can be accessed from Print Preview while viewing any report.

Setup

Setup lets you customize NoteSmith® for your computer and company. Most of the items on this screen are set once when the program is installed and never modified.
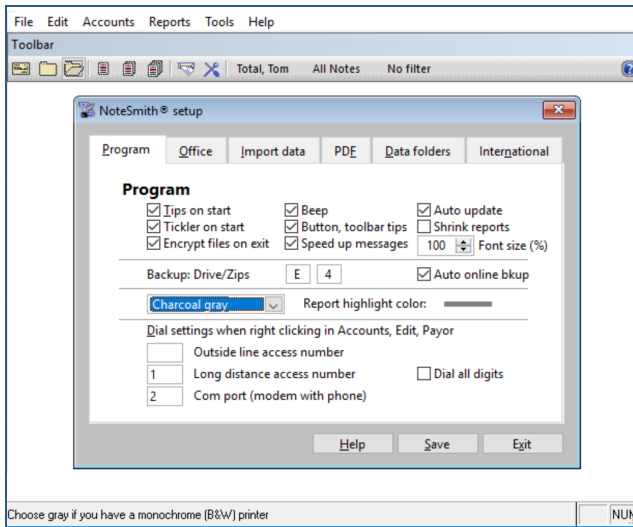
The Program tab lets you display startup tips on items often sent to Technical Support which may be overlooked when reading this manual. Leave start tips and button tips turned on even for advanced users. The speed at which certain system messages flash by is adjustable—leave it unchecked for the first few weeks so you can read the text. Set your backup drive, number of backup copies, and speaker beeper.

Data can be encrypted upon exiting the program to protect sensitive account contact information. Data is decrypted while you use it and could be vulnerable during that time. Although unlikely, anyone with a NoteSmith® program who stole your data might be able to access it, so set a log on password for further protection. Use all normal computer security measures and do not rely solely on data encryption.

Auto Update checks for new program files once a month automatically and inform you to install them. Shrink Reports speeds up printing on older or cheaper printers lacking sufficient memory. On high DPI (dots per inch) monitors, it also reduces the visible print preview to fit on paper. Font size allows you to adjust most text within the program. Windows controls the size of the text in program menus and window title bars; see Windows Help for details.

NoteSmith® offers color highlights to match your business look for reports designed to be given to customers. These are found in the Reports, Accounts menu and also under the Tools menu. The Investment Pay History and the BSchedule History are not designed to be mailed to the payor so a warning appears with the inside address. Reports, Portfolio are designed for in-house use and are always monochrome.

Right mouse click a telephone number to dial it. You need a modem inside your computer for NoteSmith® to dial and a phone plugged into it so you can talk.
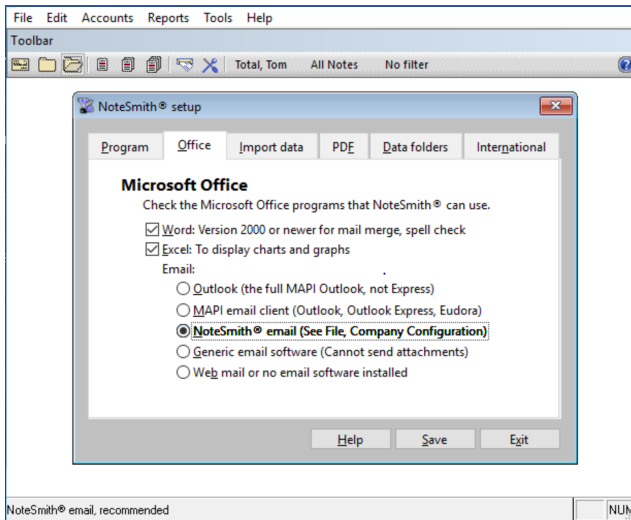
The Office tab is where you tell NoteSmith® if you use Microsoft Word or Excel. Uncheck either if you do not want NoteSmith® to use them. The Excel box enables graphing.

Select the email program you use, whether Outlook (2000 or later), a common MAPI client, the NoteSmith® email program, generic email, or web mail. The NoteSmith® email program sends attachments individually or in bulk without annoying pop up security warnings, plus you can set it up to send you a blind copy. See File, Company Configuration on page 78.
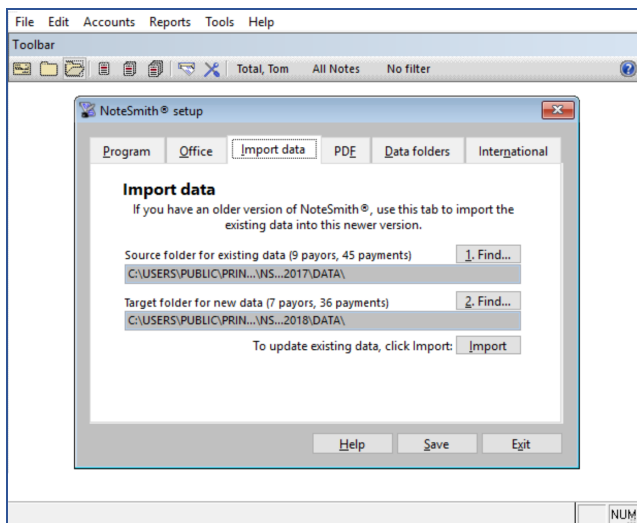
This tab lets you import data from an older NoteSmith®. See the Installation section starting on page 31 for details.

The entire NoteSmith® manual is accessible electronically as the help system by pressing F1. The manual is an Adobe Portable Document Format (PDF) file which appears on screen exactly as it does in its paper version. You can search the electronic file for any word or phrase, which is why the help system is constructed as it is.

Adobe Reader is free and can be installed by clicking the Adobe.com link on screen. It is required in order for the F1 Help system to work properly and makes your electronic manual dynamic by allowing NoteSmith® to search for words relevant to the screen you are viewing. It is not required for installation but is strongly recommended.
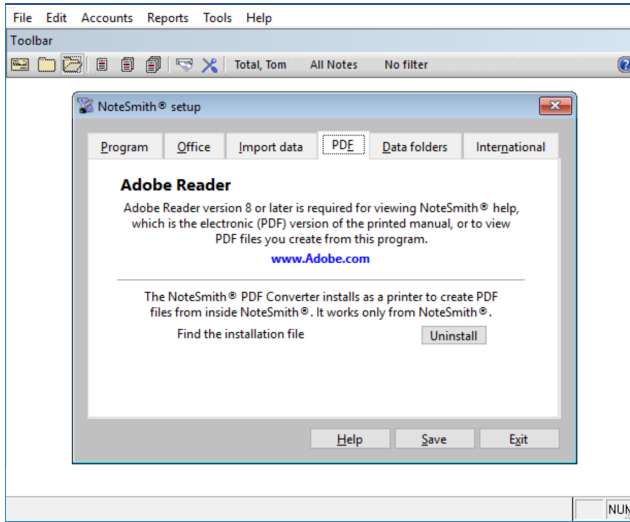
NoteSmith® Pro can print reports and letters to PDF files. A PDF file is small, maintains all formatting of the original document, and is distributed easily on removable media or by email to any computer user with a Reader. By printing year-end reports to PDF files, you can copy them to a Flash Drive instead of creating volumes of paper to be archived.

The NoteSmith® PDF Converter is a Windows printer driver. For security, Windows requires you to start NoteSmith® by right clicking its icon, choose Run As Administrator, then install or uninstall the Converter. Click the button and find the installation file in the PDF folder on your original media, which for Net users can be in this or any shared computer.

Due to the PDF license, this Converter can be used only from within NoteSmith® and only by choosing File from Print Options, although it appears on Print dialogs of other programs. Do not set it as the default printer. Open the ReadMe file in the PDF folder for details.
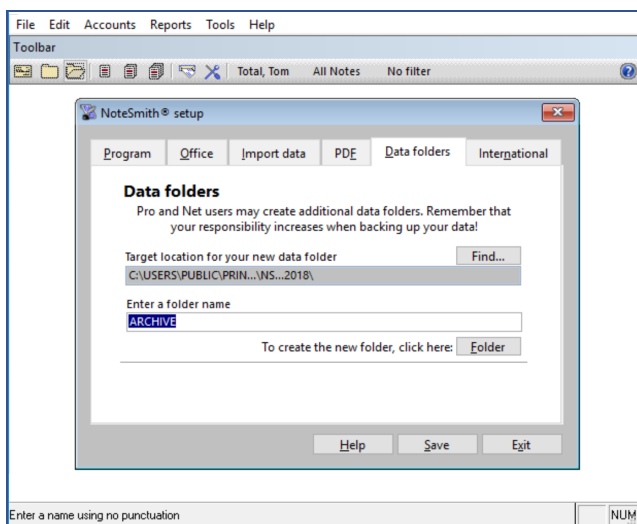
Creating data folders (Pro or Network Server computers) lets you separate taxable entities into different locations, archive data outside your original folder, or use data on another drive.

Find a target location, normally a peer of the Data folder. The target can be anywhere on the hard drive (or server, for Network users) but *must* be inside a NoteSmith2024 folder which is inside a Princeton folder so future programs can import older data. Network users should not scatter folders since Princeton is shared and mapped for workstation access. Folders can be mapped or unmapped from this tab.

Enter the new folder name, which is used if the folder does not already exist. The new folder is created inside the target folder.

Having multiple data folders increases your responsibility to make sure the live data is backed up and requires more time when importing from older versions, so it is best used only by computer power users. Unless you have a valid reason otherwise, this function should not be used. See page 312 for more details and an example of using multiple data folders.
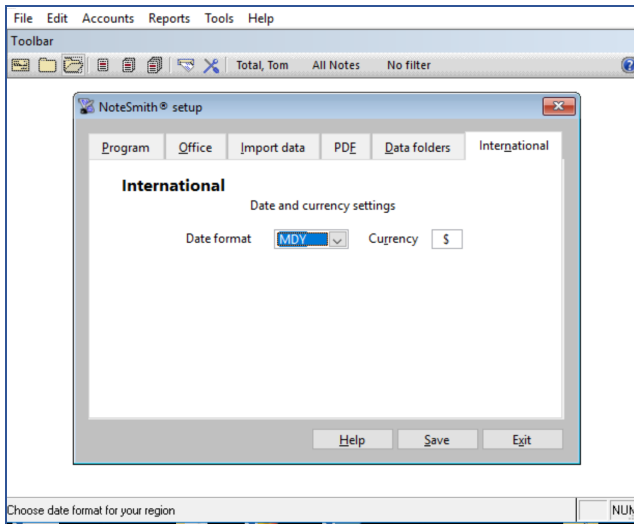
The International tab lets users select the date format (MDY, DMY, or YMD) and the currency symbol (up to 2 characters). IRS forms and names of generated files always use MDY regardless of your choice here. State fields in NoteSmith® are 3 characters wide to allow international users to enter longer state abbreviations. US states should be entered as two capital letters followed by a space. The zip code field accepts up to 10 characters in number or letter format.

Utilities

Back up!!!

You are only 2 clicks (Utils, OK) away from backing up your data from the Toolbar. *Do it!* Remember it is not *if* your hard disk will fail, but *when*. The routine is painless, requiring only access to another hard drive or a USB Flash Drive.

Because it is so important to back up your data, you can map a drive letter to a folder on a server and back up across your network, even if you are not using the Network version of NoteSmith®. See sharing and mapping on page **Error! Bookmark not defined.**. Be careful not to overwrite data on your network or server. The server should not have NoteSmith® installed on it unless you are using NoteSmith® Net, in which case you should not back up to the server since that is where the data already is located.
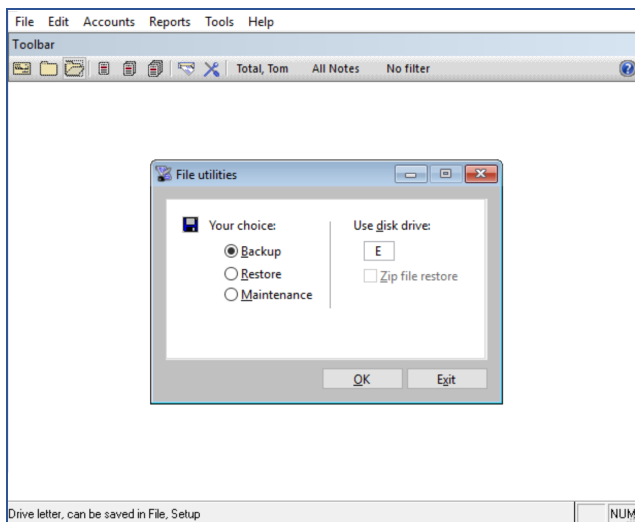
The support staff hears from people almost every month who do not have a valid backup and lost use of their computer or hard disk. Without a backup, their customer data is gone.

The financial data you store in NoteSmith® is not just your data, it belongs to the people making payments. You have a higher level of responsibility for making multiple backups and storing them off site than for other data you generate.

When you work with a word processor, you use a single file which may be opened or closed once by Windows in an hour. NoteSmith® uses up to 14 files, opening and closing each up to 3 times *for every payment recorded!* Each disk write access carries the slight chance of a file being damaged.

Restore

Restoring data is the opposite of backing up. You can restore from the 5 day copy that resides on your own hard drive in the Data\Backup folder, from an archive (zip) copy on your hard drive in the Data\Backup\Zips folder, or from any other media, such as a USB Flash Drive or even a networked drive. *You cannot restore data from an older version of the program. To do that, go to File, Setup, Import.*

Be absolutely sure you want to restore data to your hard drive because the copy is destructive! Once done, you cannot go back to your previous data, so always first make a backup of your current data to a new folder or to removable media.

Go to File, Utilities, select Restore, then enter the drive letter. To restore from a compressed (zip) file, enter drive letter C and check Zip. The Windows File Open box appears. Select the newest zip file (named by date created). Your data unzips and copies over your existing files. The zip file should be in:
    C:\Users\Public\Princeton\NoteSmith2024\Data\Backup\Zips

Maintenance

File, Utilities, Maintenance alphabetizes and date-sequences the data after permanently removing all deleted items. It empties

the NoteSmith® clipboard. A Data Integrity module looks for payors with no payments and payments with no accounts, called "orphans." NoteSmith® either creates a payment for orphaned payors or deletes orphaned payments.

The raw data in NoteSmith® initially is stored on disk in the order you entered it, called "natural order." This data needs to be presented in alphabetical, date, or numeric order to be meaningful. These orders are stored in index files. Index files are subject to corruption because they are frequently deleted, modified, and rebuilt. Because rebuilding indices is time consuming, it has been relegated to a separate function. The program runs it routinely when making an automatic backup or it can be accessed if you suspect a data problem.

Choose File, Utilities, Maintenance if:

- You receive a Program Error message containing: index, order, end of file encountered, or dbf_all.
- Payments are out of sequence.
- Data from one payor appears on another payor's history.
- You receive a program error: File not found, xxxxxxx.xxx (the x's could be any letters).
- You see a numeric overflow error concerning remaining payments. After Maintenance finishes, delete the payments for the account (or use Del2Clip, see page 131), change remaining payments to a positive number, then re-record the affected payments.
- You receive any other unusual error.

☞ Before running Maintenance manually, back up your data to unused media. Do not overwrite older, but valid, backup files with potentially corrupted data.

NoteSmith® constantly updates the indices it uses, so it is unlikely you ever will have to use this function. If you delete a lot of notes or payments, re-indexing speeds up NoteSmith® a bit. Maintenance reclaims disk space that was used and not recycled after deleting payors or payments. The data files are cleaned and recopied on your hard disk automatically.

When your available free disk space starts running low, File, Utilities, Maintenance gives you a warning and skips some of these important features. Make sure you always have disk space equal to double your largest file.

  Disk drive

Enter any valid disk drive in this field. A default drive letter can be entered in File, Setup, Program.

Hard drive: Entering the current hard drive letter "C" causes NoteSmith® to create a mirror image of your data files. A copy of your data is sent to or from the current data folder's Backup folder. *Making a copy to drive C is not a true backup. If your hard drive is lost, your second copy is lost also.*

The Backup folder is erased when backing up to ensure a mirror image. The Data folder is erased during Restore for the same reason. During this type of copy, the program compresses (zips) the files to make a second copy of the data and stores it in a Zips folder inside your Backup folder. Set the number of zip files to save, minimum of 4, in File, Setup, Program. The zip files are saved sequentially for added protection and are password protected for secure emailing. Check the box to restore from an older zip file if your most recent backup is unusable.

Other media: Entering any drive letter other than C, such as for a USB Flash Drive, causes NoteSmith® to duplicate the folder structure
    C:\Users\Public\Princeton\NoteSmith2024\Data\Backup
on the selected drive where it copies a mirror image of the hard disk data. For restores, it expects the same folder structure. The target Data folder is erased to ensure a mirror image. Data in other folders on the target drive is not erased. This backup is not compressed (zipped) but is encrypted if you chose that option in File, Setup, Program.

☞ AutoCopy: NoteSmith® copies your data to the hard drive Backup folder every 5 days. You cannot cancel this copy nor

should you rely on it to protect your data if your hard drive fails. A second compressed (zip) copy is made concurrently.

To save time, NoteSmith® only backs up the data. The files in the program folder
          C:\Program Files\Princeton\NoteSmith2024
which include the NoteSmith® program files (NSWin.exe and NSApp.app) and help files, are not copied since they do not store data. The Maintenance routine reclaims disk space that pads your files when deleting payors or payments, so your backup media may show *slightly* different file sizes from those on your hard drive.

If you use multiple folders, you need to run the backup routine from *each* folder. NoteSmith® backs up only the files in the folder it is currently using and does not back up any subfolders inside any data folder.

☞ Test your backup! Occasionally test that your backup routine works. Look at the backed up data to make sure the files are all there. Double click a TXT file and view it with Windows Notepad as a simple test the files are usable.

NoteSmith® can back up to all types of removable media, including USB Flash Drive and CD. As opposed to the other types of media, CDs are not treated like normal hard drives by some versions of Windows. Special CD software must be running on your computer to write to a CD as you would to another drive. NoteSmith® cannot back up to a CD if your version of Windows cannot back up to a CD.

Users of the NoteSmith® Network Laptop model must take special care to back up and restore the correct data. Be sure which is the source and which is the target when either backing up or restoring. To back up or restore, connect to your network server and your NoteSmith® toolbar should show a data path that resides on the server. If you choose to back up, you will be backing up that server data (the source) and NoteSmith® will ask you for the target on your laptop. When you choose to restore, NoteSmith® uses the server data as the target and asks you for the source on your laptop. Remember you are always

backing up or restoring the server data. Just tell the program into what folder on your laptop to back up or from what folder on your laptop to restore.

Once you back up data to the Laptop version, the server data is marked as having been "checked out." When someone logs into the server, they receive a message that the data is checked out and that no changes are to be made until the laptop owner returns the live data. The checkout can be overridden by senior level password holders in case the laptop user simply is taking a copy of the data. The checkout is cancelled when the laptop user restores the data to the server.

Recommendations

There is only one recommended method of backing up that ensures you lose the minimum data if the maximum emergency happens to your hard disk. Unless you have built a better backup, please do it this way:

1. When you first install the program, make *four* backup sets. *Do this the first day you have the program.* You now have 2 monthly sets and 2 daily sets. All four must be on removable media, typically two on USB Flash Drives and two at an online server.
2. After this day, never make more than one backup at the same NoteSmith® session! You do not want to overwrite good data onto media with untested, bad hard disk data.
3. One monthly (or periodic) set must be constantly offsite, either on removable media or at an online server, in case your office burns down or is vandalized.
4. Put one monthly set in your local safe or at an online server. Once each month, use this set as the backup. Then immediately swap it with the other periodic set. Match odd and even monthly backups with the odd and even calendar months.
5. Use the other two backup sets as odd and even daily backups. Each even day, use the even set as the daily backup and use the odd set on odd numbered days.

Pro users optionally can send a password protected backup file in seconds to one of our password protected web sites from File, Online. Once set up, go to File, Setup, Program and check Auto Online Backup, which sends a full set of data to alternating servers twice a month. A monthly copy of the dot com site is stored remotely. The nominal charge is excellent insurance against losing the financial data of your customers. Go to Help, Technical Support.

☞ If your hard disk fails and the disk controller card is the culprit, it could scramble your removable media as effectively as it scrambles your hard disk. Keep two daily sets made during *different* sessions, and two periodic sets as fail-safes.

NoteSmith® makes a copy of your data every 5 days and stores it in the folder:
       C:\Users\Public\Princeton\NoteSmith2024\Data\Backup
Another copy is compressed as a zip file and stored in the Backup\Zips subfolder. If you have multiple data folders, manually back up each one. NoteSmith® only backs up the folder being used at the time you exit. *Since the data is still on your hard disk, it should not be used as a substitute for removable media backups kept off site or online backups*.

You can duplicate backing up manually any time by selecting File, Utilities, Backup. The disk drive letter is stored in File, Setup, Program. This allows you to make a quick backup or restore of the current data folder in case you delete data accidentally. Restore from the second copy on your hard drive by entering the drive letter where your live data is located. This should be the C: drive.

View

This choice brings up the standard Windows File, Open dialog box. Choose a file and it will be opened for viewing in its native program according to the file extension associations you have set up in Windows.

Exit

This menu allows you to exit NoteSmith® gracefully.

Never shut the computer off while a program is running. If Windows wants to update itself, close all running programs first, then tell Windows to proceed. Do not let Windows shut down programs for you.

Accounts

The first menu choice under Accounts, because it is used so frequently, is Record a Payment. Since you cannot record a payment on a non-existent account, first time users should read the discussion of adding and editing accounts first.

Record a Payment

The time you spent setting up a note is returned to you with interest as you record payments. Payments take only seconds to record. With practice, you can record 20 payments of 20 different payors in less than 5 minutes, faster if you are working with historical data on only one payor.
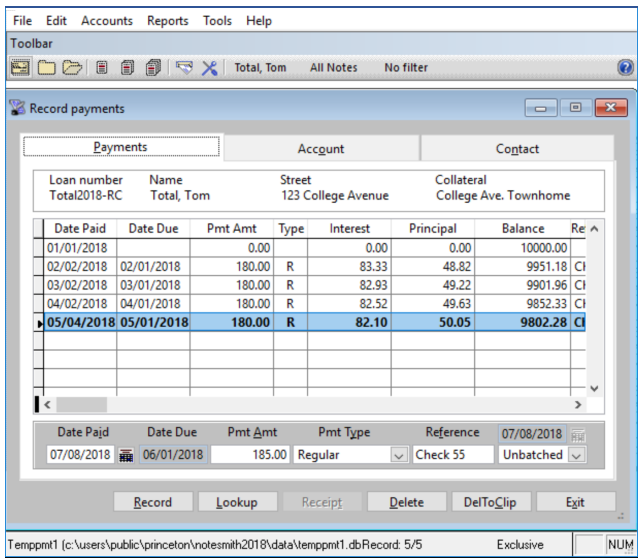
To record a payment, choose Accounts, Record, click on the Record button of the Toolbar, or just press R. The default payment type is Regular for notes and Rent for leases. Choose the type of payment by clicking on the drop down list so the money goes into the right category.

Payment Types

R: Regular: This is a regular periodic payment (PITI), including regular service fees and escrow for taxes and insurance if you told the Edit or Add screens to use anything other than zero. If the payment is off, the program offers you choices to apportion it correctly.

Assume a regular payment is $100 and the payor sends $95. You are presented with a menu asking to accept $95 as a full payment or put it to a partial payment. Choose Regular ("R") to close the month and move the next due counter ahead one. Only $95 will be applied so something, usually principal, is shorted $5. If you choose Partial ("r"), the account appears on the Aging report if past due owing $5. Late letters reflect the same. When you receive another payment from this payor, the first $5 goes to closing out the previous payment. Depending on your choice, NoteSmith® records either an "R" (full regular payment completed) or an "r" (partial regular) against this payment, which appears on Reports, Accounts, Payment History.

Suppose instead the payor sends $105. NoteSmith® accepts the first $100 to close out the payment ("R") and then prompts you as to the disposition of the remaining $5 overage. When applying the overage to late or service fees, you are limited to the amount of the late or service balance owed. Read the discussion below concerning Principal ("P") payments before applying overages to principal.

The program recalculates expected due dates every time a full Regular ("R") payment is received. If your payor skips a payment and later makes a double payment, NoteSmith® divides the payment into two halves, and creates two "R" payments. If late fees are owing, the second payment is not closed out unless late fees were included in the payment.

Remaining payments owed by the payor and remaining payments owed to the investor are each reduced by 1 when recording a full Regular payment.

Accrue late fees, service fees, and interest by recording a $0.00 Regular ("R") payment, which advances the next due counter. Do this to calculate a payoff on a delinquent account since it is not appropriate to prorate more than one period. The program lets you record a zero "r" payment, but only do so for daily interest notes to accrue interest to date. Otherwise, a $0.00 "r" payment is meaningless. Regular payments do not reduce late fees or service fees that are debited manually.

L: Late fee received: This is a fee that someone pays you. The program deducts fees the payor owes according to the way you set up the note originally. If you receive a payment that includes a late fee, you can record the total payment as a Regular payment and NoteSmith® sorts out the late fees.

If the payor sends the late fee separately, this is how you record it. The late payment is listed on a line by itself in the payment history ("L") later on. Mailing the history at year-end is a good motivator.

To add a one-time late fee manually, enter a negative number. The amount accrues against the account and is payable with future late fees received.

☞ If you debit a late fee manually, you must credit it manually when the payment is received. Regular payments do not reduce manual late fees but NoteSmith® pops up a message when recording Regular payments if fees are owed.

NoteSmith® only charges one late fee per payment period, represented by the completion of a Regular ("R") payment, regardless of how many partial ("r") payments are made. We know of no state that allows deficient late fees to be added to the loan balance or to have interest charged on them. Late fee balances are held in a non-interest bearing account.

S: Service fee received: Enter a fee manually when, from time to time, you have to charge a bad check fee or some other incidental fee to the account. You also can enter, for notes you pay, the charge to you that a bank makes on your account. As with a late fee, the program is expecting cash you received. If you wish to charge the account, enter a negative number. NoteSmith® proposes to record a negative service fee if you record an NSF payment.

Non-deductible points are simply service fees. When adding a new note, show the debit on the Investment tab and the credit by recording a service fee received.

☞ To charge any service fee manually that the program would not expect, you must first record a negative Service Fee Received. That puts the fee onto the history. Record a positive fee when you receive the money.

Regular ("R") payments deduct regular, expected, periodic service fees only. To add an attorney fee, forced placement insurance, water bills paid by you, or other miscellaneous fees, record a negative Service Fee Received first, then a positive fee when the money is paid to you. A negative Service Fee Received is reflected on bankruptcy Form 410A.

NoteSmith® pops up an informational message if there are unpaid service fees when you record a payment.

NoteSmith® charges only one automatic service fee per payment period, represented by the completion of a Regular ("R") payment, regardless of how many partial ("r") payments are made. If you charge fees by the line item, record a negative service fee to debit the account each time a partial payment is received. A negative service fee balance is in the payor's favor. Balances owed to you are positive.

P: Principal: This is the reason for living if you bought the note at a discount. It is especially prevalent around tax refund time. A "P" payment does not advance the next payment due, nor are service fees, late fees, or escrow automatically deducted. The number of remaining payments is recalculated and appears on Accounts, Edit, Note.

When you record a "P" payment, except when you apply an overage from a regular PITI payment, interest is prorated by NoteSmith® on a daily basis from the last time interest was charged up to the payment date. Interest on the old balance needs to be cleared out before computing the new balance. Daily interest is used from this point until the next regular payment is received, completing the second part of the proration. Principal payments made the same day as a regular payment do not carry interest. These applications of principal are not specific to NoteSmith® but have been in standard, common practice for many years by the banking industry.

If you set up a new note with accrued interest, this should be your first payment—crediting back from the closing table the cash the payors paid. Record this payment using the date of closing so no additional interest is calculated.

To issue a construction draw (future advance), which is a balance modification, record a negative dollar amount. Your basis is increased dollar for dollar as is the remaining balance. Record this payment first, before writing your check, because daily, prorated interest is calculated on the old balance and deducted from the payment amount you make. The program assumes a construction draw and asks to make changes to the balloon amount and periodic payment, leaving the remaining term as is, when all these are true: the balloon is greater than zero, the payment is less than zero, the note is daily interest, it is a total purchase, and it is USRule.

☞ Go to Accounts, Edit, Note and change the payment amount, balloon amount, or maturity date before recording an occasional negative Principal payment. Otherwise, when NoteSmith® recalculates remaining payments based on the increased principal, there may be no solution and you see "Warning:

Term exceeds 1000." The remaining payments field is set to zero to guard against missing a maturity date until correct terms are entered.

Y: Payoff: This payment type is similar to a Principal payment except it always prorates daily interest from the last interest date. Use it to close an account. It uses the same calculations as the payoff report, so it zeroes out the account unless there is an escrow, service fee, or late fee balance.

A $0 payoff payment makes no sense and is ignored. To pay off an account that does not make a final cash payment, see the Payoff section of the manual beginning on page 301.

A payoff payment places the date in Accounts, Edit, Investment, Date Closed. If you pay off a note in error, you need to unclose it. See page 304. For other payoff assistance, a wizard appears on the Account tab.

F: NSF: This completely reverses the cash flow items in a payor's earlier payment and restores the balances to the payment before that. When exported to QuickBooks, the NSF payment will negate the earlier entry. Highlight the payment that was insufficient, even if it was not the last one, before recording the payment. That payment and all subsequent ones are recalculated.

Use this payment type also to reverse an erroneous payment. Put an explanation in the Reference field and in the payor's Notepad. NoteSmith® proposes debiting a bad check fee, which you typically override for reversals.

C: Clipboard: Payments deleted with Del2Clip (see page 131) can be re-entered using this choice. NoteSmith® does the typing for you, entering the date, payment type, amount, and reference. You simply decide if overages should be applied to Principal or Regular next payment due, or if shortages should be "R" or "r" payments. If you make a mistake, the Clipboard payments can be reused. These payments are *not* stored to the Windows clipboard, but to a Clipbord.dbf file. Re-recording deleted payments changes their recording date to today, which may

affect the Register report if you choose the Batch option. Administrators can edit the batch date when deleting and re-recording payments, but only by manually recording them, not when using the clipboard.

E: Escrow Deposit: This is a payment made *to you* to make up for a shortage of TI escrow funds. A negative escrow deposit will be exported in QuickBooks as a check to the payor, useful when closing out accounts.

T: Tax Disbursement: Use this when *you pay* your payor's tax. Enter it as a positive number. This is a disbursement, so the program subtracts it from the escrow account and warns you if the escrow balance falls below zero. If you export to QuickBooks, this payment appears as a check made out to the company contact you entered in Accounts, Edit, Escrow. Tax payments are not available on leases.

You may pay taxes for payors who are delinquent in paying the county directly and do not have an escrow account. When you pay for their benefit, record a positive number since this is a disbursement. The program warns you the escrow on hand is zero and adds the amount to the escrow balance.

I: Insurance Disbursement: See Tax Disbursement. For IRS 1098 accounts that pay mortgage insurance premiums, enter MIP in the Reference field.

U: Unclassified Escrow Disbursement: See Tax Disbursement.

R: Rent: If the account number suffix begins with "-L", NoteSmith® modifies the column headings to reflect rental payments. Regular payments are recorded as Rent payments. The program checks the payment against the expected amount and records either an "N" or an "n" depending on whether the payment was enough to complete a full cycle, just as Regular note payments are handled. Overages, however, only are applied toward the next payment due.

Bulk pay: NoteSmith® Pro users effortlessly can record regular payments on notes or leases in their portfolio. Type in a date range delineating the due dates of the notes you wish to pay. Then indicate to NoteSmith® how many days before their due date you wish to have the payments recorded. If you want to record your accounts late, type a negative number into Number of Days to Pay Early.

For instance, notes typically are due on the first of the month. You could give a starting date of July 1 and an ending date of July 1. NoteSmith® looks for your chosen accounts with a next payment due date of July 1. If you indicated to pay them 5 days early, they all would be recorded as paid on June 26. This is helpful if you download your payments into QuickBooks or receive automated clearing house (ACH) confirmations, print checks, or pay accounts electronically.

Unless you filter your accounts, each are paid based only on their due date. Go to File, Company Configuration, Accounts and rename one of the user defined fields, such as Code9, to something memorable like Bulk Pay. Then go to File, Filter and add a new filter called Bulk Pay, where Code9='Yes'. Finally, type Yes into Accounts, Edit, Investment, Bulk Pay for each account that can be bulk paid. Select the Bulk Pay filter before bulk paying in the next periodic cycle.

As payments are recorded, NoteSmith® checks the new balance to be sure none of them have fallen below zero. If any are found, they are counted and reported to you at the conclusion of the recording. Go to Reports, Portfolio, Due Dates, then choose the account type, to see which accounts need to be modified or paid individually.

O: Points: Record a points payment if the payor had deductible, 1098 points entered at the time the account was added. Entering points during setup (Accounts, Add/Edit, Investment, 1098+AI) creates a debit and recording this payment shows taxable cash received.

Adjust Rates: This choice appears when you select an adjustable note as set up on Accounts, Edit, Note. Use this choice, similar to Bulk Pay above, to update the rates of all adjustable loans according to company configuration and filters that are set. Interest is calculated on the balance at the old rate and brought up to the adjustment date just as you would do manually by recording a $0 Principal payment. A line is added to the history to show the rate adjustment. Typically only a partial month is prorated, but delinquent payors will have interest for entire payment periods accrued with only the last period, typically a month, prorated.

When you click Record after selecting the Adjust Rates payment type, another screen asks you to confirm the date of change. If any account is due for a rate change, you have to adjust them before recording a cash payment.

Additional Information

Click on the Account or Contact tab to see if there is any additional information about the account that is relevant to this payment. You cannot edit any information on these tabs.

Pressing F2 opens the Notepad, F3 opens the history report, F4 displays any documents associated with the account, and F5 opens the payoff wizard.

Recording the Payment

You should record payments exactly as you receive them. Do not necessarily enter the payment as of the due date because NoteSmith® tracks that information. Enter the exact amount of the payment and let the program divide it up for you. You want an exact record of payments.

The first field to enter is the date. Type the date you received the payment. NoteSmith® prompts you with the due date in case you do not record payments every day as you receive them. If the date is wrong, overtype it or adjust it using any of the date keyboard shortcuts on page 64. The program flags you if the date is invalid, too far into the future, or earlier than the last payment recorded.

In the payment field, type the actual payment received. The payment history lists the amounts as you received them and indicates which were subdivided to account for partial payments. The actual expected amount appears. If it is not correct, overtype it. Normally, the full regular PITI payment appears when recording these payments, but it may be more or less if partial payments were received or if late fees are owed. Principal payments default to the account balance.

The payment type field is a drop down list. Use the mouse or enter the field using Tab, then use the arrow keys or alphabetic keys to select to the payment type. Use Tab to leave the box, since the Enter key only chooses from the list.

The reference field displays information you typed into it the last time you recorded a payment for the account. Type the check number, money order serial number, or explanation of the payment (such as "Atty Fee" for a service fee received). It can be left blank. Pro users can generate a list of Reference data from Reports, Miscellaneous, Custom Reporting.

The batch field lets you record payments throughout the day into batches. Reports, Portfolio, Register prints a list of payments recorded by date and batch so you can match bank deposits when making more than one per day. This field is reset to batch 1 at the start of each day and remembers the last batch you selected during the day. Reset the batch to the desired number if you want payments of more than one session to have the same batch number. You could record all payments from Tuesday to Thursday as batch 2 and then run a single deposit to the bank. The batch date is reset to today's date if you delete and re-enter the payment or if you delete to the clipboard (Del2Clip, see page 131) and re-enter.

The Record button will not record two payments if you double click it. If you miss a button, the program assumes you meant to Exit, again so that you do not record a payment accidentally. Deleting a payment requires confirmation. Deleting multiple payments requires multiple confirmations.

Recording from Barcoded Coupons—Pro Feature

If you install the Z:Code39 font from Windows before printing your coupons, you can record payments simply by scanning coupons returned with payments. Click on Accounts, Record, then click the Lookup button. Scan the barcode on the coupon. NoteSmith® jumps right back to the Record screen with the account and payment information entered. Just click Record. No need to change company configurations or filters—NoteSmith® searches the database for a matching loan number. If you will be scanning, use only capital letters in your loan numbers because barcodes do not use lower case, nor do they use punctuation.

Distribution

After a payment is recorded, the screen refreshes to show how the payment was distributed. If there is more payment to be applied, in the case of partial payments or overages, another window pops up. The new remaining balance, along with other payment distributions, is displayed and the type of payment (R, r, L, etc.) is shown.

Finish

After the payment has been distributed on the screen and any overages have been calculated, choose from the buttons at the bottom of the screen.

You are able to record another payment immediately for this account, select a new account, print a receipt with or without a coupon on the bottom of it, delete any payments displayed (outright or to the clipboard), or exit to the main menu. If you print a receipt, you are returned here so you can print multiple

copies, if necessary. You may print receipts later by selecting Tools from the main menu.

Integrity Check Warning

If you receive a message that says:

"Warning! Database fails integrity check"

go immediately to File, Utilities, Maintenance. Every time you record a payment, NoteSmith® checks the main database files to ensure they are not corrupted. If so, you need to repair it before going any further. Check the last few payments recorded to be sure they are correct or delete as necessary.

If File, Utilities, Maintenance does not fix the problem, or it reports that it deleted or added a significant amount of information, Windows or your hard disk lost a large chunk of data from the middle of one of your database files. It would be best to try restoring the data first from File, Utilities, Restore. Watch for numeric overflow errors caused by letting the remaining payments field reduce to less than zero.

Receipts

Print an immediate receipt from one of a variety of formats using this button. Receipts may be printed later or in bulk from the Tools, Receipts menu if you want to batch your printing. Receipts are designed for double window envelopes. Letterhead for a receipt can be chosen from File, Company Configuration, Tools. See page 78. If you have multiple company configurations, first select the correct company configuration, then print the receipt. If you are printing receipts in bulk and want the correct company configuration to be printed on the letterhead, select one company configuration and print all receipts associated with that configuration together. Then, switch company configurations and print all receipts associated with that configuration, etc.

Delete

You have a number of ways to delete payments in NoteSmith®. The most common is to delete the last payment, which is highlighted with a small triangular pointer in the left column when you first enter this screen or record a new payment. Clicking Delete will delete all payments from the highlighted one through the last one after a confirmation screen to assure you did not delete by accident.

You can delete a range of payments by date, although it requires multiple confirmations for safety. Highlight the first payment in the desired range (the triangle will move) and click on Delete. If you try to delete all payments, including the initial payment showing the original balance, nothing is deleted. You must leave at least the first payment behind, so when you record another payment there is some reference point with the remaining balance and a payment date.

☞ When you first enter the payment window, no payments are highlighted. Clicking the Delete button without highlighting the desired payment causes all the payments on screen to disappear. Recording an NSF without highlighting a payment reverses the payment at the top of the grid.

Once you record payments, the information in the Accounts, Edit, Note or Lease fields is used to compute the distribution of the payments. If you later decide to change those settings, they only apply to the next recorded payments. If your new Accounts, Edit settings need to apply to payments already recorded, delete them to the clipboard (see Del2Clip below), make your change, and paste them back. The purpose is that, for accounts which are variable or are modified during their term, historic data is not recalculated. Also, historic data likely was reported to the IRS and should not be changed indiscriminately. Print a payment history before deleting multiple payments of one account.

  Del2Clip

Using Del2Clip deletes payments starting from the highlighted one to a clipboard database file within NoteSmith® (not the Windows clipboard). You can continue to delete, edit, or record payments to the account, then paste the payments back to the account at any time.

Suppose you made an entry error on an account 7 payments ago. Highlight the last correct payment (the one recorded 6 payments ago) and click on the Del2Clip button to move the last 6 correct payments to the clipboard. Then click on the Delete button to remove what used to be the 7th payment back, but is now the last payment. Re-record this erroneous payment properly, then select Clipboard from the drop down payment type list to paste in the 6 payments.

☞ When you enter the payment window, no payments are highlighted. Clicking Del2Clip without highlighting the desired payment deletes all the payments on screen.

Only payments actually entered are saved in the clipboard, including regular payments of $0 used to accrue interest. Derivative payments (such as excess put to principal) are not saved. When pasting later, you have the choice to put any excess to principal or next payment due (P/r), or to accept payments as partial or full payments (r/R). Since you probably

will modify the account before pasting these payments, your choices could change dramatically.

You only can paste the payments back into the same account from which you deleted them.

You cannot delete an adjustable note rate change to the clipboard although you can store the cash payments that were made after the last change. Change date payment lines only can be deleted outright and you need to return to Accounts, Edit, Note, Adjust to reset the change date for that account.

If the clipboard payment date is earlier than the last payment recorded (which happens if you record payments after deleting them to the clipboard), the clipboard payments are recorded with a date equal to, or greater than, the last payment to maintain the date sequence. If you realize that you made a mistake, delete these new payments outright (not to the clipboard) and re-record from the clipboard, which maintains the original payments in a file on disk.

For instance, assume you deleted one payment to the clipboard, dated April 1. Then you accidentally recorded payments to the account through July 4. When you record the clipboard payment back to the account, it will be recorded as of July 4. The clipboard, however, still stores the payment as April 1, so you can delete the two July payments and paste the clipboard payment back in with the original April date.

Payments remain in the clipboard until you delete other payments to it or select File, Utilities, Maintenance.

Exit

If you change your mind about being here, the Exit button takes you back. The program ignores your input to this point on this individual payment.

Add New Account

Before you can make full use of NoteSmith®, you have to input
data. From the main menu, select Accounts, Add, and you are
on your way. Be sure to enter the correct loan number suffix
when assigning a new number, so the appropriate input screen
is generated. The program always offers –RC for receivable
note. If you want to add a payable note or a rental (Pro feature),
click the drop down list. Loan numbers should use all 9 prefix
characters including numbers, hyphens, or upper case letters
with no embedded spaces. Some outside agencies require upper
case letters, confusing loan number aaaaaaa-RC and
AAAAAAA-RC (which NoteSmith correctly distinguishes as
different accounts). Using only upper case letters will prevent
issues with IRS electronic filing and credit bureau exporting.

To add notes efficiently, have the payor's file available. The
setup report and the file Intake.txt can be used to create paper
intake forms that match the NoteSmith® screens. A printed
copy of Intake.txt appears later in the manual. For help adding
an account, use the Wizard button on the first tab.

If one account disappears but when you try to add them back in,
the program says the loan number already exists, you have
filtered out the account with the File, Company Configuration
or File, Filter settings. Unless you delete the account, it will not
disappear permanently. Go to File, Company Configuration,
select All Notes (a blank investor code), go to File, Filter (Pro
feature), and select No Filter. The account will appear.

Lookup

This tab is titled with the last name and contains contact information for the primary payor or payee. The Lookup field allows you to enter a meaningful name, especially if you have accounts with duplicate surnames. On reports which may be sent to the payor, such as payment history or payoff, the lookup name is not printed. Portfolio reports, which are not shown to payors, typically are printed in lookup name order instead of by surname or company.

The first Name field is a title, such as Mr. or Miss. Proper names are capitalized appropriately as you enter them, as is the state. There is no middle initial field. Company and Street store 40 characters but certain reports, window envelopes, labels, and IRS forms can display only 30-35 so be brief, especially if a suite number appears at the end. States are 3 characters wide for international use. Enter US state abbreviations as two letters leaving the last character blank.

Telephone fields are wide enough to add extensions or phone type (x10, cell, mom). Use the full 10 digits if exporting to a credit bureau; excess characters are ignored.

Enter the email and SMS address, then check the OK box to make it usable. Uncheck OK if the payor asks that you not use the address and the program will ignore it during electronic mail merges. Right click an email or SMS address to open the selected email program (see page 103) with a message addressed to the payor. Choose Providers to pop up a list of SMS formats used by common telephone providers, otherwise get the exact SMS address from the payor.

The Taxpayer Identification Number (TIN) field accepts either a Social Security Number (SSN) or Employer Identification Number (EIN). The type of TIN must be appropriate for the name, company, and entity type as well as the IRS form type on the Investment tab.

☞ Type the lookup name and last name, then skip to the fourth tab. Fill in all the payment information on it and on the next tab, Save and Exit, then record a few payments. When you are convinced that all is right, select Edit to fill in the static information on the other tabs.

Credit bureau information stored on a window accessible from the CrBureau button (Pro feature) is only for receivable notes and leases.

☞ IRS 1098 now includes a field for reporting the Mortgage Acquisition Date for a mortgage acquired during the tax year. In addition, the definition of the "Outstanding mortgage principal" field has changed to include the principal on the date of origination or acquisition, if in the tax year. These are standard entries when adding a new account on the Note and Investment tabs in the Account Edit window and/or the Credit Bureau window. IRS 1098 now also includes a field for reporting the number of properties (in excess of one) that secure a single mortgage. This number of properties is entered in the Credit Bureau window (CrBureau button) on the second tab ("Original note"). In addition, the IRS 1098 now includes a

field for reporting the actual note origination date (not the date purchased, opened, etc.). This date is also entered in the Credit Bureau window (CrBureau button) on the second tab ("Original note").

The rest of the entries in the Credit bureau window are used for credit bureau reporting. Refer to the Metro2 instructions available from your credit bureau before making changes to any fields on this window. See page 237 for export setup and page 323 for Metro2 information.

Second Payor

Fields available for first payors also are available for co-signers. If both payors live together, enter the title, first, and last name, but not the address. For a spouse not on the note, the name should be saved in an Extra field or the Notepad.

Collateral

Field labels in the top box are normally collateral addresses. Modify these labels in File, Company Configuration, Accounts. The first field appears on reports and form letters, so fill it in with the property address, an abbreviation of the address, or brief legal description.

For IRS 1098 accounts, one of the following will apply:
- The collateral is the same as the borrower's address, so street, city, state, and zip code must exactly match the payor's address on the first tab and the checkbox in the IRS Form 1098 Box 7 will be checked.
- The collateral is not the borrower's address but is a valid address. Enter street, city, state, and zip code. This will appear in Box 8.
- The collateral does not have an address. Enter county and parcel number in the two fields on the third line and check the box. This description will appear in Box 8.

The Legal Description button pops up a window similar to the Notepad where you can store lengthy text. That text can copied to the Windows clipboard and pasted into any document. It cannot be mail merged because the text generally is too long.

Down and **Price**: The Down Payment and Price fields are for reference and do not impact the payment history.

FMV and **Appr:** On the collateral screen, notice the fields for "FMV" and "Appr." These are fair market value of the collateral and the annual rate of appreciation. Each time you record a regular payment, the estimated value of your collateral is adjusted to give accurate estimates here and on portfolio reports. If you are secured by a depreciating asset, like a car, use a negative number for appreciation.

Sr debt: If your note is junior to other financing, enter the size of the "Senior Debt" in front of you. Indicate the annual rate in which the loan is paying down (use a positive number) in the "Redn" (Reduction) box and NoteSmith® approximates the balance for you with each regular payment made. Overtype it once a year or anytime you are notified of an exact balance.

Acct no: The account number field can hold a bank assigned reference other than the loan number you chose.

IRS 6252: The Date and Expense fields need to be filled in only if you file this installment sales IRS form.

Reminder: Any message you enter pops up when the reminder date is reached and you record a payment or edit the account. The reminder appears on the tickler report. This is a good place to store unusual events such as bubble payments.

Promise date: The promise date is given by the payor over the phone when you make a collection call. Delinquent accounts with promise dates in the future do not appear in the collections module. This item appears on the tickler report.

Bankrupt: When you enter a bankruptcy date, the form letter lock (see below) is set so you cannot print letters for this account. You may set up a filter (File, Filter) to screen these accounts. A Bankruptcy 410 can be printed (Reports, Accounts, Tax and Other Forms) only for accounts that have a bankruptcy date.

Locks: There are 3 locks that can restrict access to accounts. Letters can be locked manually to prevent mailing a letter using All Remaining. When printing One, a warning pops up. Letters are locked automatically when a bankruptcy date is filled in although an administrator (password level 9) can override this. Payments can be locked to prevent recording, such as when a car is sent for repossession. Editing of the account can be locked by an administrator. So that the administrator does not make accidental edits to a locked account, the Save button is disabled. Click the Exit button and choose Save from the pop up message.

The letter lock affects certain Reports, Accounts, and some Tools. These include Escrow Analysis, Adjustable Rate Analysis, Invoice, Labels, Envelopes, Coupons, and Receipts. Tax forms, such as 1098, are not affected. Items under Reports, Portfolio and Reports, Miscellaneous (which includes Custom Reports) are not affected.

Note or Lease

Entering notes, particularly a discounted note, is a little more involved than entering leases (Pro feature). Setup information on this tab affects all future calculations, so be certain you know what goes where. Fill in this tab before looking at the Investment tab, because anything added here will be copied to the next tab for you. Peek and zeroes will be entered.

Decide first if you wish NoteSmith® to start servicing your notes as of today, as of the origination or purchase date, or as of last January 1. Consider using either this past January 1 or the original purchase date as a start so you can get accurate tax information and be prepared for tax filing next year.
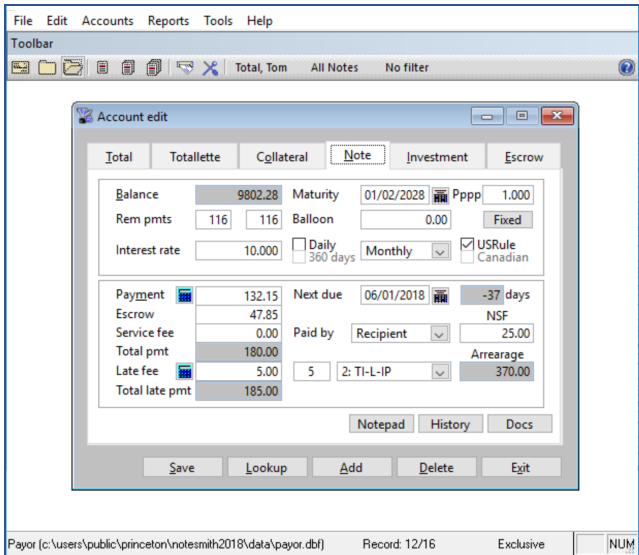
The technique that is explained below is as of the purchase or origination date. Since it only takes a few seconds to record payments, you may want to start from the first day you purchased or originated the note, which is the best solution. Three years of data on one payor can be added in about 3 minutes. Setting up these screens properly is the hard part and it

is the same amount of work regardless of how many payments you have to record.

If you prefer to ignore data from previous months and start today (or if you only acquired the note this calendar year), the same theory applies, just change the dates to reflect this year.

Below is a summary of required information to add accounts:

Balance: Use the payor's actual balance on the note. This is the only place you get to enter this figure, so take your time. If you later find you entered the wrong amount, delete any payments that were recorded, or use Del2Clip (see page 131), change the balance, and put the payments back.

Maturity: Record the expected date of the payor's final payment. Check the note for this information since it is a required item for creating valid contracts. The field is used for coupon calculations. Arrearage and payoff figures are not limited by the maturity date since many notes have not paid off as of this date. This item appears on the tickler report and, if impending, pops a message when recording a payment.

Pppp: Enter any payoff pre-payment penalty as a percentage of the note balance. The penalty amount then appears on payment histories and payoff reports. There are many varieties of prepayment penalties but only this one is supported. Record other types by debiting a service fee, then recording the payment as Service Fee Received ("S"). If the penalty is temporary, such as for the first 5 years, set a reminder instead.

Rem pmts: The first field is the number of payments remaining to you or your investor. The second is the total number the payor still has to make. The two numbers are the same for total purchases and originations. Partial note purchases appear on the tickler report if the first field looks to be less than a year remaining. A message pops up when recording payments as the term approaches zero. Check the amortization schedule or financial calculator for the term. It must be a positive number to avoid a numeric overflow error, to allow accurate calculations

of other financial terms, and to correctly print coupons and payoff reports.

Balloon: Type in the amount of the balloon. Its due date is the maturity date above. A balloon is the remaining balance owed to you on the maturity date (the last periodic payment due date), and, further, is the balance still owing *immediately after* the last regular payment is made. The balloon is *not* the last payment due. The last payment due is the sum of the last periodic payment and the balloon. Be clear on this distinction or you may charge the last periodic payment twice!

If you purchased part of a note, you might type the balance as of the last payment you will receive. This will alert you on some of the portfolio reports that something will happen on the maturity date. Bubble mortgages, which have periodic principal payments, should be entered with the next bubble date as a reminder on the Collateral tab. The remaining bubbles should be entered in the free form Notepad.

Fixed/Adjust: This button defaults to Fixed and disappears for leases. Click it if this is an adjustable rate note, then click the Fixed button on the next screen to select your index.
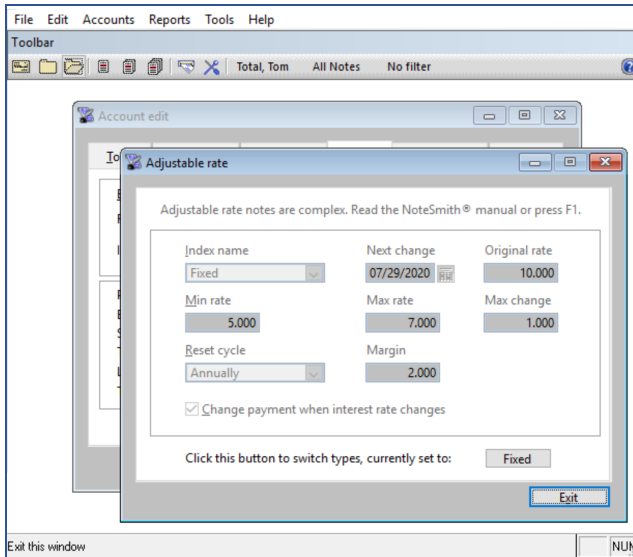
Indices are added from the main menu at File, Adjustable Rate Configuration. Make any changes that do not apply to this note and click OK. This item appears on the tickler report.

Checking the "Change payment" box causes the payment amount to be recalculated on the adjustment date. Back on the Note tab, when the original balance equals the original balloon, the note is considered interest only and the new payment will reflect one period of interest. Otherwise, the regular payment will have a principal component.

Research Regulation Z and Adjustable Rate Notes at the Housing and Urban Development (HUD) web site to see the information HUD suggests payors get from their loan servicers before an adjustable rate loan is originated.

Mo-Mo: Accounts with the loan number suffix "-L" are leases. Notes will not display this item. Check the box to make the account a rental or tenant-at-will, normally month-to-month, and you do not need a balance, remaining payments, or maturity date as you would with a true lease.

Interest Rate: Obtain this information from the original note. Use 0% for the rate if the note is principal only.

Period: This is the note compounding period. Enter Weekly, Biweekly (26 annual periods), Half-monthly (24 annual periods), Monthly, Quarterly, Semi-annually, or Annually.

Daily: Check the Daily box if the note allows daily interest (from the calendar date of the last payment to the receipt of the present payment). Each payment will be charged interest by counting days, then multiplying the days by annual interest divided by 365 (see below).

Clear the Daily box if you use an amortization schedule, have an interest only note (otherwise the payment would vary each month), or language in the note indicates periodic calculations ("120 equal monthly installments of..."). Whether the payment arrives 2 days early or 2 months late, exactly one period of interest will be charged to the regular payment.

On reports, daily interest loans due monthly appear with a lower case period (m) while periodic loans use capitals (M). Daily is completely unrelated to USRule. Notice that either can be checked or unchecked independently. Interest only notes typically are never checked daily since months all have different days, although some loans, like construction draws, are an exception.

NoteSmith® does not support Rule of 78s interest or payoff calculations.

USRule: In states which prohibit charging interest on interest, check the box; as you are in a USRule state. A non-interest bearing Accrued Interest (AI) account is set up when the payment is not large enough to cover the interest owed. Future

payments reduce this account if there is enough money to apply toward interest.

Cash basis investors, especially those using the QuickBooks export, should check the USRule box. Although QuickBooks is a double entry accounting system that can cope with accrual items and created assets, they are not cash basis. Deficient interest that is added to the loan balance creates a larger note receivable (asset) without correspondingly reducing any other asset, so the QuickBooks transaction will not balance and therefore nor will it import.

Check USRule if you have an interest only note. If the payor misses a full payment, you do not want the deficiency to be added to the loan balance or each successive payment will be too small to cover the periodic interest owing. You must check USRule if you report interest to a payor on IRS Form 1098 or an investor on 1099-INT. USRule is cash basis, which is how your payors and investors file their tax returns.

If your note and your state law allow for you to service with negative amortization, to collect interest on deficient interest, and you are an accrual based taxpayer with accrual based customers, you may clear the box. Checking the box is recommended. USRule is completely unrelated to Daily. Notice that either can be checked or unchecked independently.

Canadian: Canadian interest typically is paid monthly but compounded semi-annually. All periods are supported along with daily interest (straight line) proration. When checked, the period defaults to monthly, Daily is unchecked and disabled, and IRS 1098 is set to None and disabled.

Days per year: Interest days per year is used primarily for prorating periodic notes. Consumer (Regulation Z) notes typically are periodic, but when they are daily, they are 365. A 360 day year implies all months are equal, in which case you have a periodic note (M, not m, so Daily is unchecked, see above). Generally do not charge 365 days of 360 day interest in a year or you might charge more than your stated interest per

year. If your note rates approach usury, this could put you over the limit.

Commercial loans commonly use 360 day daily interest, also known as "365/360 interest." Explain your method of interest calculation in the original loan documents. Consult your legal advisor before selecting 360 day daily interest and preparing your 360 day documents. Although legal for some notes, it is not a fully transparent method of calculating interest for borrowers nor is it statistically correct.

Payment: Use the regular periodic (usually monthly) payment amount from the note. Do not include taxes or insurance. If the note is interest only, then include a payment equal to the periodic interest amount. Click on the calculator button to have the payment figured for you.

You cannot adjust payment figures mid-cycle when the payor has made a partial payment. NoteSmith® has figured how much money it takes to close the cycle and displays a warning in the lower left corner of the window when a partial payment is pending. Fields such as escrow are disabled (grey) to prevent incorrect applications of funds if the expected amounts were to be changed after recording a partial payment.

There is a potential for minor rounding errors to show up later. Payors can pay only in whole cents although calculators round the payment to 7 decimal places. It is common practice to compensate for any rounding error on the final payment.

Next Due: NoteSmith® needs to know two dates to calculate the first month of interest properly. This is one date, the other is Interest Starts on the next tab. If you just bought the note, use the actual next date the payment is due. This date is crucial, so type carefully making sure the year is correct. The grey field to the right shows the number of days until the next due date or, if negative, days past due. For newly added notes, the days appear to be incorrect until payments are recorded.

Escrow: This is the identical field that appears on the Escrow tab as Escrow Payment (Actual). Enter the TI portion of a PITI payment. See the warning about making changes while partial payments are pending under Payment above.

Service Fee: Enter the regular periodic service fee payment and select who the responsible person is for paying it. This is usually the Payor but you may have an escrow company taking the fee out of Recipient proceeds. See the warning about making changes under Payment above.

Late Fee: Check the note for the normal late fee, usually 4-5% of the payment or a fixed dollar amount. Whatever is specified on the note should be put here. Convert it to dollars first! Do not use a percentage. The calculator uses the percentage you stored in File, Company Configuration, Accounts, which it multiplies by either the PI plus escrow plus service fee, or just by PI depending on configuration options. Verify how your state allows late fees to be determined. When a payment is late, this amount is charged to the account. NoteSmith® does not add on late fees by the day, nor does it calculate percentage of interest due or of the balance, all of which may sound like payor deductible interest to the IRS. You must put a dollar amount here. These typically small, administrative fees are not included on IRS Form 1098 and are not required.

See the warning about making changes while partial payments are pending under Payment above.

Use the Notepad to track unusual or one time late fees. Charge them manually by recording a negative late fee received then credit them manually when you receive the fee.

Days until Late: Enter the number of days specified on the note as a grace period. Be sure to refer to the original note for clarification before entering data into this field.

There is a common misconception about grace periods. If a note is due on the first and carries a 5 day grace period, it will not be late until the 7th of the month. Assuming the 1st is the due date,

then the 2nd is the first day of grace, the 3rd is the second day, and the 6th is the last day of grace.

Order: This is the place where the late fee falls in the order of payment apportioning. Read and follow the terms of the original note! Service fees ("S"), if any, are deducted first since that is the fee for servicing the rest of the money received.

Standard servicing takes escrow (taxes and insurance, or TI) if any, followed by interest and principal (IP). Insert a late fee ("L") into this order wherever is appropriate, according to the note. Use order 1, 2, 3, 4, or 0.

The Federal National Mortgage Association (FNMA, or Fannie Mae) accepts a different order, with interest and principal allocated first, followed by escrow, late fees, and any other fees. Use order 5 or 6. See Secondary Mortgage Market Investors on page 281.

If you are servicing directly, there is no service fee. If another entity takes a fee to service for you, and passes you the remainder, your service fee is paid by you, the Recipient, and the payment history reflects your position. The other entity is responsible for keeping the payor's actual history.

1: L-TI-IP. Deduct late fee before escrow. Service fees are always first. This is not available for leases.
2: TI-L-IP. Deduct late fee after escrow but before interest and principal. It is the standard setting for notes. This is not available for leases.
3: TI-I-L-P. Deduct late fee after escrow and interest (or rent). This is the standard setting for leases.
4: TI-IP-Accrue L. Accrue late charges in a non-interest bearing late account. This late account can be reduced only by recording a Late Fee Received payment.
5: IP-TI-L. Deduct interest, principal, escrow, then late fees.
6: IP-TI-Ask L. Deduct interest, principal, and then escrow. Ask about late fees. The 6 setting is not recommended when more than one person enters data due to the potential for inconsistency. Use 6 for FHLMC loans, then accrue or

cancel any unpaid late fee from the pop up menu so a deficiency is not created due to an unpaid late fee.

0:   TI-IP-Ask L. Deduct escrow, interest, principal, then ask before deducting a late fee. This is useful to sporadically forgive a late fee. A pop up menu lets you select an order or ignore any late fee. The 0 setting is not recommended, especially when more than one person enters data, due to the potential for inconsistency. Use another order unless you have a good reason to do otherwise. Let the terms of the original note be your guide.

☞ Enter this information carefully. Once you record payments, the data in these fields is used to compute the distribution of the payments for this payor. If you later decide to change these settings, they only will apply to the next recorded payment. If your new settings need to apply to payments already recorded, delete them and re-record them. The trade-off is that, for notes which are variable or are modified during their term, historic data is not recalculated.

Arrearage: The arrearage field is calculated for you and cannot be edited. Amounts other than zero show how much in terms of regular payments needs to be paid to bring the account current as of today. It is *not* a payoff figure. For short term notes that are quite delinquent, this amount could be larger than the remaining balance since it includes escrow, interest, and other fees. *It cannot be larger than the number of remaining payments times the full regular payment amount.*

Notepad: The Notepad is a free form screen that will take any information in text format. Use it to store unusual information about the note, variable rate changes, and collection contact information. Always type current entries on the top line and force the older data down. This way, when viewing the Notepad, the most recent information is presented. The first 120 characters appear on the aging report to make your collection efforts easier.

The Notepad can be popped up from any of these 6 tabs or from the payment history report by pressing F2. It can be printed from that screen or from Reports, Accounts, Payment History.

An alternative is to print a Notepad by printing a payment history with a narrow date range, typically catching only the last payment made. This keeps financial data on the same page as Notepad information. Print it in 2 columns to save paper. Use ESC or the Exit button to close. You are prompted to save if there are pending edits.

History: The History button or F3 pops open the standard history report with a minimum of the last 8 payments regardless of year paid. It is most useful when these screens are accessed from the collections module. Use ESC or the Exit button to close.
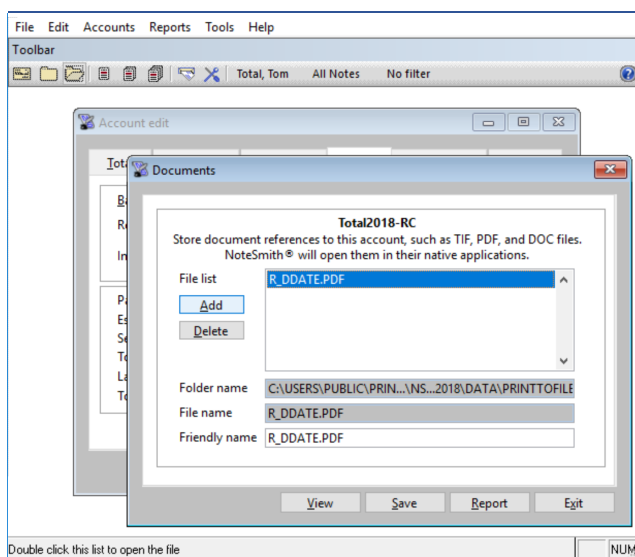
Docs: The Docs button or F4 opens a screen that lets you find files on your computer relating directly to this account. If you scan your original documents and save them on your hard disk, find them from this window and NoteSmith® opens them for you just by double clicking them.

Enter a memorable, friendly name to the document. You can store word processing documents, picture files, PDFs, TValue amortization schedules, or any other file and, as long as the file

is associated with an application in Windows, NoteSmith® can start the application for you and display your file.

You could create a word processing file for each account you manage and store communications, title work, or other lengthy text in one convenient place. Scanned images of original documents can be pasted into the word processing file or stored as standalone files within the same folder.

It is recommended that you store these documents in folders other than NoteSmith® folders, such as:

> C:\Users\Public\Princeton\NSDocs

This way, the links will not change when you renew your NoteSmith® program. Be sure the documents are in your personal backup path because NoteSmith® will not back up folders outside the program.

☞ When adding new accounts, complete all fields on the Note tab before viewing the Investment tab. The Note information is copied for you the first time you enter the Investment tab.

<u>Investment</u>

If you originate notes, data from the previous screen already is copied to this tab. Check the Interest Starts date, however, since the program cannot know about any initial proration.

Date bought: This is the actual date you passed papers. NoteSmith® tracks note sales and brokerage using IRS capital gains standards, respecting long and short term gains.

Amount bought: This figure represents the total principal reduction that occurs during the time you own the note. If you made a total purchase or origination, the amount is the same as the remaining balance from the previous screen.

If you made a straight Partial purchase, take the remaining balance on the note at the time you bought it and subtract the remaining balance at the time you will give it back. Use an amortization schedule or financial calculator feature for this step. This figure is *not* critical for a Partial purchase.

For a BSchedule partial purchase (a partial purchase with discounting), use your financial calculator or look at your assignment for the present value that you actually bought. Normally, you calculate the balance owing to you by using the face rate of the note, the payment amount, and the number of payments you expect to receive.

Price paid: This is the cash price you paid and your taxable basis in the note. Some accountants suggest only your purchase price be included here and your legal, professional, and closing costs can be expensed in the year incurred. Others prefer you add your costs to your contract price and call this your basis, effectively causing you to amortize your expenses over the life of the loan. Not surprisingly, the IRS would recommend you use the latter method and we recommend you do what the IRS suggests. Consult with your professional, licensed, tax advisor.

Type: Designate the type of note this is to you. It is a Total for full purchases or originations. To determine if you have a BSchedule or a Partial type purchase, refer to your assignment from the seller of the note. Use Partial if, in the case of an early payoff, you will receive your purchase price back minus any principal amortized at your yield. Use BSchedule if you bought some number of payments at the face interest rate of the note and could receive back more than you paid. A BSchedule is buying part of a note at a discount.

Date closed and **Price closed:** Enter information in these fields only if you immediately brokered or resold the note, or when you no longer service it. If you sell the note at a later date, NoteSmith® Pro users can run the Accounts, Sell module, which fills in these fields for you, while non-Pro users have to fill them in manually.

☞ Date closed is *not* the date you went to the closing table, but the date NoteSmith® should no longer service the note, whether from payout, payoff, foreclosure, or sale of the paper.

Also use these fields to show payoffs. If you closed out the note by recording a Payoff ("Y") payment, the date closed is filled in for you and price closed will be zero. Alternately, type the payoff amount into price closed and enter the date closed. This data will be used for your capital gains report. The account no longer will appear on reports, such as due dates and aging, and you will not be able to record a payment against it. If you close an account in error, you can unclose it. See page 304.

Notice that the current basis and capital gain are displayed but, being calculated figures, are not available to edit.

Interest starts (or **Last interest**): NoteSmith® has no way of knowing if this account went to closing on the scheduled payment date or if the first payment needs to be prorated for a partial month. A date one period in advance of the Next Due date is used as the default. Change interest starts if this is not correct and record a Principal & Interest ("P") payment to credit the interest. Once payments are recorded, this label changes to reflect the last interest paid date.

Accrued interest and 1098 points: If you buy a delinquent note in a USRule state, there is accrued interest on it. Type the amount of the accrued interest balance here so NoteSmith® calculates the next payment properly. Record the amount of points the payor paid back to you on an origination that qualifies as deductible points and are recorded separately on IRS Form 1098. NoteSmith® creates a debit when you fill in this box. Record a payment using the Points payment type and this amount will appear on the 1098 form separately from regular interest. Once payments are recorded, this label changes to reflect interest paid with the last payment.

Accrued service and non-1098 points: Enter any accrued service fees that exist at the time you purchased or originated this account. Add to that any points that are not deductible on IRS Form 1098. NoteSmith® treats these points as service fees and creates a debit against the account. Record a Service Fee Received payment type to credit the account.

IRS form: NoteSmith® prints or filters out accounts based on this field when printing 1098s or 1099s. To file these tax forms, the account must be USRule, which is a cash basis method of accounting. 1098 is available only for receivable notes (-RC) and 1099-INT is available only for payable notes (-PY and –U#). Under certain conditions, these forms can be sent by email. See the 1098 information beginning on page 175. Select 1099-A or C for closed notes if appropriate and after printing the 1098 for interest.

Investor: Use this field to differentiate between notes you own personally, corporately, in partnership, or are servicing for someone else. When you record a payment on this account, the payment is stamped with these initials. The File, Company Configuration menu depends on these stamped initials to apportion income. If you change your mind about what initials to use, modify the initials from Accounts, Adjustments. Decide on your scheme *before* adding all of your notes.

The initials in this drop down box come from your entries in File, Company Configuration, where you add new, or delete unused, configurations. This box assures you select only investor codes that were associated with a company so there is less chance of losing a payor. A list of investors can be printed from Reports, Miscellaneous, Configurations.

Use the full 4 characters. If you later decide to set up a company configuration for receipts equal to "JWM ", NoteSmith® will give you "JWM " notes and any "JWM1" notes already stored in your program. The filter stops discriminating at the last typed letter.

Yield: Type in your expected percentage return. This is a required field if you made a Partial purchase, because your purchase price (basis) will be amortized at this rate. Yield is necessary on all notes to generate a weighted portfolio yield under Reports, Portfolio, Statistics and Reports, Portfolio, Yields. The calculator button can estimate your yield when adding notes or during the life of the note based on the financial terms given. A more accurate yield is available for closed notes from the Reports, Accounts menu. The button may be greyed

out for Partial notes, since the yield should not be changed after payments begin.

AutoPay: (Pro feature) Enter a range from -9 to 99 days. Any underlying accounts to that receivable are paid automatically when a Regular payment is received. Underlying loans that are paid automatically always are paid with full regular payments. If the payor on the receivable pays more than the expected amount, record the overage manually to the underlying if the underlying note holder should receive it.

Codes: (Pro feature) Nine code fields are available which work the same way as the Investor field. Each code takes up to 12 characters. Use them any way you want to assist in filtering your accounts (but *not* your payments) into sub-portfolios. The codes are frequently used with the File, Filter feature.

Rename any codes at the File, Company Configuration window. In your business, you may need to differentiate home loans, car loans, and mobile home loans. You might name Code1 "Loantype." After the configuration is saved, anytime you return to Accounts, Edit your code name, in this case, Loantype, appears next to the first code field.

As you edit each of your notes, you can designate each one with a Loantype in Code1. Say you used the initials HOM, CAR, and MOH for home, car, and mobile home loan. Type HOM into the first code box to describe this note as a home loan. If the loan was a car loan, type CAR into the first code box. Refer to File, Filter on page 315 for more information on setting filters to create sub-portfolios.

Escrow

Add data in the escrow window when you hold out for taxes
and insurance. For other notes, you may still make use of the
date fields to track insurance and tax due dates. Option money
also is escrowed until the option is exercised or expires.

Add a new escrow account and name it in the text box or select
an existing escrow for the loan using the drop down list box.
Add an escrow account for each escrow cash flow you must
pay. Indicate whether the account is Insurance, Tax, or
Unclassified, such as option money or security deposits.

The Copy button pastes agency data into the screen that you
have entered into this or another account previously, such as
making two payments to the same utility or when multiple
accounts all use the same insurance agent. This button
overtypes whatever agency information is on screen so use the
Add button first or Exit without saving if necessary.

The box bordering the top two thirds of this tab contains data for one escrow account. Think of it as one page. It might be insurance escrow or annual property tax escrow. If the note has two tax payments per year, add two escrow accounts. *Enter the budgeted amount of this escrow as a negative number since it is an outflow.* This number is added to the budgets of all escrow pages for this account to estimate the grey values in the lower third of the tab. Enter the amount you wish added to each payment in Esc Pmt (act), which is the Escrow field on the Note tab. Fields below the border in the lower third of the screen display an accumulation of all the escrow pages.

The Actual fields are filled in when you record a Tax, Insurance, or Escrow disbursement from Accounts, Record.

The figure you enter for Esc pmt (act), short for Escrow Payment (Actual) is added to the Payment and Service Fee fields from the Note screen. The sum represents the payor's actual, expected periodic payment. This figure is used by NoteSmith® when you record payments. Escrow Balance is a calculated figure and cannot be edited once you start entering payments. As throughout NoteSmith®, negative balances are in the payor's favor.

The Escrow Pmt (Est) field estimates the sum of insurance and taxes due, subtracts the escrow balance on hand, and divides by the payments per year. Timing of budgeted disbursements is calculated so the lowest monthly balance will equal the escrow reserve in File, Company Configuration. The estimate is initially zero but changes as you enter data and the screen is refreshed. The Escrow Bal (Est) shows the amount that currently should be on hand.

Escrow figures can be printed for an account at Reports, Accounts, Escrow Analysis. To check all the escrowing you manage, print Reports, Portfolio, Escrow. Pro users can adjust escrow annually in bulk from Tools, Escrow Adjustments. The Auto Adjust check box is used to include accounts in the bulk adjustment. Clear the box in either location and the account will be skipped.

Enter the payor's tax or insurance company mailing information so that you can communicate with them. Mail merge letters using a file name beginning with "INS" or "TAX" generate a CC line to the escrow entity that displays in a double window envelope.

Save the Account

When you are convinced the data is correct, click on Save, choose the Save button by typing ALT+S, or press the Enter key with Save highlighted. All data on screen will be written to your disk. Return to the main menu or continue adding notes. Clicking Lookup, Add, Delete, or Exit after editing a note pops up a message to save instead. Select Save unless you want to abandon your editing.

☞ If this is your first note, record a few payments to be certain everything is working to your satisfaction. If your note has disappeared, go to File, Company Configuration and be sure the setup you have designated includes your note's date and its exact investor code as shown on the Investment tab.

Delete the Account

To delete any account, go to Accounts, Edit, click the Delete button, then confirm the warning. For safety, there is no menu option for deleting an account.

NoteSmith® Pro users can recover a single deleted account from the Backup folder using Accounts, Move, then choosing Copy/Paste. Non-Pro users can select File, Utilities, Restore, which reconstructs all accounts as of a recent backup date. There is no other facility for recovering a deleted account.

Password Protection

The holder of a junior password cannot access the Note (or Lease) and Investment tabs. If a data entry clerk has a junior password, you should do the preliminary note addition or delegate this task to a trusted user with a senior password.

Crucial information when adding a new note is the loan number, last name, and financial information in the boxes listed above. Have the junior password holder enter the payor, collateral, and escrow later.

Copy Existing Account

Use the Accounts, Copy menu to add a new account based on an existing account you already service. This feature is useful when an existing borrower comes to you for a second loan or private investors place a number of loans with you.

NoteSmith® pops up the Lookup window to find an account to be copied and presents the Add Loan Number window to assign a new number. The payment history is not duplicated with the new account. Only the setup information is copied and you can edit all the fields that need to be changed.

You might duplicate one of our existing sample notes, such as the interest only example, to help when entering a different type of loan for the first time.

Pro users can copy an account exactly, including the payments, using either of these directions:

• Go to File, Online, Account and export an account for emailing. Exit that window, change the loan number of the existing account from Accounts, Adjustments, then return to File, Online, Account and import.
• Go to File, Utilities, choose Backup and drive C. Go to Accounts, Adjustments and change the loan number. Go to File, Folder and change into Data\Backup. Read the warning about not working in that folder. Go to Accounts, Move and move the account to your Data folder. Choose OK to delete the note from the Backup folder or Cancel (recommended) to leave the old copy behind. Go to File, Folder to get back into your normal Data folder.

Edit Existing Account

Use the Accounts, Edit menu choice to review or modify any information about your notes. See Add New Account above for detailed information on the various input fields.

If you have recorded payments against the note, certain fields are disabled. This is to prevent accidental or deliberate changes to any of the numerous calculations that result from each payment. Certain non-calculated fields, such as maturity date, can be modified. Print the original setup of the account from Reports, Accounts, Setup.

☞ Click in a field and look at the status bar at the bottom left of the screen if you are not sure what data to enter.

Balance, price paid (basis), escrow balance, and accrued interest are the calculated result of all payments on the history. To edit these figures, delete the payments to the NoteSmith® clipboard using Del2Clip (see page 131) on Accounts, Record, but leave the initial startup payment. Make your edits here, then paste the payments back from Accounts, Record, selecting Clipboard as the payment type.

The arrearage field represents the entire and exact sum of regular payments needed to bring the account current. This field is limited by the number of remaining payments. For short term notes, it is likely to be larger than the balance because of interest and other fees. The arrearage amount also appears on the payment history.

If you set a password in the Pro version, some data cannot be modified by the user of a junior password. Junior password holders are excluded from changing the Note, Lease, and Investment tabs, including next due.

Clicking Lookup, Add, Delete, or Exit after editing a note pops up a message to save instead. Select Save unless you want to abandon your editing.

Sell an Account—Pro Feature

Using NoteSmith® Pro, you automatically can sell all or a part
of any note you hold, including balloons. Your first choice is to
sell a Total, Partial, or BSchedule partial. This refers to what
the investor will get, *not* what the note represents to you. For
instance, you can sell a Partial to an investor if you hold a
BSchedule partial.

Depending on whether you indicated a Total sale or not, you
get one of two different input screens. The Total screen gives
you an opportunity to indicate if you will continue to service
the note, assign a new investor code, and assign a new loan
number to the resale. Your note is given a sales date and price.
It appears on the Reports, Portfolio, Capital Gains report.

If you are selling part of a note, a more comprehensive screen is
presented, for you will end up with 3 notes out of the one you
sell. The first is the old note, closed out as above. Your profit in
the note is the cash amount you received in excess of the
amount you would have expected to earn had you held it. For
instance, if you bought a note at 18% yield and sold 12

payments at 15% yield to the investor, your gain is the present value of 12 payments at 18% minus 12 payments at 15%.

The second note is the portion you sold to the investor, which you may or may not service. The third note is the residual piece that comes back to you. If you plan to broker parts of notes frequently, limit your loan numbers to 8 of the 9 prefix characters. Reserve the ninth for assigning new numbers to the two newly created pieces. This way, you could add S for Sold, R for Residual, or N for New in the ninth place and cause the minimum of confusion for your payor.

Look Up Account

Choosing Accounts, Lookup from the main menu or typing "L" at the Toolbar opens the Lookup window where the current account can be changed.
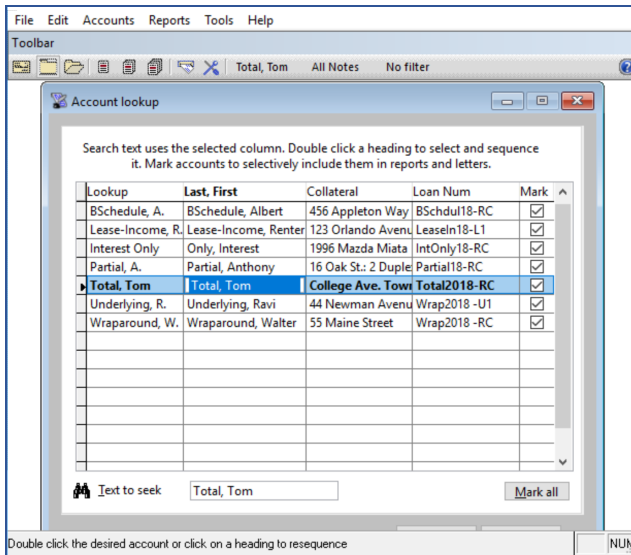
Accounts can be searched by lookup name, last name, collateral, or loan number. Click on the column heading to change the sequence or use Ctrl+Right Arrow. The prevailing order is shown in bold. Use your mouse to shrink or expand the column heading widths. Check various accounts to print only them on reports and form letters. Grab the lower right corner with your mouse to expand the entire lookup window.

See page 67 for time saving shortcut keys applicable here.

Find an Account—Pro Feature

NoteSmith® Pro users can find an account based on data stored in any account data fields. For instance, if you need to know who has a Social Security Number starting with 123, pop open the Find window, enter 123 in the text box and select SSN or SS2 (co-payor) from the drop down list. Press the Find button, which changes to Continue after an account is located.
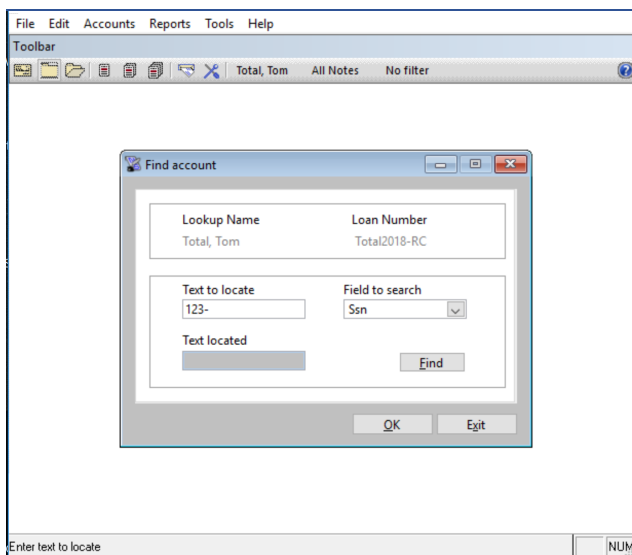
NoteSmith® finds the first match. If you suspect 2 accounts with the same information, click Continue to search further.

Click on OK to make the located account the current one or Exit to keep the original account current.

Move an Account—Pro Feature

Accounts can be moved in NoteSmith® Pro from one data folder to another on the same hard disk. Choosing Accounts, Move brings up the standard lookup window, where you can change the current account. Then a folder window appears. Find the folder you targeted for the current account. You have the choice to delete the account from the source folder (cut/paste) or leave a copy behind (copy/paste). The target folder is checked that you have read/write access to it and, if so, the move is completed.

Use this feature to move accounts between folders of different taxable entities or to archive accounts you no longer need to access on a daily basis. Another good use of this function is if you accidentally delete an account. Change into the Backup folder, then copy/paste it back to the Data folder.

When using the move feature for archiving, we recommend not moving any accounts from either the current year, since your year-end reports and tax forms will not have been run yet, or from the previous year, where payors might still call with questions about their account. At the start of the new year, archive accounts from two years before, then back up that folder once to a safe location. If you do not move any accounts for the rest of the year, you do not have to back up the archive folder as often as you do the main Data folder.

☞ Accounts, Move makes a complete and exact copy of the payment history. It is different from Accounts, Copy which adds a new account set up with no history.

Data folders can be created as needed from File, Setup. As with all data folders, you still need to back up and update folders you may be using for archive.

Adjustments

You might decide to change your loan numbering scheme at some later date and this feature does the work for you. It checks to ensure the new number is not currently in use, then it alters each occurrence of the new number in all databases. Change an investor code from this screen to place a note into a different sub-portfolio, configuration, or taxable entity.
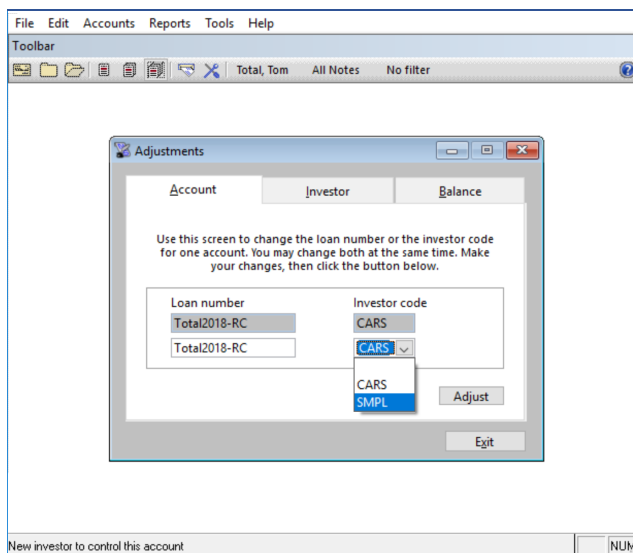
The loan number is a special item. After you change a loan number, each file index is rebuilt to ensure the program can find account data. Change numbers as rarely as possible to avoid the administrative work involved. Decide on a system from the start and stay with it as long as you can. See the Loan Number Dialog on page 65 for tips on assigning numbers.

Changing a loan number from a note to a lease will make changes to the data. For instance, making a change from -RC to -L1 changes the late fee order to 3 if it had been 1 or 2. A late fee order of 1 or 2 does not apply to leases.
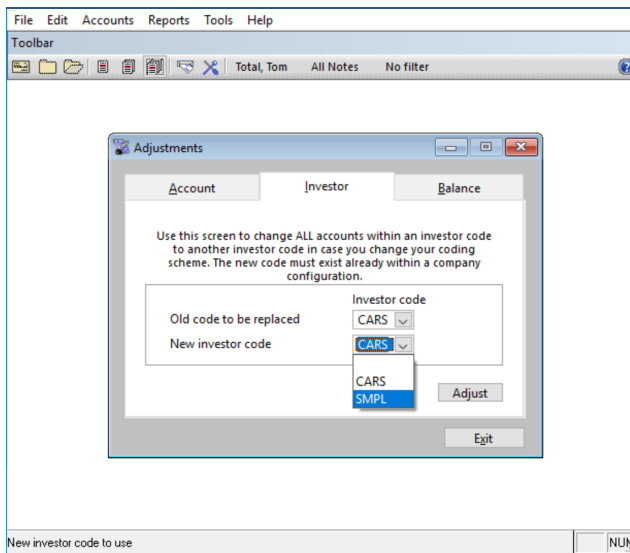
To redo your investor code scheme, use the Investor tab. It changes all the notes of an investor to a new one at once.
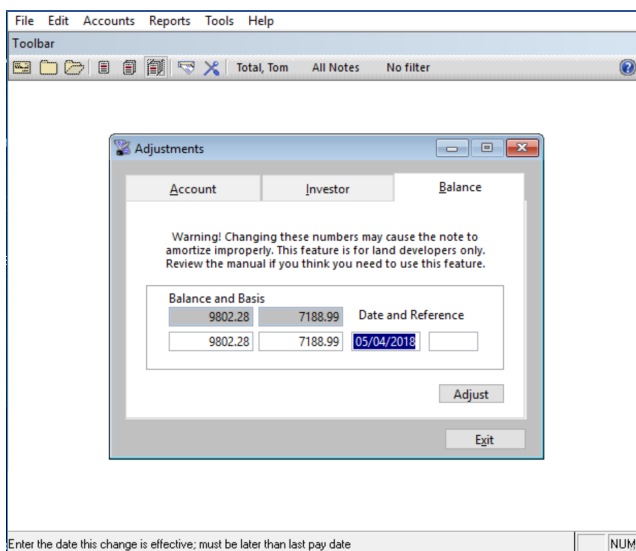
IRS rules allow land developers to alter the basis in notes where common property was later improved. This tab allows that and *is the only financial purpose of this tab*.

If you make a future advance or draw to the payor, or modify the balance of the note for any reason, record that as a negative principal payment instead of changing the balance here. If your initial setup was incorrect, delete the payments, edit the account, then put the payments back in. Otherwise, you may short yourself interest owed on the previous balance.

Changing financial information from this window is an exception—contact technical support or review this manual in greater detail if you think you need to use this function.

If you are not a land developer, you cannot use this tab.

Reports

Reports appear in one of three styles: reports that apply to one account, management reports that display many accounts, and miscellaneous reports to help you in a variety of ways.

Accounts

Account reports allow you to look at your data one note or lease at a time. Most are designed for payors, so the Lookup name does not appear. They offer a choice of color highlight in statement style. Reports can be folded for use in #9 business envelopes, window envelopes, or double window envelopes. From the Reports, Accounts menu, you can review payment histories, figure payoffs, and print IRS forms.

Payment History

The payment history gives you a complete report, from the payor's viewpoint, of the status of the loan, and carries tax and legal consequences for the payor. The history is compatible with federal guidelines as a mortgage statement, which some servicers need to mail monthly, including the federally mandated Housing and Urban Development (HUD) notice in the footer.

Print histories for whatever period you specify using date fields. The report does not require a calendar year or fiscal year. You may choose to print the Notepad with the history or by itself. To save paper, the Notepad can be printed in two columns. Due to a limitation within Windows, a two column Notepad that spans two pages will not wrap on the first page but at the bottom of the second page.

☞ Due dates only print for "R" payments, and the application of partial payments is listed. Annual totals are printed at the end of each calendar year.

You may find the next payment due does not match when the next payment really is due. It may show the payor one month ahead yet they should be delinquent. When adding this payor, the next due date was entered incorrectly, most likely when prorating interest the first month. Del2Clip (see page 131) all payments except the initial startup payment, go to Accounts, Edit to make changes, then re-record the payments using Clipboard as the payment type. Another possibility is that a $0 Regular (R, not r) payment would have moved the next due date ahead one payment period.

Anytime the report is printed and the next payment is already due, a warning message is printed at the bottom, under the totals, so you know that the payoff figure is not complete. For instance, if the payor is due on the 1st and it is the 3rd, the payor needs to pay interest for the previous month and also 3 extra days before you can release the obligation. Depending on the grace period, a late fee could be imminent.

☞ When you enter a new note, or your first group of notes, record no more than 2 payments and check the payment history. If you are going to make a mistake, do not wait until 11 payments were entered before finding it.

Payments may appear on a single or double line. If there is either a check reference or carry over balances, a second line of the payment is printed showing them. Look for balances under interest (Accrued Interest or AI), escrow, late fees, or service fees. Payments received that do not match payments expected may spill over to a second line. Watch the Applied column for an indication. More information about application of payments and histories appears on page 283.

The payment history report operates similarly on leases (Pro feature), the difference being there is no interest income. Your income is from rent payments designated as "N" for reNt on your reports. Rent reduces the balance on the lease although month to month accounts will not need a balance. This distinction is made on Accounts, Edit, Lease. You still can collect escrow, escrowed option money, service fees, and late fees on leases. Late letters are sent the same as with a note.

The history is set up to allow for double window envelope mailing. The font is the largest usable which still prints $99 million loans. Depending on the type of payments made, 15 of them can fit on a single page.

Investment Pay History

This is a similar report to the payment history, but is generated from your viewpoint, displays your tax situation, and is not designed to be given to the payor. The numbers are identical to the payment history for originations.

Print this report for whatever period by specifying the start and end date field. The report does not require a calendar year or fiscal year. See Payment History (above) for tips on generating and viewing this report.

For Total purchases or BSchedule partial purchases, the investment pay history reflects your basis or original cash outlay reduced by your return of capital. Return of capital is a portion of the principal payment, directly related to the amount of discount you received on your original purchase. If you bought a $10,000 note (or a part of a note equal to $10,000) and paid $7,000 for it, 70% of the principal represents return of your capital and 30% is taxable discount earned.

For Partial purchases, the report shows your basis amortized at the investor yield. There is no discount earned, since you did not buy any discount.

If the report shows a return of capital for each payment that is larger than the payment, you also show a basis that is negative. When the account was set up the first time, an incorrect price paid was entered. To correct this, go to Accounts, Record and delete all payments except the initial setup payment (see Del2Clip on page 131). Then make changes to Accounts, Edit, Investment, save your changes, and paste the payments back in from Accounts, Record using Clipboard as the payment type.

BSchedule History

This report tracks your purchase agreement with the seller of the note so that, in the event of an early payoff, you and the seller know how much you receive first. It represents the amount of the amortization schedule you purchased amortized at the face interest rate of the note.

Arrearage

The arrearage report is a special instance of the payment history. It displays the development of payments in arrears as they were recorded, assisting you in explaining to your customer how a delinquent amount changed over time.

The report is printed to just one account at a time as it is designed for a face-to-face meeting, not for a blanket, bulk mailing. The report does not know in advance if there will be an arrearage within the date range you select, so a report is printed regardless of any arrearage, as long as payments are found within that date range. If possible, choose a starting date when the account was current to illustrate arrearage increases.

Setup

The setup report displays all the fields of the original Accounts, Add screens. The exceptions are payor fields that have since been modified, such as addresses or escrow information. This report uses the current payor fields, the current escrow fields, and the original payment fields.

Include the setup report with the history anytime you contact technical support about application of funds. This report was printed to an ASCII text file as Intake.txt, which you can use to print intake forms for new loans.

Tax and Other Forms

NoteSmith® prints your IRS Forms 1098, 1099-A, 1099-C, and, for Pro users, 1099-INT and the Installment Sales Form 6252. Additionally, Bankruptcy Forms 410/410A can be printed.

☞ As recommended in IRS publications, NoteSmith® uses Taxpayer Identification Number (TIN) as the generic term for either Social Security Number (SSN, 2 hyphens) or Employer Identification Number (EIN, 1 hyphen). Individuals file by SSN. Sole proprietors file 1098s by SSN and 1099s by SSN or EIN. Companies and corporations file by EIN. Partnerships may file by either SSN or EIN.
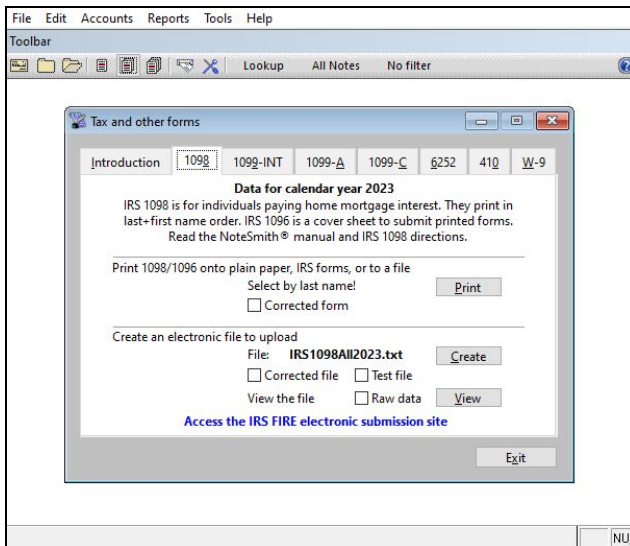
The 1098 form is designed for SSN payors who paid mortgage interest in excess of $600 per year per property. 1099-A is for abandonment of property while 1099-C is for cancellation of debt using the payor's SSN or EIN. Form 1099-C is more commonly used than 1099-A and generally you do not file both. Use 1099-INT for an entity you paid interest over $600 for the year. Partnerships paid may be SSN or EIN. A 1099-INT is not required for corporations (EIN). IRS 6252 is for investors who

sold a property on an installment sale and can defer tax on profit of the sale. See the relevant IRS publications for official details and instructions for completing these forms.

NoteSmith® is updated annually for the current version of the forms. The program is released near the start of the calendar year to print the forms due during the first months of that year using data from the previous year. *This version of the program was released in time to print the forms due in January 2024 only.* Since the IRS changes the forms every year, NoteSmith® cannot print forms for future years, nor can program renewals be released until the IRS releases the forms to the public.

☞ Even if only servicing the note for someone else, it is your responsibility to generate and mail the form. Your Taxpayer Identification Number (TIN) should appear on all forms although you may not be the taxpayer of the interest.

Information is submitted commonly on paper forms. Pro users can generate a file which is submitted electronically to the IRS using the internet. *As of tax year 2023 (2024 filing), if you have more than 10 forms, you must file electronically.* The IRS encourages all filers to submit this information as an electronic file rather than on paper forms. *As of September 2021, the "Information Return (IR) Application for Transmitter Control Code (TCC)" is used to get a Transmitter Control Code number for electronic filing.* Visit the IRS website (www.IRS.gov) for more information on the IR Application for TCC, which requires new users to create an account and authenticate their identities. Prior to September 2021, IRS Form 4419 was used, but that form has since been retired.

☞The IRS states on their website that, beginning with tax year 2021 (forms filed in 2022 and after), you must enter your TCC, EIN, and business name exactly as they appear in the FIRE System in order to log in for e-filing information returns. After you log in, your information will fill in automatically when you submit files.

As a courtesy to your customers, NoteSmith® prints property tax paid in an optional box. Further, it offers a choice of the

minimum amount of interest paid of $600, $100, or greater than zero. It is conceivable that one payor paid $500 to your note seller and $300 to you in one year. This report helps them with their taxes. You should use the $600 minimum when filing the A copy of the 1098 because the IRS does not want small amounts reported. This is an information return and not a tax return.

NoteSmith® generates IRS data in alphabetical order by last name. Start with the first account in last name order by clicking the last name column heading of the Lookup window. It honors your current configuration settings, active filters, and the IRS Form entry in Accounts, Edit, Investment.

All Filers

Order your NoteSmith® renewal early enough each year to receive your package in January so you have time to test. Generate a List of Accounts using the Print button before proceeding to review all your accounts and their reportable interest. Also print Reports, Miscellaneous, Exceptions.

☞ IRS 1098 now includes a field for reporting the Mortgage Acquisition Date for a mortgage acquired during the tax year. In addition, the definition of the "Outstanding mortgage principal" field has changed to include the principal on the date of origination or acquisition, if in the tax year. These are standard entries when adding a new account on the Note and Investment tabs in the Account Edit window and/or the Credit Bureau window.

☞ IRS 1098 also includes a field for reporting the number of properties (in excess of one) that secure a single mortgage. The number of properties entered in the Credit Bureau window (CrBureau button on Account Edit window) is included on the List of Accounts in the second column ("Loan num/Property") immediately before the property description.

☞ In addition, the IRS 1098 now includes a field for reporting the actual note origination date (not the date purchased, opened, etc.). This date is also entered in the Credit Bureau window (CrBureau button) on the second tab ("Original note").

When the data appears satisfactory, print copy C (2-up) for your records, then print copy B onto plain paper (1-up), stuff the forms into double window envelopes, and mail them to your accounts by January 31. Copy A is printed 2-up onto IRS forms (due at the end of February) or uploaded electronically (by the end of March).

Answers to frequently asked questions: Your phone number is required. A loan number may be required so it is printed with the optional investor code. The loan number and investor code appear in an IRS designated box on the top two forms but not

on the third form because it is below the margin of most printers. Company names are included as they may be necessary for mailing. Courier 12 point font is required by the IRS on copy A. Data does not have to print perfectly centered inside each box, just inside. Print copy A and C three to a page using the All Remaining choice of Print Options. Property taxes paid are not required by the IRS. The TIN can be truncated to the last 4 digits on Copy B of 1098 and 1099-INT only. The minimum reportable 1098 amount is $600. Copy B and 2 of 1099-INT print on one page to avoid sending them to two different addresses accidentally. Blank TINs are acceptable if you have documentation that you tried to obtain one, such as having sent a W-9, Request for Taxpayer ID Number, which the program can print for you.

Reasons that forms do not print for an account: Check accounts that did not print from Accounts, Edit to see why not. These forms always print in Last, First order. They may be filtered by company configuration or another filter. They were not designated as IRS form recipients in Accounts, Edit, Investment. They have a company name, an EIN instead of an SSN, or a company entity was chosen on Accounts, Edit. They did not pay enough interest ($600) to appear. They were unmarked from the Lookup window.

NoteSmith® has been printing IRS forms since 1989. Read the IRS instructions before contacting technical support.

Paper Filers: 1098, 1099-INT—Pro Feature

Order free forms from the IRS at 800-829-3676 (800-TAX-FORM) or from www.IRS.gov. These forms go fast so order them by November and get a few extras. The 1098's come 2 to a page and are to be printed in triplicate. Although there are 2 on a page, the IRS considers one page as 2 forms, so order according to how many accounts you have.

Tax forms to be sent to the IRS (Copy A) must be printed on paper with special red ink so your black data can be optically scanned. NoteSmith® cannot print the original IRS Copy A, only fill it in. Ensure your printer is full of toner or ink and is

printing a clear, clean image. Also be sure you are using an IRS form—those purchased from office supply stores may not have margin layouts matching the IRS original. Due to the way they handle the paper, laser printers often print a bit higher in the box while ink jets print a bit lower.

Copy B (for your customer) and C (for you) are printed on blank paper so destroy those pages you receive from the IRS. The form image is the equivalent of a high quality fax, which minimizes file size, reduces the load on your network, lets your printer format each page faster, and still can be scanned.

To print tax forms 1098 and 1099-INT in bulk:

1. Go to Reports, Accounts, Tax and Other Forms. Select the 1098 or 1099-INT (Pro feature) tab.
2. Choose Print, find the first account in *last name* order (click the Last, First column header and find the first account), All Remaining, Printer, and List of Accounts. A form will be generated for only those listed. See All Filers above for reasons an account does not appear.
3. Choose Print, All Remaining, Printer, C Copy. Click OK to print 2-up forms on plain paper for your files.
4. Choose Print, All Remaining, Printer, B Copy to print forms onto plain paper in window envelope format. Use the small tick marks in the margins as folding guides.
5. Rip apart the IRS form, discard the B and C pages, and stack just the A Copy pages in your printer's manual feed tray. Choose Print, All Remaining, Printer, A Copy: IRS. These forms are not letter size so align them to the left margin of your feeder, then OK.
6. NoteSmith® offers to print the IRS Form 1096 transmittal form. Place the 1096 in the paper tray and answer Yes.

A loan number is required only for customers with more than one account and will receive more than one 1098 from you. *The account number box on the bottom form is below the margin of some Windows printers*. Check your Copy A forms and if the bottom customer needs an account number, type it into the box (if missing). The IRS encourages all filers to submit

electronically, even if below the 10 form threshold, to avoid issues with printing onto paper forms.

Corrected forms are printed with an X in the box and the correction date, optional but encouraged, next to it. Type 1 corrections involve customer name, money amounts, or an unnecessary form filed. Only one corrected form per account is necessary. Accounts can be printed as One or All Remaining. Type 2 corrections are for incorrect TIN, incorrect name and address, or a wrong form and require two forms. One cancels the original showing zeroed amounts and then a second, correct form as if it were the original. Corrected forms are printed as One, not All Remaining, and require form 1096. As of Tax Year 2023 (2024 filing), if the original form was submitted electronically, the corrected form(s) must also be submitted electronically. See www.irs.gov.

Omitted forms can be corrected by filing an original form. Duplicate forms cannot be fixed using a standard correction process so you must contact the IRS.

Paper Filers: 1099-A, 1099-C

Forms 1099-A and 1099-C can be printed from NoteSmith® on paper (if you have less than 10 returns, or electronically for filing 10 or more total returns). Print the 1098s and their 1096 first. See the information above. There must be some type of payment recorded during the year to generate a form. If necessary, record a $0 Service Fee Received (S) with a year-end date and enter the form name in the Reference field. Then return to Accounts, Edit, Investment, enter a Date Closed, and change the drop down box from 1098 to 1099-A or 1099-C. The 1099-C requires an "Identifiable Event Code" which you can choose from the drop down list once you have chosen that form. Print all forms 1099-A along with their 1096s, then all forms 1099-C and their 1096s. The 1096 for 1099-A does not require a total. The 1099-C total of debt cancelled is printed on the 1096. Generally, 1099-A is not required if you file 1099-C. Any entity can receive these forms so you may use either an SSN or EIN. Read the IRS directions before filing.

IRS 1099-A and 1099-C require information in the bottom box that cannot be printed elsewhere. Ink jet printers sometimes cannot print to this box so either print them one borrower at a time (One instead of All Remaining) or use a laser printer. Although most laser printers can print to the upper half of the bottom boxes, blank space may wrap to the second page or a final blank page may eject.

☞ To print a 1096 after printing 1099-A or 1099-C one at a time, print a second time using All Remaining to Screen, and finally print the 1096 to paper. Check the totals.

Email Distribution: 1098, 1099-INT—Pro Feature

The payor/payee B copy of 1098 and 1099-INT can be sent by email to your customers. NoteSmith® generates a PDF file for each account, storing them in the PrintToFile folder, and can open your email program with the address completed and the file attached. Unless all of your customers can receive email, it might be easier to simply print and mail the forms.

Only 1098 and 1099-INT can be sent by email and only if you have the customer's written permission. Send a consent form, then change the Accounts, Edit, Investment, IRS Form setting for those who agree to email. A sample consent mail merge letter, EmailConsent.txt, is included with the program. Review the IRS guidelines (Publication 1179 or the 1099 General Instructions) for sending the B copy electronically and modify the consent letter appropriately.

Email can be done one account at a time or using All Remaining. To guard against third party disclosure (sending information to the wrong person), send one at a time. Email the customer copy following these directions:

1. Go to File, Company Configuration, select the correct configuration, then Use.
2. Go to File, Filter, select any desired filter, then Use. Accounts not designated for email under Accounts, Edit, Investment, IRS Forms are filtered out automatically.
3. Return to Reports, Accounts, Tax and Other Forms.

4. Click Print, find your first account in *last name* order.
5. Choose Email, One, OK or Email, All Remaining, Individual Files, OK.
6. When printing One, the email is composed and your email program opened. Review the address and attached file, then send it only if all is correct. Click Print, find the next account, repeat steps 5 and 6.

Electronic Filers: 1098, 1099-INT/A/C—Pro Feature

The IRS A copy of 1098, 1099-A, 1099-C, and 1099-INT can be filed electronically by uploading a file to the IRS FIRE site. NoteSmith® generates a plain text exporting file named with the format IRS1098Invc2023.txt where Invc is your investor code. Follow the directions in IRS Publication 1220, which can be downloaded from www.irs.gov or the IRS FIRE site. You can click the link at the bottom of the "Tax and other forms" window to start your browser and take you directly to the IRS site.

At the IRS FIRE site, choose which type of file you are submitting.

• Original: Most likely you should choose Original. If you omitted accounts the first time, upload omitted ones as Original. Do not upload two files as Original if some of the same accounts appear in both.
• Test: A test file can be submitted by checking the Test box on the NoteSmith® screen, generating the file, and uploading to the IRS FIRE web site as a Test.
• Correction: *Correction uploads are supported in NoteSmith for 1098 and 1099-INT only*. Starting with Tax Year 2023 (2024 filing), if you uploaded the original file, you are required to upload the corrected files. Do not send the entire file again. See more information at www.irs.gov and IRS Publication 1220.
• Replacement: Only send a replacement file if the IRS contacts you to say the transmission was bad and they need it sent again. This is unusual.

File the IRS copy electronically following these directions:

1. Go to File, Company Configuration, IRS. Edit the TCC, log on name, and other IRS information if necessary, Save, and Use. Return to Reports, Accounts, Tax Forms. Select (click on the tab for) the IRS form you are preparing.
2. Click Print, find the first account in *last name* order, All Remaining, and choose B Copy (to be mailed to your customer), C Copy (for your files), or List of Accounts (for your files, uses less paper). Print on blank paper. Check that an entry for each eligible note is generated.
3. Click the Create button which creates the file you later send to the IRS. The file always is created on your local C: hard drive, in the folder:
      C:\Users\Public\Princeton\NoteSmith2024\Data\PrintToFile
4. Uncheck Raw Data (if it is checked), then choose View. A specially formatted report using your created file, not your NoteSmith® data, shows what would be transmitted. Print this onto paper for your records, to assist you later when filing electronically, and to cross check the printing from step 2. If anything is incorrect, exit these steps, fix the problem, then start over at step 1.
5. Upload using the link on screen, which takes you to the IRS FIRE web site. See Publication 1220 for details on how to get your file to the IRS from your hard drive. Log on information appears on the report from step 4.
6. If you are electronically filing additional forms (e.g., 1099-INT or 1099-C), select that tab and repeat steps 2 through 6. For forms 1099-A and 1099-C, refer to additional information at "Paper Filers: 1099-A, 1099-C" above.
7. If you have multiple companies, go back to step 1 and repeat all the steps for the next company. The second file overwrites the first one only if both companies shared the same investor code.
8. Check the success of the transmission *the next day* from the IRS site.

The upload file contains personally identifiable financial information about your customers which can be read with a word processor or text editor. When exiting the program, the file is moved from folder PrintToFile to the Data folder for encryption if you chose that option. It is decrypted and moved back to PrintToFile on startup. If you rename the file, keep it safe because the program will not encrypt it.

IRS Form 1099-INT—Pro Feature

NoteSmith® Pro prints Form 1099-INT, which must be sent by you to all personal recipients (no corporations) of your interest payments. If you have investors financing your business, you must complete this form. Printing or filing follows the same pattern as the 1098 forms above. The information from -PY and -U# notes is used.

NoteSmith® Pro supports servicing of notes for investors, showing both halves of the cash flow using the AutoPay feature. When printing 1099-INT, choose to print one 1099-INT for each underlying (-U#) and payable (-PY) note or choose to have NoteSmith® batch them by investor code and print one 1099-INT for each investor.

IRS Form 6252—Pro Feature

NoteSmith® Pro prints IRS Forms 6252 for installment sales that are *not between related parties*. In general, this form is designed for non-dealers who sell a property, finance the sale themselves, and defer some of the taxable income over time. Since this form is not optically scanned and cannot be filed electronically, NoteSmith® prints the entire form and your data on plain paper.

IRS 6252 has a number of rules and requirements, and it is recommended that a CPA or professional, licensed tax advisor be consulted to ensure its proper use. Generally, you file no more than a few of these forms since they are for non-dealers.

The Print button gives the option to create forms or print the NoteSmith® information as an account list for your review. Select the first account you want to print in loan number order. The forms and the list print in loan number order because that is the only unique item on each IRS Form 6252. The payor name is not required and is therefore not printed on the form. The account list totals columns for reconciling. The profit percentage is a weighted average based on original account balances. "Profit%" is the profit percentage in decimal format as on IRS Form 6252. Multiply by 100 for a percent.

Bankruptcy Forms 410

Form 410 is required by the bankruptcy court to prove a creditor's claim, whether secured or unsecured. Secured creditors also must file Form 410A, Mortgage Proof of Claim, when secured by the debtor's principal residence. Form 410S1 is a Notice of Mortgage Payment Change while 410S2 is a Notice of Post-Petition Mortgage fees.

Standard, fill-in PDF Forms 410, 410S1, and 410S2 are accessible directly from NoteSmith® to make filing easier. Instructions for 410 and 410A can be opened as PDFs, read, and printed from this window. Form 410A is generated by the program and can be printed to a PDF file if the NoteSmith® PDF Converter is installed. A hard copy can be printed from the PDF, or directly from the program if the "Shrink reports" option is checked in File, Setup. *Note the October 2020 clarification in the 410A instructions regarding treatment of secured debt that has merged into a prepetition judgment*; verify that this is reflected in the Form 410A, if relevant.

The bankrupt account can be either a note or a lease.

Review Form 410, Proof of Claim, for completeness and exceptions, paying particular attention to the various check boxes. Remember to sign and date the form. When submitting, include copies of original, or redacted as required, documentation to support your claim.

Form 410A is attached to 410 when the security is the debtor's principal residence. It resembles a payoff report, showing total debt and arrearage. Due to its indefinite length, a fill-in PDF version is not practical. NoteSmith® prints this report, completing the required header information, then listing the payment history from the First Date of Default. For the report start date, enter the last payment date recorded *before* the First Date of Default. That last incoming payment date is used for calculating pre-petition charges. Do not record incoming payments after the bankruptcy filing date.

You may record $0 Regular and negative Service Fee Received payments to accrue charges as you want before printing the form, but since it is based on a payoff report, charges as of the bankruptcy date accrue automatically. The amount you report may be different from arrearage since the balance also must be reported.

Undisbursed escrow money is a debtor asset. If it needs to be reported differently, record an escrow disbursement payment and apply that money to the account appropriately before printing the report.

The program warns if there are service or late fees in the debtor's favor, in which case you might apply those funds to the account first. A warning also appears if the last payment was a partial (r) regular payment. Close that payment cycle with a $0 regular (R) payment.

Edit the credit bureau information if you report electronically in Metro2 format. Review the Metro2 guidelines and also page 237. This information is stored in Accounts, Edit, at the CrBureau button.

Do not attach a payment history unless instructed to do so by the court or your attorney. Form 410A was revised to standardize reporting, making it easier for all concerned to picture arrearages and balances.

From your PDF viewer, choose File, Save As… to store the PDFs with data intact for future reference. Use meaningful file names and an appropriate folder. PDF files are not backed up within NoteSmith® because they are derivative files and should not be saved in the Data folder. Use a safe folder remembering that NoteSmith® does not encrypt PDF files.

Escrow Analysis

Once a year, print out an escrow analysis for each payor. All Remaining on the Print Options window generates reports only for those accounts with escrow deductions.

The report is based on Housing and Urban Development (HUD.gov) sample forms. It creates a monthly cash flow of all the budgeted deductions and subtracts the escrow balance on hand as of the last payment recorded. Then it calculates any escrow adjustment for the coming year, so that the minimum balance equals the escrow reserve you designate at File, Company Configuration in months. Two months is a typical reserve, meaning that you could accumulate no more than 14 months of escrow minus the expected disbursements. Finally, non-monthly notes are converted to their periods. This same estimate appears on Accounts, Edit.

Adjustments on the left start with a reserve and the base amount of expected payouts divided by the number of payments per year. The program calculates the necessary starting escrow balance that keeps the minimum balance during the year equal to the reserve. A shortage or overage in the starting escrow balance is shown per payment and annually. Use the annual number to request an escrow deposit or to refund an overage. Any annual shortage is reflected on Bankruptcy 410A. The per payment difference is added to the base amount to arrive at the adjusted escrow payment. Either manually enter the adjusted escrow payment amount into Accounts, Edit, Escrow or let the program do so automatically from Tools, Escrow Adjustments.

Expected numbers on the right come from the new, adjusted escrow payment. The lowest escrow balance will exactly equal the reserve only if the actual escrow balance equals the expected escrow balance. These both generally, but not necessarily, are zero for a new note and will be very close for existing notes that were properly escrowed in previous years.

Be sure the accounts you entered on Accounts, Edit, Escrow do not overlap. Each must only appear once per year or you might over-deduct. The timing of the report impacts its totals. The

closer you get to an escrow disbursement, the more the account appears over-funded. Print all reports on a consistent date year after year.

Insert up to 8 lines of your own text by editing BP-EscrAna.txt from Tools, Text File Editor.

Adjustable Rate Analysis

Once a rate change is recorded on an account, and particularly if the account is setup for a payment amount change at that time, print and send a rate analysis to the payor. This lets them know what the new payment will be and on what it was based. This report prints in double window envelope format.

Insert up to 20 lines of your own text by editing BP-AdjRAna.txt from Tools, Text File Editor.

Invoice—Pro Feature

A standard invoice prints the current payment due, adjusting for any partial payments made and any late payments owing. It is compatible with current federal guidelines for keeping residential borrowers informed monthly and is suitable for construction loans. To send a statement of only delinquent payments due, a late letter is better suited.

The arrearage amount, which matches the history, late letter, aging, and collections, is as of the date printed. Arrearage includes late payments, late fees, charges added to the account by the servicer, and partial payments made. Any arrearage is calculated using the latter of the last payment made by the payor or the last record, which refers to a subsequent payment debited by the servicer.

The invoice reproduces the figures on a tear off coupon at the bottom of the page for return in a window envelope. Barcodes are printed if the font is installed. For details about tear off coupons, see the Receipts topic on page 241. Insert up to 6 lines of your own text by editing BP-Inv.txt from Tools, Text File Editor.

Notice of Default

A notice of default prints the current payment due, adjusting for any partial payments made and late payments owing. It is used as a demand to cure a default by making up all back payments and accumulated charges as shown. Enter the last cure date in the As Of date field of Print Options.

Alternate wording can be included for optionally paying off the loan. In this case, a payoff report should be attached since the notice of default will show only the current, estimated principal balance.

As opposed to the invoice above, there is no coupon. The space saved can be used to insert up to 24 lines of your own text by editing BP-NofD.txt from Tools, Text File Editor.

Payoff

When you receive a payoff request, print out this report, choosing a starting date 2-3 days prior to the payor's requested date. The report generates the payoff position as of the last date that interest was credited and payoff figures up to 26 days after your selected date, depending on the length of your boilerplate text. The 7 decimal *per diem* rate is shown based on the 360/365 days account setting.

The payoff report prorates interest from the last interest paid date to the requested date. Periodic accounts prorate the last partial period using daily interest. *When you record this final payment after receiving the funds, record a Payoff ("Y") payment*. Recording a Regular or Principal payment might charge incorrect interest and it will not zero out. Prorating stops if the next periodic payment is due or there are no remaining payments to avoid collecting non-contracted interest. It is not appropriate to prorate interest beyond the next periodic due date because one month (1/12 of a year) is rarely the same as 30 days (30 x 1/365).

The account should be up-to-date before it can be paid off or NoteSmith® has to make assumptions about what fees are owed. Interest, late fees, service fees, and a pre-payment penalty automatically are calculated by the payoff payment and payoff report if the account is delinquent. You can force the account up-to-date, and apply or forgive fees manually, by recording $0 Regular payments and accepting them as "R" when NoteSmith® asks. Then reprint the payoff report.

For help recording a payoff payment, use the Payoff Wizard button at Accounts, Record, on the first tab.

It is your responsibility to review the payoff report and its payment history carefully, making certain that all charges have been included and the balances are correct.

Periodic amortizing notes (not daily) will give the *per diem* rate beginning with the last payment due date, not the date the payment was received. Remember that the previous payment normally covers interest to the due date. An exception is if there had been a mid-month principal payment, then interest is prorated to that payment date. Exact days or daily interest notes display interest from the last payment received date that interest was credited. Notes that are ahead show a negative interest proration.

USRule notes accrue deficient interest. Non-USRule notes add the deficient interest to the balance, compounding the deficient interest, and may not be legal in your state or in your situation. This may affect a zero payment note. Financial calculators and amortization schedule programs often compound the interest when they calculate a payoff. To match that, you would have to set up your NoteSmith® account as non-USRule, but be aware the non-USRule setting may not be appropriate for you. *Never service a loan simply to match another calculation without knowing for sure which is correct and which is legal!*

Printing a payoff report allows you to include escrow in the report or, as some states require, exclude it to be handled from a separate account. The payoff figure when escrow is included in the report represents:

Note Balance + Accrued Interest + Daily interest + Late&Svc Balance - Escrow Balance

This means escrow money in the account's favor is being used to pay down the note balance. It is a common way of closing out a loan. Record a final Payoff ("Y") payment, which calculates the same daily prorated interest that this report does, then enters a date into Date Closed.

When escrow is excluded from the report to settle separately, as is required in certain states and when escrow is accrued in a separate bank account, the payoff is:

Note Balance + Accrued Interest + Daily interest + Late&Svc Balance

Recording a final Payoff ("P") payment when excluding escrow from the payoff typically leaves an escrow balance in the account's favor (negative number). To avoid this, record a negative Escrow Deposit ("E") to zero out escrow, then record the final payoff payment. A negative escrow deposit (escrow withdrawal), signifies that asset in the account's favor will be returned from your escrow bank account.

The payoff figure normally is the full payoff to the payor. With partial notes, refer to the BSchedule or Investment Pay History for the correct payoff on your books.

☞ If you record a final payment and it does not zero out the balance, you probably recorded an "R" or "P" payment instead of a "Y", there is escrow unaccounted for, you accepted prorated interest beyond the next due date shown on the payoff report, or a payment was recorded since the payoff report was run, thereby calculating different interest or fees. See page 304 to unclose the account, then try again.

Sometimes your payor has an escrow balance in their favor (negative number) or a late fee balance in your favor (positive number). NoteSmith® does not guess how you want to handle these balances and it is possible that excess money will be applied to the principal balance. If you see a large negative principal balance exactly equal to the other balances, you can

zero them all by moving money from one balance to another. Just record an offsetting escrow or late fee payment to zero that column, then a correspondingly sized principal payment to zero that column. If the last payment was a Payoff ("Y") payment, you first have to "unclose" the note. See page 304.

All payoffs will not necessarily zero out the account. If the payor pays too much or too little, you would have a small capital gain or capital loss. You choose whether to refund the payor, ask for more money, or ignore it. Ignoring it will cause the difference to show up in Reports, Portfolio, Capital Gains. Further, the payoff report assumes a final payment after all regular payments are up to date and prorates the final period (month) using exact days. If you recorded a final Regular ("R") payment, NoteSmith® calculated any escrow and late fees, then charged an entire month's interest if this is a capital M (monthly periodic) type account. Delete this payment and record it as a Payoff ("Y") payment.

Texas requires special payoff forms when requested by a title company and the collateral is a primary residence or tax lien. Chosen from Print Options, they are "substantially similar" to the Texas templates. For primary residence loans, enter the closing date as the start and the report prorates about 25 days.

Insert your own body text by editing BP-Payoff.txt or BP-PayoffNoEsc.txt from Tools, Text File Editor. The longer your text is, however, the fewer daily proration lines print and the report can spill over to a second page. The standard payoff report is limited to 8 lines while the Texas version can take up to 2 pages. See page 301 for details on payoffs.

Wraparound

This report displays the net cash flow and income from receivable notes that have underlying payments associated with them. The last incoming payment date is shown on the report. Associate notes by using the same 9 character loan number prefix when adding the receivable and payable. Loan numbers can be changed from Accounts, Adjustments. This report is not designed for customers.

Yield

This report displays the total annual cash flow of a selected, closed account and calculates your actual yield based on the uneven cash flow. All payments in and out are included. This report is not designed for customers.

There is no direct formula to calculate yield. Yield calculations are iterative, meaning that you start at 0% and see if that works, then try .0000001%, then .0000002%, and so forth until you find the correct yield. This process may not be snappy on long notes with many payments, so be patient while your computer iterates each payment at each yield.

Yield is always an approximation, because it assumes that the cash flow you collected over the term was immediately reinvested at exactly that same rate. This is impossible, of course, so your true yield is something other than what a computer estimates for you. The expected yield is the number you entered on Accounts, Edit, Investment at the time you set up the account.

Regulation Z

Regulation Z is a federally mandated form to be used when issuing new loans. It displays the annual percentage rate (APR), amount financed, finance charge, and total of payments in a consistent format that is easy for borrowers to understand. The APR is based on the amount borrowed, any deductible points, and certain other non-deductible fees.

NoteSmith® prints this report using the information at the time of account setup. Recording of subsequent payments does not change the printout.

Lenders can add a to-be-originated loan into NoteSmith® and print this form, standard form letters, and other merged documents to simplify the closing procedure. See Microsoft Word Merge on page 225 for ideas.

Insert up to 10 lines of your own text by editing BP-RegZ.txt from Tools, Text File Editor.

See page 264 for steps to set up an account properly for Regulation Z printing. Regulation Z may require other charges in your situation that are not stored by NoteSmith®. Check with an attorney before printing and distributing this report.

Portfolio

The Reports, Portfolio menu gives you four ways to look at your notes. The first group of reports is presented *by account*: who pays, what is normally due, and when. The second group, a trilogy of account reports, lists those that are new, seasoned, or closed by selectable date range. The third group gives you hard numbers *by payment*: what was actually paid, what is owed to you, how much is taxable, and what is the current financial state of the whole portfolio. The final group shows cash flow and statistics reports *as projections*.

These reports are not designed for customer viewing, although they might be given to your bank or an investor. The Lookup name appears and frequently is used for ordering these reports. Printing is monochrome only.

Note that balance and basis numbers are from your view, not those of an account. These are your reports so you can manage your cash and assets. It would accomplish little, for instance, to print the payor's full balance if you only control a part of the note. See Investment Pay History on page 173 for a discussion on balance, basis, and amount of PV bought.

When appropriate, you are presented with a choice of Receivable Notes, Payable Notes, Receivable Leases, Payable Leases, or All Accounts. This formatting can keep the four investment types on separate sheets of paper. Data can be filtered by year and by investor (page 315). Many reports can be sequenced by date, lookup name, or loan number.

☞ Most portfolio reports have an ending date option. This allows you to print a report, for example, on this April 14 as of last December 31, ignoring all payments recorded this year. The summary information is helpful for tax preparation.

Aging

The aging report is designed to help reduce delinquencies. It is a management style report suitable for sharing with your banker. Accounts with a due date in the period chosen appear on this list. A more detailed version of this report, found in Tools, Collections, is designed for making collection calls and includes phone numbers and late letter information.

The Total Late column represents all regular payments due plus late fees on each of those payments. From that total is subtracted any partial payments made toward the account. The last incoming payment date is shown. Adjustments such as an escrow disbursement or service fee charged are ignored. The amount owed figure represents all of the money necessary to bring the account current as of the date of the report. The balance and loan type is shown.

Summaries show the value of the regular payments listed and a total of all late payments owed. Other figures show how many accounts appear on this report out of the total number of filtered accounts. The total amount owed to you or your investor by these accounts is summed and displayed with the grand total of all amounts currently late in 30-60-90 day format, converted to monthly figures if applicable.

Balances

The balances report prints a concise list of balances owed, including accrued interest, principal, basis, escrow, late fees, and service fees. Sort accounts by lookup name or loan number. Various balances are averaged. Balances owed to you are netted with balances owed to your customers.

When both notes and leases are chosen for display on the same report, accrued interest is not printed by note or in total since it has no relevance to leases.

Balloons

The balloons report shows balloon notes, their maturity dates, and months remaining until the balloon is due. Balloons are approximate dependent upon the payments you receive in part, in full, or in excess, and based on timeliness.

Sort accounts by lookup name, loan number, balloon size, or maturity. The summary includes average balloon, average months remaining, and weighted average months remaining.

Collateral

The collateral report shows how much security coverage you have on your notes. It can be printed in either lookup name or collateral order, showing the payor, collateral and its value, payment amount, and balance. The Investment-to-Value (ITV) ratio is calculated and displayed. A portfolio summary appears at the bottom.

The next to last column shows the remaining balance you own (*not* the payor's balance) and your cash basis in the note. The last column, therefore, indicates your actual Loan-to-Value (LTV) and Investment-to-Value ratios in the property, based on its updated market value. Be aware that these ratios are only as accurate as your estimates under Accounts, Edit, Collateral, especially if senior loans are present.

Due Dates

This listing gives you information about each note, so you can compare maturities, balloons, and delinquencies all on one form. Each account is represented by three lines of data.

Use this report for a quick overview of payments due. The loan number and name appear with next and last payment dates and the expected maturity date. The untitled column shows the payment cycle using capital (periodic interest) or lower case (daily interest) letters. The normal, expected payment is shown with the balance owed to the investor. Note that in the case of a partial, this is *not* the total balance. Using the partial balance

owed makes this report more useful as an investor overview, similar to a balance sheet.

Remaining payments to the investor and total payments due are displayed. Accounts past due, but not necessarily past the grace period, are signified with negative "Due In" days. The last incoming payment date is shown. Adjustments such as an escrow disbursement or service fee charged are ignored.

The summary gives an idea as to how the portfolio (or sub-portfolio, since this report can be filtered) is doing. The first line shows absolute numbers, including the number of payors appearing on the report. The second line averages each payor by converting them to monthly (a weekly account would have 52/12 payments per month) and presenting an average.

The purpose of this list is to give you a summary of the accounts under your control to answer management questions about your portfolio. If you have simple partial purchases, the balances represent both your basis and the amount of the loan bought. The balance for BSchedule partials is the actual amount of the loan you own. In both these cases, the balance will be smaller than what the payor owes. If you collect escrow or service fees, the payment includes them.

Escrow Accounts

This report indicates all tax or insurance accounts you are responsible to pay as a result of collecting escrow. Accounts appear if either a date or an amount is typed in Accounts, Edit, Escrow. This is a report of accounts, not a report of payments, so an escrow payment you record will not appear here unless there is first a corresponding escrow account.

Record tax and insurance due dates even if you are not collecting payments for them. You can check your files periodically to ensure these payments were made on time by your customers and that you have copies of receipts.

Interest Accrued

The interest accrued report lists a number of useful facts about the loans in your portfolio, including the balance, interest rate, and days per year used in interest calculations.

NoteSmith® tracks two types of accrued interest. The first is interest statistically owed to you but not yet payable. For instance, if today is the first of the month and a payor is due on the next 5th, you have about 28 days of interest owed to you, depending on how many days in the previous month and how the payor's last interest payment was recorded. Periodic or amortization schedule loans pay interest to the last due date. Daily loans pay interest through the last payment date.

The second type of accrued interest is that which had been shorted to you with the last payment. USRule notes or those which do not amortize negatively show deficient interest on the payment history on a second payment line under the interest column. The initials AI appear next to the number.

Both types of interest print on this report and are added on the last column. This report reflects, therefore, the theoretical interest owed to you if all payors made a payoff payment the day of the report. Note that this is an unusual report for NoteSmith® because it is an accrual, not a cash, basis report and does not have a taxable consequence to most users. Also, all loans including periodic loans are estimated using prorated daily interest, not periodic interest, so actual interest may not match estimated interest when the payment arrives.

Payments Expected

The payments expected report is similar to the due dates report, although it breaks out the expected, full periodic payment by principal and interest, late fee, service fee, and escrow. The period is shown, then all periodic payments are converted to monthly averages in the summary for comparison at different times of the year. Term, balance, last pay date, due date, and maturity are included.

Late fees are averaged in the summary although the total of late payments is not shown. Statistically it is a meaningless figure since it unlikely all accounts would pay both late and within their due months.

Adjustable Rates

This report lists the notes in your portfolio that are adjustable. It prints each account's index, date the index changes, standard margin, current index rate, and the minimum and maximum rate per account. It shows the maximum change, period at which the rate changes, if the payment also changes, and the original and current rate.

An adjustable rate account will not appear if its matching index was deleted from File, Adjustable Rate Configuration.

Yields

The yields report gives a concise list of payments owed to you, estimates your yield on each note, and estimates your portfolio yield based on the financial terms for each note.

Except for the yield, these estimates are converted to monthly equivalents similar to the cash flow report (below). The maturity and yields are weighted based on your current basis.

Two columns of remaining payments are given. The first is the payments owed to the investor for partial purchases. The other is the remaining term owed by the payor.

Sort accounts by lookup name, loan number, or by yield. NoteSmith® estimates how much of your investment is tied up in blocks of yields. Three break points displaying four blocks of yields are used.

For the exact yield on a paid off account based on the actual payments received, see Reports, Accounts, Yield on page 195.

New Accounts

This report, along with the next two, make up a trilogy to list your accounts in a temporal cycle. They can be printed for notes or leases, and by accounts receivable or payable.

The new accounts report shows loans or leases that have been entered into your program by date selectable range and in an order you choose. This is helpful for auditing data input, especially at month end or quarter end.

Seasoned Accounts

The seasoned accounts report shows months since origination and number of monthly payments made. Averages display original balances, current balances, and seasoning in months. The seasoning in months figure is displayed as a straight average and as a weighted average. Sort by lookup, loan number, origination date, or balance.

Closed Accounts

The closed accounts report shows accounts that have a date in Accounts, Edit, Investment, Date Closed. The date opened and closed is shown along with the remaining balance and basis. The number of days the account existed displays next to an indication of long or short term holding. Sorting is by number of days the account was open.

Register

The register gives a list of all payments received in a form you can use to balance your checkbook. Totals appear by month and for the report on receivable and payable accounts to help enter totals into your bookkeeping system. The totals further differentiate between cash in and cash out. Keep the daily detail of your business in NoteSmith® and only clutter up your accountant's computer with monthly totals.

By setting a date range of only one day, you may print a list of payments representing your bank deposit. Pro users can record payments in batches and this report displays the batches by day or across days. Batch recording dates are stored in a field that is accessible for editing only by a 9-level password holder. The batch date is reset to today's date if you delete and re-enter the payment. Run this report at the end of each day if you use batching because deletions and re-recording may affect the batch totals if run on future dates.

The register can be printed for final payments made by accounts closed during the date range.

☞ This report shows taxable income so compare line items to the *Investment* Pay History, not the Payment History.

Register-Changes

The register-changes report gives a summary of the starting balances of the date range chosen, then a summary of all payments received during that range (called the intra-period range), followed by the ending balances. It is a derivative of the standard register and register-totals.

Starting balances are as of the start of the selected day, meaning after close of business the day before. Payments recorded on the starting day are not included in the starting balance summary but are included in the intra-period income. This is so a report, for instance, of 5/1 through 5/1 will display meaningful data. Basically, it would show the starting balances at the close of 4/30, the income for 5/1, and the ending balances as of 5/1. The due dates report shows the balances on the As Of date, so choose a due dates starting date one day earlier if you print register-changes and hope to match it. The due dates report as of the end of 4/30 matches the register-changes starting information on 5/1.

Since late and service fees are debited and credited simultaneously when recording payments, the ending balance is not a sum of the starting balance and intra-period income.

For notes bought at a discount, the change in balance is a result of the change in discount earned plus return of capital. A change in return of capital is reflected in the basis change.

Register-Escrow

This register lists payment activity devoted strictly to escrow payments. Full escrow payments, such as Escrow Deposits, Tax Disbursements, and Insurance Disbursements, are shown along with the escrow portion of Regular PITI payments. Use this report to reconcile the movement of money held for others. Totals appear by month and for the report on receivable and payable accounts. There should be no taxable consequence to this report.

Register-Totals

The register-totals is useful for year-end reporting. Think of this report as printing one summary line from the payment history for each account. All payments of each account are totaled and represented by a single line on this list. This register summarizes taxable income.

Register-Tot/Bals

The register-tot/bals is a hybrid between a balance sheet and an income statement, useful for year-end reporting. This report prints one summary section from the payment history of each account. Each account is represented by a single line along with totals and changes in balance and basis. This register summarizes taxable income and asset change.

Ordinary Income

This report shows when taxable income accumulates. The list is monthly based on your fiscal year start and end dates. Modify the dates if you have a purpose for looking at part of a year or more than one year. Use this as your income statement to provide to your CPA, but print just a fiscal year. A balance sheet type of report is the statistics report below.

Separate columns show each type of taxable income. Monthly taxable, non-taxable, and cash flow subtotals can be displayed to assist reconciliation. Taxable plus non-taxable items will equal cash flow for totally USRule portfolios, so the cash flow column will show one total per month. Two cash flow totals appear when there are accrual items (non-USRule). Escrow totals appear monthly and in summary. A detailed listing of escrow payments can be generated from Reports, Portfolio, Register or Register-Escrow by month.

Capital Gains

If you sold or closed any notes at other than their basis during the fiscal year, this list summarizes them in IRS Schedule D format. It separates long term holdings from short term and shows your dates bought, sold, and the basis of each.

Although favorable capital gains tax treatment has been modified, IRS forms still expect capital gains to be reported. Be sure to check the current tax laws with your licensed tax advisor before submitting these figures to the IRS.

The report can be printed using a date range you select. Normally, you would use the entire fiscal year. You could select a shorter range to check your note brokerage for the current month or the previous quarter. If you broker many notes, you will love this report in the weeks before tax day.

Cash Flow

This report estimates your cash flow over the next 5 to 30 years based on print options you choose, giving subtotals by year. Balloon payments and accounts due to mature are allocated properly. Notes with periods other than monthly are converted first to average monthly payments so that notes with periods shorter than a month can be displayed more meaningfully. Notes with periods longer than a month likely will have their actual payment arrive either in the month prior or month after. This evens out the expected cash flow, more closely approximating what actually will happen.

All notes matching your company configuration and any current filter that are in your program contribute to the calculations on this report. Notes added to the program which have not yet had their first due dates are included. The only ones excluded are those that have a date closed in Accounts, Edit, Investment and those without any remaining payments. The starting date is always today's date since an As Of date would be meaningless with this type of future estimation.

This report helps to locate expiring receivables and balloons due. It is useful to help match inflows to investor payments.

Predicting the future entails estimation and your actual results will vary from this report, especially as you either look extremely short term or lengthen the term of the report. New notes can have variable start dates, some notes have due dates longer than monthly, and payors sometimes will pay outside the calendar month that they are due, so your actual cash flow will not match these predictions.

Statistics

The statistics report gives a one page overview of your portfolio and resembles a balance sheet of your note business. Receivable notes are subdivided into Total, Partial, and BSchedule partial purchases. Your yields are taken from those entered when adding or editing an account.

Discount represents the difference between what you paid for the payments and what amount you would be paid off. There normally should be a positive amount next to BSchedule partial purchases and $0 next to Partials. Discount will be $0 if you only originate loans or buy hard money loans at full face. Payable notes also should have $0 discounts, since you normally borrow at par.

The report calculates weighted average coupon, weighted average maturity, and weighted average yield, known as WAC, WAM, and WAY. The PI figures match the cash flow report while the PITI figures match the due dates report.

There is no figure representing Net Yield. This number, if it appeared, would have no statistical significance, since it is inappropriate to generate a yield without accounting for the varying terms of each loan and a common discount rate. It is left to the manager to conclude how profitable the portfolio is.

Miscellaneous

The Reports, Miscellaneous menu includes custom reporting options where you can print or export data according to report styles you set up, company configuration reports, and exceptions that should be fixed or reviewed.

Custom Reporting—Pro Feature

NoteSmith® Pro users are able to create their own reports using NoteSmith® data fields. On a scale of "Ease of Use" versus "Flexibility" we have tried to place the custom report writer toward ease of use. Just point and click or point and drag to get the results you want. To add some flexibility, however, there are choices you need to make, each of which has one tab devoted to it.

Further flexibility comes from being able to export the data into various other file formats, such as Excel, where the data can be manipulated. Sometimes you simply may need to create two reports to gather the data you want. If your report needs are frequent and sophisticated, use a third party writer. NoteSmith® stores its data in FoxPro tables and exports to most common formats, so the data can be read by a variety of programs.

Work through the tabs from left to right, filling in required information, then save your changes. Choose only a couple of fields the first time using All Notes and No Filter to make sure your report runs properly. Once it does, you can change configurations, filters, and add fields.
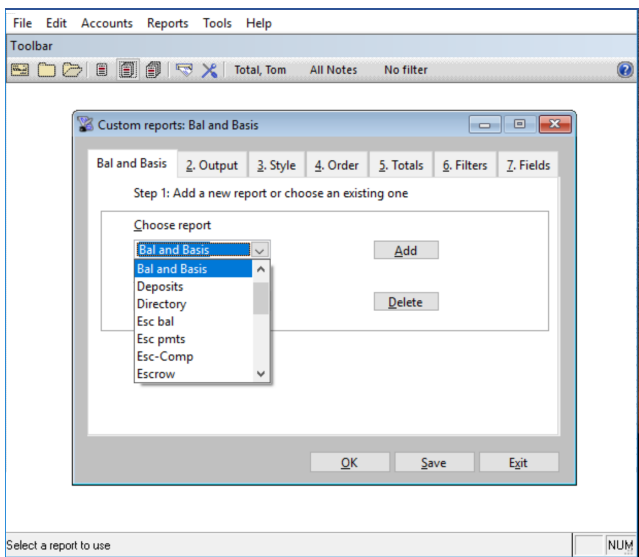
Select, add, or delete a custom report from the first tab. Execute your choices by clicking OK. Save the report or exit with the other buttons available on this screen.
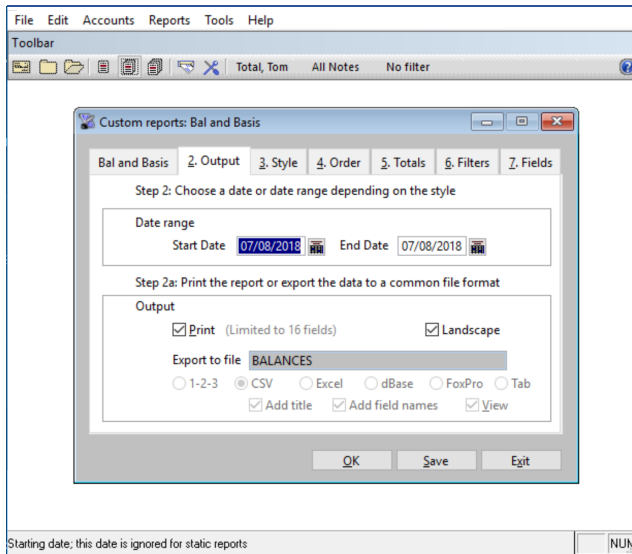
The Output tab allows you to print or export the data you select. Start by printing to screen so you can see that your report works properly, then export later.

Popular export choices are Excel and Comma Separated Values (CSV) which can be read by most spreadsheets and other applications. Enter only a file name in the box. The file is created in the PrintToFile folder on the local hard drive. The View checkbox opens the report in its native application so you can see that the desired results were obtained and so the new file can be saved to any location. For CSV or Tab files, checkboxes add optional titles and field headings, but leave off titles and include field names if you plan to use the file as a data source. Find a local programmer versed in Microsoft Office Automation to take this exported data and insert it into a formatted Excel report of your own design.

Settings are saved with the report. Select today's date as either the start or end date for the report and NoteSmith® uses the current date the next time you access the report.
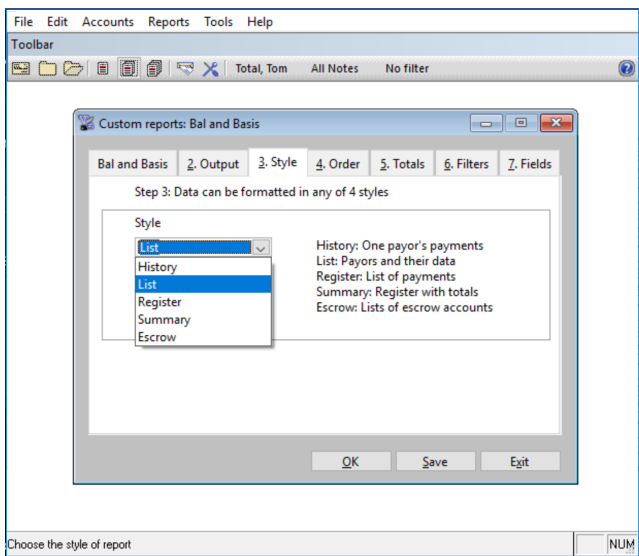
Payor data that does not change, such as last name, SSN, or phone, is stored in the Payor.dbf file. Information that changes with each payment, such as remaining balance, monthly interest, and market value, is stored in the Payment.dbf file. Escrow information is in the Escrow.dbf file. The database structure determines available report styles:

Style	Type of report	Example
History	One payor	Pay history, check number
List	Multiple payors	Due dates, collateral
Register	Payments	Register
Summary	Total payments	Register totals
Escrow	Multiple payors	Escrow due

History prints the payments of an account by date range. List prints each payor and selected fields from their most recent payment. Register prints payments by date. Summary totals payments and prints one line per account. Escrow prints escrow accounts by payor.
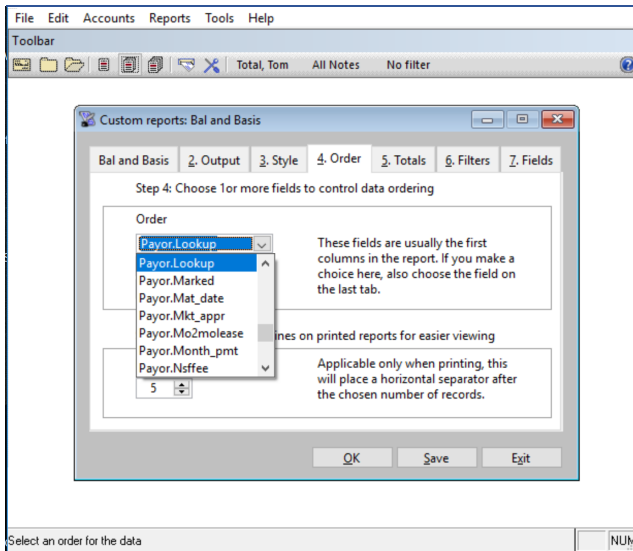
The Order tab lets you sequence data appropriate to your needs. Generally the first column of the report is the one controlling the order. Registers are ordered by payment date, for instance, as are histories. NoteSmith® supports up to 3 orders, which might be appropriate if you were listing loans by state, city, and last name.

Choose to print a horizontal separator every few records to make the report easier to read. A setting of 5 works well.
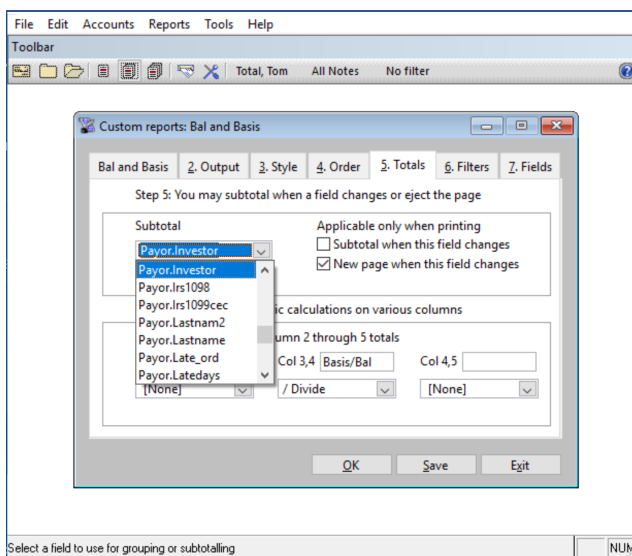
The Totals tab lets you subtotal reports when a specified
column changes and optionally ejects the page. This is useful
for printing lists of payors ordered by investor. By starting each
investor on a new page, you can print reports and give them to
an investor while maintaining the privacy of other investors for
whom you service.

NoteSmith® totals numeric columns at the bottom of the report.
Manipulate the totals of columns 2, 3, 4, and 5 using standard
arithmetic and assign a name to the result.
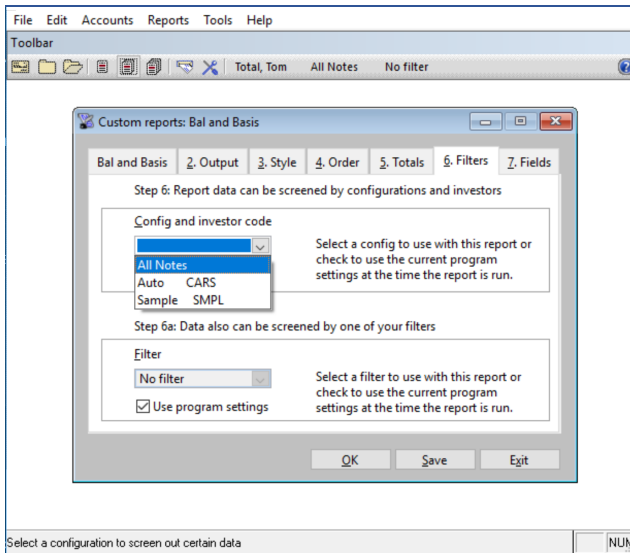
The Filter tab lets you run the report with your selected company configuration, investor code, and filter, or you can assign a specific configuration and filter to this report regardless of your program settings.

Locked accounts are not automatically filtered since the program has no idea of the purpose of your custom report. If you print histories using All Remaining, and plan to mail those to customers, set a filter on the letter locks field.
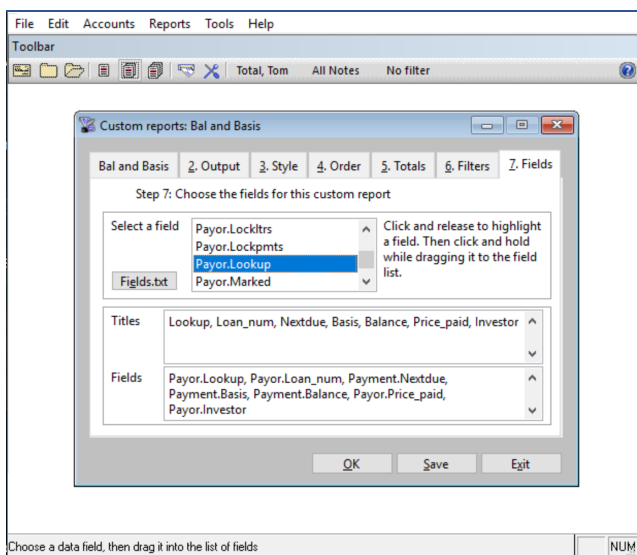
Double click and drag the desired field to the Fields box at the
bottom. You may overtype titles or field names and can cut,
copy, or paste them into a different sequence. Making
modifications, however, could cause Structured Query
Language (SQL) errors in running the report. Be sure the
number of titles match the number of fields. If you retype
fields, the names, capitalization, and punctuation must match
existing fields perfectly.

To fix an SQL error, blank the text in both the Titles and Fields
boxes and start over. Test after adding every 2 fields. Do not
contact support if you receive an SQL error.

The first few entries in the field list are not really fields, but are
choices to help make your report more useful. Choose [All
fields] if you want all the fields in your report. Choose [Blank
field] if you want a column left blank to layout the report more
legibly. The fields starting with Arrear_ display arrearage
figures. Arrear_Reg indicates the regular payments that are late.
Arrear_Lsv shows how much in late and service fees are owed.
Arrear_Ppd and Arrear_Net display partially paid payments you

received and the net owed. Arrearage fields are calculated on the fly and are appropriate only for List styles.

The file Fields.txt is available to view from the button or from the text file editor. It lists the fields in the 3 main databases and an explanation of the data they hold. The Notepad is in a fourth database file and appears as a single choice just before the Payment file. Fields.txt can be used by advanced computer users to create exporting routines to other software programs and for setting up mail merges from the text file editor.

Certain fields are labelled for internal use and do not appear in NoteSmith® reports. Do not rely on the data appearing in them. Last_date is one example. The program needs to store a date for comparison purposes—do not put this date on a custom report or show it to a payor.

Creating your own report demands knowing which database has the information you need and matching that to a report style. There are sample reports included on the distribution disk that were added to your NoteSmith® data folder. Edit these to see the types of information you can access and the way you can sort the data. Generating a custom report does not write to NoteSmith® databases so you cannot damage data if the report generates an error.

Choose Reports, Miscellaneous, Custom Reporting:

1. On the first tab, click Add and enter a title for your report.
2. Select the Output tab to choose where the data should go. Use Print at first so you can preview your results.
3. Select the Style tab and pick a style from the drop down list. Refer to the chart above for additional information.
4. On the Order tab, choose one or more fields for sorting.
5. Select Totals and decide if the report needs subtotals. Click if you want to start a fresh page after the subtotals are printed. Calculate summaries from column totals.
6. The Filter tab lets you select a company configuration and accounts filter which can be stored with this report.

7. Click on the Fields tab and highlight a data field from the drop down list. The Home, End, PgUp, PgDn, arrow, and alphabetic keys are functional.
8. Double click and hold the field with the mouse, then drag it into the field list. The report displays information up to 5 columns by 3 lines in portrait mode and 8 columns by 2 lines in landscape. All numeric columns will sum.
9. Repeat step 7 for each desired field, then save the report.

For advanced users only: Instead of using just the pick lists NoteSmith® provides, you may use the following information to manipulate fields before printing. Mistyping or misusing the information below will generate SQL error messages. This is provided for the benefit of those users experienced with software and especially database programs. If you do not understand the information here, we suggest you do not use any of these commands. Be sure to enter a title for your field, precede each with a comma and a space, and watch the capitalization. You are assuming the role of programmer as soon as you type something into the fields box so do not contact technical support if this generates an SQL error.

date()	: the date the report is run
date()-30	: thirty days before today
date()-nextdue	: number of days past due
sdate	: starting date of the report
edate	: ending date of the report
str(field,n1,n2)	: convert a number to characters

You actually can perform calculations as long as you give a name for the field. Here is a more complex calculation that figures the daily interest times the number of days since interest was last paid and displays it as the field Accint, short for accrued interest. Use parentheses to force arithmetic precedence where you need it. This answer would generate an error without them since you need to subtract the two date fields first to create a number:

Balance*Int_rate/100/365*(Edate-Last_int) as Accint

Use the string function, which is str(), to convert numeric data to characters. This prevents the report generator from summing the column. For instance, yield would not make any sense to sum over all your accounts, so use str(yield,7,3) to give a 7 character representation with 3 decimal places. The yield column will not be summed at the bottom of the report.

Configurations—Pro Feature

This Pro report lists your company configurations, their investor codes, and any accounts filters you have created.

Exceptions

The exceptions report looks through your accounts for entries that are inconsistent and would impact the correct generation of reports, tax forms, or the program in general. The following items are checked for each account:

- Negative or zero remaining payments on open accounts
- Escrow, service, or late fee balances owed to you
- Payment recorded with a date too far in the future
- Maturity date that has passed
- Incorrect pairing of IRS 1098 and non-USRule
- Incorrect pairing of IRS 1098 and company pays
- Space at the start of the last name, company name, or lookup name affecting IRS 1098/1099
- Blank or invalid SSN on IRS 1098 account
- Blank or invalid TIN on IRS 1099 account
- Lease with a late order of 1 or 2

Tools

The Tools menu provides the administrative functions needed to service your loans. From here, you can create your own form letters and then merge them with the NoteSmith® databases. You can stuff the letters into window envelopes or print your own envelopes and labels. You also can print receipts, coupons, or, using the financial calculator, amortization schedules. Pro users can make collections calls.

Mail Merge

The mail merge capability allows you to take form letter text and merge it with payor names and addresses. As with reports, you can print these to screen, directly to the printer in bulk or individually, to a file, or to email/SMS (Pro feature) . See Print Options Dialog on page 69 for details.
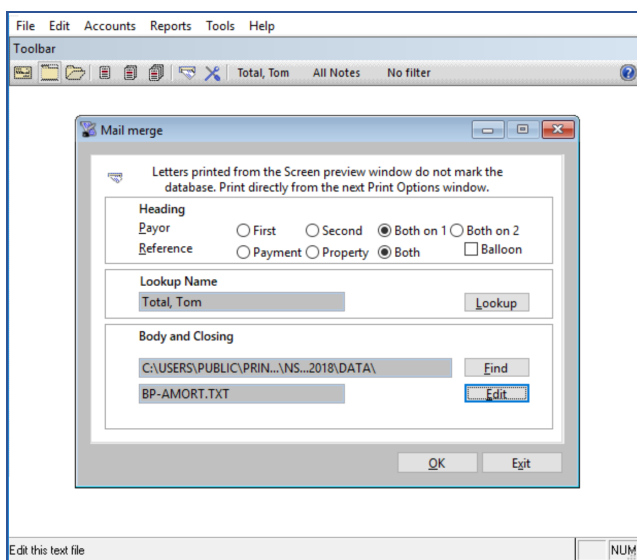
NoteSmith® form letters print in double window envelope format. Fold the letter under the salutation line.

When a letter is printed to paper, email, SMS, or PDF, the account's Notepad is marked. Late letters also cause marking of the database, which can be seen on Accounts, Edit, Note and also on Reports, Portfolio, Aging. A letter is not considered by NoteSmith® to have been printed if it is previewed directly from Print Options. Be aware, then, that NoteSmith® does not mark the database if you print from the preview screen.

To print a form letter and also send it to a file, send the letter to a PDF file and then print to paper from your PDF viewer.

In constructing your letters, NoteSmith® selects the last text file chosen as the one to use. NoteSmith® comes with prepared letters which you should modify the text file editor. Use the editor to create letters and to insert database fields. You also can use form letters you have created previously with your own word processor. Just save them in ASCII or plain text format with .TXT extensions and copy them to:

   C:\Users\Public\Princeton\NoteSmith2024\Data

These letters have special significance to NoteSmith®:

Letter	Starts with
Balloon letters	BALL
Late letters	LATE
Insurance letters	INS
Invoices	INVOICE
Receipt	RECEIPT
Boilerplate	BP-
SMS (ends with)	-SMS.TXT

A Balloon letter can be sent only to payors with a balloon due. The balloon amount and date are referenced. You can have different balloon letters. NoteSmith® looks at only the first 4 letters to see if it is a balloon letter. Use Ball-2, Balloon2, BalloonX or other characters in the balloon letter name.

You even have this flexibility with late letters. Late1.txt can be generated after the account is past due and should be just a friendly reminder. It is sent without regard to grace periods but honors the first late wait set in File, Company Configuration, Accounts. Any account is eligible for a Late1.txt letter the day after the due date plus the first late wait. A late wait period is designed to allow a payment to reach you or a follow up letter to reach your customer.

Late2.txt is sent only if Late1.txt has been sent and only after your second specified late wait time has elapsed. It is possible, but not recommended, to override a late letter sequence for one account at a time by following the on-screen prompts.

If you have different late letters for different companies, you still can use the automatic late letter feature. To send a different late letter to mobile home payors (MHP) than automobile payors (CAR), name one letter Late1MHP.txt and the other letter Late1CAR.txt. NoteSmith® only looks as far as the character in the fifth position.

To trigger mail merging by SMS (Pro feature), end the file name with –SMS just before the .TXT. So while Late1.txt can be generated to paper, PDF, or email, Late1-SMS.txt can be sent directly to a properly enabled telephone. SMS messages should be kept short and avoid attachments. Each telephone provider has its own requirements.

The Reference section of the merged letter optionally displays the property description and the payment information. Payment data includes not only the regular payment but arrearage and partial payments when printing late letters. Negative balances, typically caused by overpaying a note or lease, will display on the form letter indicating a refund. Check letters carefully to be sure the payor account is correct.

Insurance letters (such as Ins_One.txt) are addressed to the payor's insurance agent listed on Accounts, Edit, Escrow.

Click Find and choose QuickLetter.txt to print a specially worded letter to one account for one purpose. Click Edit to check or modify the wording. This is a temporary letter and the text is rarely saved for reuse.

If you choose Second Payor, NoteSmith® uses their mailing address. If the mailing address is blank, NoteSmith® uses the second payor's name and uses the address listed for the first payor. These features automate mail merges whether payors are related or not, or living at the same or different addresses.

Both on 1 prints both payors on one letter if their mailing addresses are identical or if the second payor's address is blank. Titles are left off so that both names fit in a window envelope. The co-payor gets their own letter if their address is not blank and is not identical to the first payor. It will not send email or SMS if only the co-payor has email or SMS.

Both on 2 prints one letter for each payor, using the first payor address on both letters if the second payor address is blank. It will send email or SMS to just the payor, just the co-payor, or both depending on settings in Accounts, Edit.

Balloon information can be included on letters printed for accounts with balloon payments by checking the box.

NoteSmith® handles the merging of the form letter including the salutation line ("Dear Mr. Jones,"). Using the text file editor on page 228, you create the body of the letter, insert database fields for merging, and add a signature line. NoteSmith® does not generate the signature line for you so that you are able to have different signatures stored with each letter (Late1MHP.txt and Late1CAR.txt).

A printed letter does not word wrap the same way as on screen. The NoteSmith® text file editor is set for 65 character wrap on screen, but proportional fonts in different point sizes print differently on paper. A text file editor merely displays typed

keyboard characters and cannot duplicate the printed page. NoteSmith® formats the words to the width of the page margins before sending the file to the Windows printer. *Although we discourage it, you may force ends to each line by using the Enter key.* If you cut a line too short, go to the end of the line and use the Del key. It is best to avoid the Enter key except when pressing it twice to create a new paragraph separated by white space.

Choose whether to include letterhead as text, bitmap, or none because you have preprinted stock. This is set in File, Company Configuration, Tools. Arial or Times font can be selected there also. Long file names are supported.

Microsoft Word Merge—Pro Feature

If you are a Microsoft Word or Office user and have NoteSmith® Pro, you can preview, print, file, or email your mail merged letters from Word automatically. See Print Options Dialog on page 69 for details. Turn on Word merging from File, Setup, Office or this menu item is greyed out.

NoteSmith® exports the accounts you selected into file WordData.csv in the same folder where your chosen letter resides. This is a very common plain text file format that uses Comma Separated Values (CSV).

Word memorizes the location of that merge data file with each form letter you create. If you move the letters later, Word still merges using WordData.csv from the original location even though NoteSmith® sends the data to the new folder location. If you move your DOC files, open each letter in Word, open the Word Mail Merge Toolbar, and select WordData.csv in the new location as the data source. Notice the recommended folder in the screen print below.

Word files are not installed automatically. Open your installation media and drag the NS2Word folder to this location: C:\Users\Public\Princeton. They will not need to be moved or copied with future versions of NoteSmith®.

Open a sample letter using Word and modify it as you wish. To create new letters, it is easiest to open Intro.doc and save it with a different name. To start from scratch, make sure the document is set up as a merging letter with WordData.csv as the data source.

Depending on your version of Word, Office, Windows, and any service packs or security upgrades you installed, the directions may be different from what appears below.
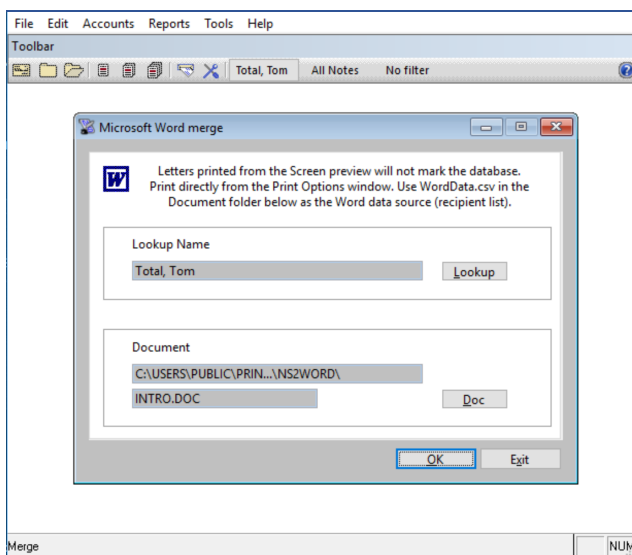
Almost all NoteSmith® fields are available for merging. Complete formatting, including signature fonts, can be accessed from Word. Right click the field, choose Toggle Merge Fields, and after the field name enter \# 0.00 for numbers to display with 2 decimals. This is called a "switch" and there are numerous switches available. See Word help or contact Microsoft to use switches to format numbers or dates.

NoteSmith® leaves Word running if it was running before the merge, otherwise it is closed. To preview your merge from Word, select Screen from the NoteSmith® Print Options window. Word optionally displays a Mail Merge Toolbar for these letters. Toggle the merge button <<ABC>> on the Word Mail Merge Toolbar to see the letter unmerged or merged with your NoteSmith® names. Do not tell NoteSmith® to preview, then print the letters from Word, or the databases are not marked that a letter was generated. Choose Print from the NoteSmith® Print Options window to mark the databases.

You can save a merged letter to generate a digital copy for your files. In Print Options, choose Screen to preview it in Word. Highlight the entire document (Ctrl+A or use the Edit menu),

then press Ctrl+Shift+F9. This replaces all the merge fields
with merged text. Immediately Save As with a different name
to avoid losing your Word merge document. Alternately,
"print" it as a PDF.

Company information is not merged since your letterhead
should be formatted already in the DOC file. Create as many
Word documents as you need. Name late letters with "Late"
and a number so NoteSmith® marks its databases.

NoteSmith® is distributed with a number of Word form letters,
including Intro.doc and Late1.doc. You can use Word to print
financial instruments after adding the loan information into
NoteSmith®. Account for the down payment to be received at
closing before merging with some of the financial instruments
so the loan balance is correct. View Mortgage.doc, Note.doc,
and the other Word files. These are not approved for use by any
state legal professionals, but use them as a basis to create your
own, company specific, state legal forms.

An Object Linking and Embedding (OLE) error message
appears if Word is not properly installed on your computer or if
you exit a required screen under the control of Word. This is
not a NoteSmith® error but comes directly from Windows.

A security scheme with Word 2002 Service Pack 3 pops up
warning messages which breaks the merge. To turn it off, go to
Microsoft.com and search "SQL Security Check."

Starting with Word2010 security measures were added to DOC
files preventing certain interactions with your data. To enable
merges with existing DOC files, start Word2010, go to File,
Options, Trust Center, choose the Trust Center Settings button,
Trusted Locations, Add New Location. Locate the folder above
so Word will not block mail merging from it. If you save a
malicious file to this folder, Word will access it so keep your
internet security software current and active.

Text File Editor

The NoteSmith® text file editor opens any plain text file in any folder that has a .TXT extension. Create a new file by selecting Add, then assign a unique name with .TXT as the extension. Text file editors do not allow you to change the font since they simply edit and save the characters you type from the keyboard. Text files never contain font, margin, or printer information.
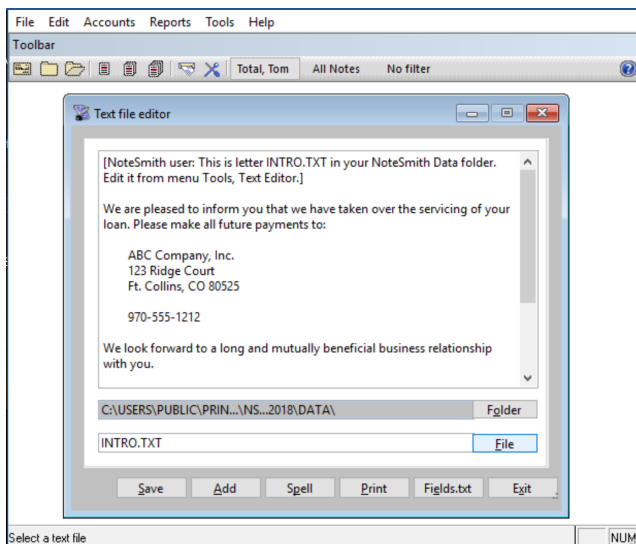
To use existing form letters in NoteSmith®, save from your word processor as plain text with a .TXT extension to the NoteSmith® data folder. Edit them as you would any document and retype the file name as needed before saving. Use proper capitalization because ALL CAPS makes your letter look like a computer generated it in 1985. Do not use the Enter key to wrap the lines of text. The program wraps to the page during printing. Use two Enters to create white space between paragraphs.

Spell check your text if you have Microsoft Word installed. Click the Spell button and Word will pop up its familiar window while checking your text, even using your personal dictionary. Operating system security attempts to block

malicious pop-up windows without you choosing them. The spell check window may get the focus (have the cursor) but be hidden behind the NoteSmith® window. Just use the standard Alt+Tab key combination to bring the spell check window forward or drag the mouse pointer to the bottom of your screen. The Spell button is grey if Word is not installed or if you have not chosen Word from File, Setup, Office.

NoteSmith® merges letterhead, inside addresses, reference information, and the salutation line automatically. Your text file should include the body text and the signature.

Body text can be custom mail merged using data fields. The file Fields.txt can be viewed from a button. It lists the fields in the 3 main databases and an explanation of the data they hold. In the body text, type a field name surrounded by chevrons (for instance: <<balance>>) and the field name will be replaced by mail merge data during printing. A sample MailMerge.txt file is included. Arithmetic can be performed on numbers or dates (<<month_pmt*.04>> or <<pay_date+30>>) with results rounded to 2 decimals.

Boilerplate (BP-) files are designed to store short, unchanging text that is not designed to be mail merged, such as directions placed under the inside address of specific preformatted reports sent to customers. The adjustable rate analysis, invoice, receipt, escrow adjustment, amortization schedule, Regulation Z, and payoff (with or without escrow) look for matching boilerplate. Boilerplate should be no longer than a few sentences since it has to fit into an already formatted report. The program will pop up a warning if the text is too long. The text of a form letter can be most of a page or even multiple pages. Print a form letter to include as a second page if you have lengthy additional text.

To protect the layout of your form letters, the Text File Editor is not available to low level password holders. Be aware that other text file editors and word processors can open these files.

Email

This window allows you to send email messages directly from within NoteSmith®. Go to File, Setup (page 103) to choose the NoteSmith® email program on the Office tab, then go to File, Company Configuration (page 78) to enter the settings on the Email tab as required by your internet provider.
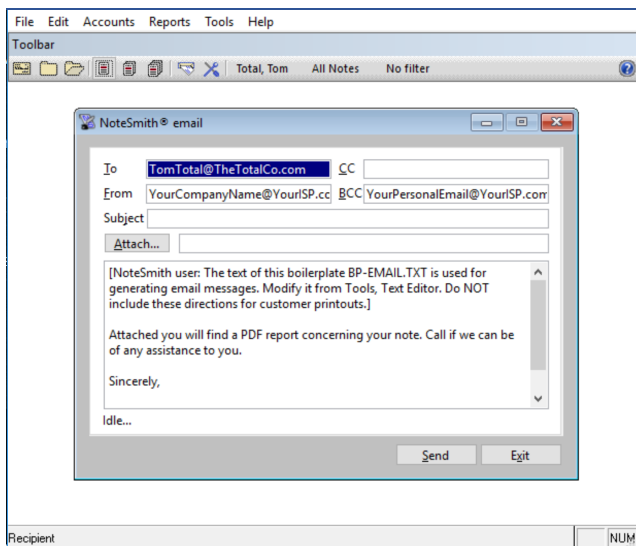
Choose Tools, Email and fill in the fields manually. Right click an email address from Accounts, Edit, and this window opens with the fields completed automatically. Add additional email addresses in To, CC, or BCC by separating them with a semi-colon (;).

The NoteSmith® email program sends plain text emails with up to 3 attachments. Double click the field, view any attachments, and confirm you are sending the correct file to avoid third party disclosure. The Delete key removes an attachment from the message but does not delete the file from your computer. Enter your address in the Blind Carbon Copy (BCC) field and the

message is delivered to your normal email program without the recipient seeing your address.

Envelopes

As with other NoteSmith® printing functions, you may choose screen, printer, or file. You can address envelopes to the payor, the second payor, or one of their escrow contacts.

Form letters and certain reports oriented to individual payors (payment history) have their inside addresses stored in a database for later printing. The Options drop down list box of the Print Options window allows you to print envelopes to these "Stored Payors" immediately after printing the reports or form letters. The number of records displays next to "Stored Payors" in parentheses to ensure you have the right names. The list is overwritten when printing a different run of reports.

Since NoteSmith® reports and letters fit in #9 double window envelopes, the use of printed envelopes is discouraged. Placing an account form letter in another person's printed envelope would be embarrassing and could lead to legal consequences called "third party disclosure." Also, printing an envelope is more time consuming than folding a letter into a window envelope.

An envelope description for the specific printer you use can be stored in File, Company Configuration, Tools. To test where your printer places the address information, use a full sheet of paper instead of an envelope.

Mailing Labels

Mailing labels are set up in Avery 5160 format, which are 10 rows of 3 columns per page. Using 3 across labels, it is possible to fit only the first initial, even when using a small font. NoteSmith® truncates the first name for you automatically. Each label takes the form:

```
Company
Title Firstinitial Lastname
Streetaddress
City, ST Zipcode
```

NoteSmith® Pro users can filter names that are printed to labels. The accounts filter and investor code filters are active when printing labels. NoteSmith® internally filters the list also, screening out names with no street address, for instance.

As with envelopes, names of individual payors are stored for printing and can be selected from the Options drop down list box of Print Options. You may print return address labels from this menu.

Laser Labels

Paper Direct (1-800-A-PAPERS or paperdirect.com) sells Laser One-Up shipping labels that are roughly 3x4 inches, one per page, on stock that is the size of a #10 business envelope to make printing easier. This menu allows you to print these labels individually, in bulk, or according to the names generated from the previous report printing. See Envelopes above for details.

Directory

The directory report is similar to a phone book, displaying account name, loan number, address, phone numbers, email addresses, and the first few lines of the Notepad. The report displays in last name order.

Collections

Collections is designed for making calls, modified from the aging report, a management tool to show your banker. The window pops up delinquent accounts sorted by next due date. Click a column header to set or reverse the order. Choose from receivable or payable notes and leases. Accounts with future promise dates are ignored.
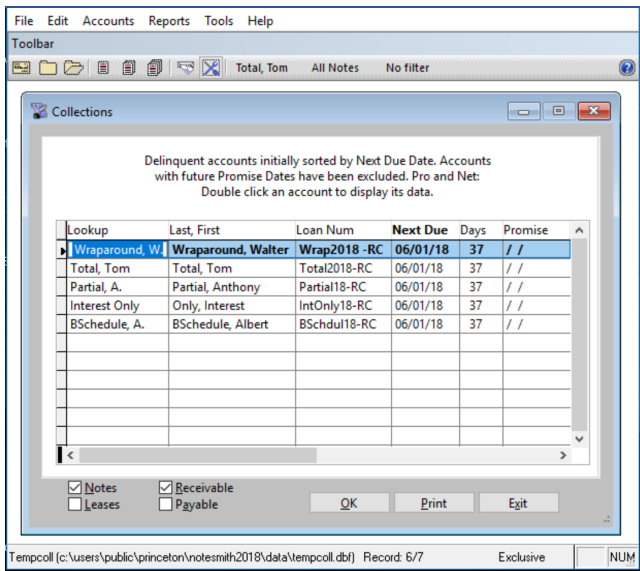
The last payment made is shown. Balances, in the case of partial note purchases, are owed to you, matching totals on the aging report. Adjustments such as service fees charged are ignored. Late letter tracking is shown. The first 160 characters of the Notepad provide a brief record of past contacts, plus 80 characters of any reminder set.

Pro users can double click a line to open Accounts, Edit. Right click a number to dial your modem, add comments to the Notepad (F2), view the History (F3), set reminders or promise dates. Exit returns to this window to select another account.

Tickler—Pro Feature

The tickler prints accounts that have data in maturity, balloon, reminder, promise, or rate adjustment date fields found in Accounts, Edit. When remaining payments for the investor (the first of the two term boxes in Accounts, Edit, Note) indicate less than a year of payments, the account also appears in the tickler. For partial purchases, this flags you that the investor is about to be paid off while for total purchases and originations you are notified that the payor is about to pay off. Choose the date range of tickled items to print.
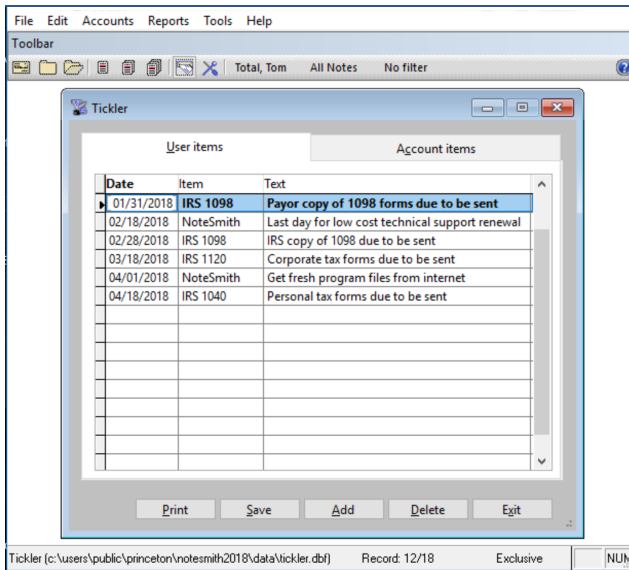
You can add other tickled information to the 4 types of dates above from this window. The data does not have to be related to any particular payor or even to NoteSmith® data. You can add the birthdays of those close to you if you want a reminder to go shopping early enough in advance! Sort the items by clicking on the desired column heading. Printing the tickler honors your sort order, which is reflected in the title.

Re-date or delete expired items that you added on the User Items tab. Lower level passwords cannot make modifications here. NoteSmith® handles the items on the Account Items tab automatically—you cannot modify items on that tab.
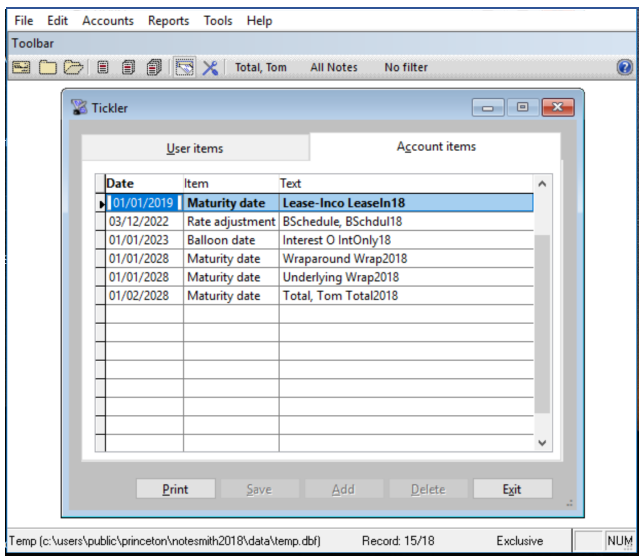
Pop up the tickler automatically when you start NoteSmith® by checking the box on File, Setup, Program.

Credit Bureau—Pro Feature

Generate your Metro2 exporting file for credit bureau reporting from this screen.
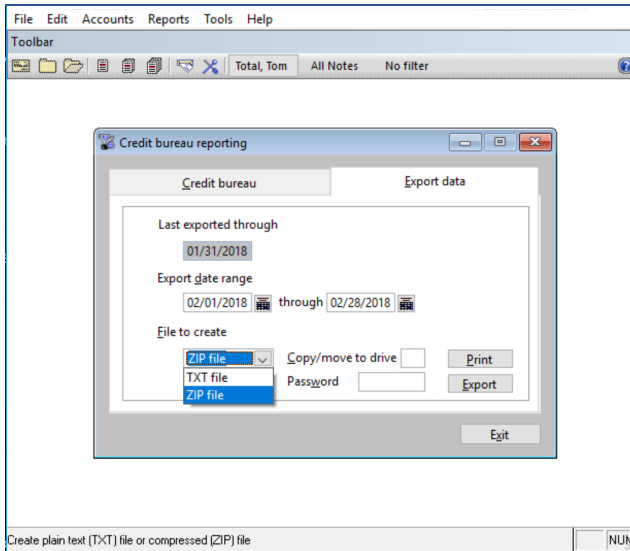
NoteSmith® tracks your exports to avoid duplication. The last exported date appears at the top. The starting export date is the next day and should not be changed. Since Metro2 suggests filing the same time each month, choose an ending date about a month after the starting date.

Preview a report to see the information to be exported. A report or export file is not created if no records are found. History information is created automatically. If you modify settings of individual accounts, ensure all fields are set appropriately based on the Metro2 format. See the Metro2 guidelines, available from your local credit reporting agency, for complete information on exporting. See page 323 in this manual for settings of common notes or leases you might export.

When your data looks acceptable, export into a plain text (TXT) file or a compressed, PKZip (ZIP) file. Text files cannot be

password protected. The ZIP file is smaller, transmits faster, and can be password protected.

Use of an optional password is strongly recommended. A password encrypts the ZIP file, protecting your customers' financial data when emailing across the internet. The password is always visible on screen since it is designed to protect your data on the internet, not in your office.

If the file will be mailed, enter a removable media drive letter, such as D, representing the location of a USB Flash Drive currently present in your computer. The Export button creates your file. If the removable media drive letter is blank, the file will be found in this folder, as with other exported data:
        C:\Users\Public\Princeton\NoteSmith2024\Data\PrintToFile

The file name starts with CB, then the date (in YMD format), and ends with TXT or ZIP, depending on the file type selected. Transmit that file to the credit bureau according to their directions. If sending an encrypted ZIP file, get them the password, but do not type it into the same email used to send the data file! For privacy, it is best to send personal, financial data across the internet in an encrypted file.

Escrow Adjustments—Pro Feature

This window adjusts the periodic escrow amount based on expected annual disbursements and the current escrow balance, which should never be smaller than the reserve designated in File, Company Configuration. Use this to reduce the amount of hand work and clicking you must do to update your database. Adjust escrow generally once near year-end after taxes are paid.
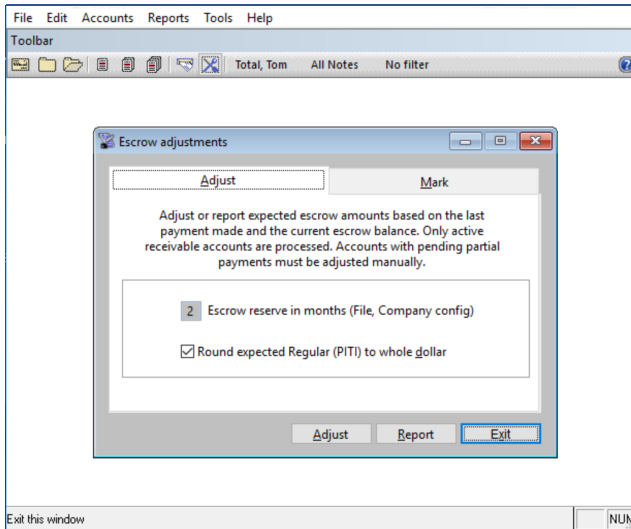
Active accounts with escrow are processed while sold or closed accounts are skipped. Accounts with partial payments pending are skipped since their current payment may not have a full escrow amount paid for that payment cycle. Use Reports, Portfolio, Escrow to find accounts where the next escrow due date is not in the future.
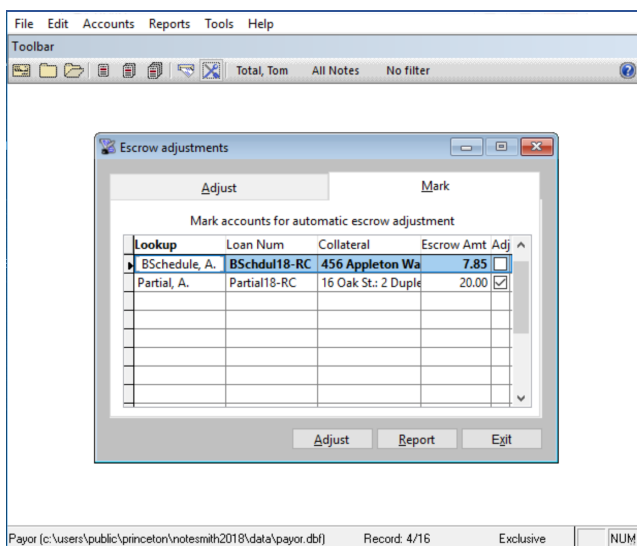
Marked accounts are initially designated at Accounts, Edit, Escrow, Auto Adjust. Uncheck an account to skip it. Sort the list of accounts by clicking the Lookup or Loan Num column header.

Before making adjustments, pay all escrow due for the month. Use Reports, Portfolio, Escrow to review the accounts, make manual edits, and issue any escrow overage refunds. Adjustments cannot be reversed so make a backup, then run the adjustments. Reports, Accounts, Escrow Analysis prints a statement that can be mailed to the customer.

Review the Housing and Urban Development (HUD.gov) site for details on escrow overages. General guidelines are that for under a $50 excess at the time you make annual adjustments, you can change the periodic escrow or refund the excess. Over $50, you should refund within 30 days. A shortage less than one escrow payment must be paid to you within 30 days. Large shortages need to be spread out equally over the year.

QuickBooks—Pro Feature

NoteSmith® Pro data can be exported into an IIF file, which then can be imported by Intuit QuickBooks. You may create a QIF file for use by Microsoft Money and older versions of Intuit Quicken. A discussion of this exporting feature appears later in the manual. See page 328 for details.

Deposit Slips

NoteSmith® can fill in QuickBooks deposit slips. You do not need to be a QuickBooks user. Just order them from Intuit as you might order check stock. Provide the banking information as printed on your current checks. The top section is given to your bank and the bottom is your itemized receipt. Go to Intuit.com and look for Checks & Supplies.

Receipts

NoteSmith® receipts are compatible with double window envelopes. Print receipts at the time payments are recorded or print them later from the Tools menu. Select an account by lookup name or loan number, starting date, and whether to print One or All Remaining. Names are saved for printing from Tools, Envelopes although window envelopes prevent third party disclosure.

The receipt is generated for payments on or after the starting date through today's date. You can print a receipt today for a payment received today that is due in the future but you obviously cannot print a receipt today for a payment you receive in the future.

Choose to print a tear off coupon at the bottom of the receipt which reflects any arrearage. Your local commercial printer can provide perforated paper for a bottom coupon starting exactly 2/3 of the way down the page, a common format.

A coupon under a receipt is different from a book of coupons. Although both layouts are similar, this one is based on the

current payment history. NoteSmith® always prints a tear off coupon as of the next date in the future that a payment is due. This creates three scenarios:

1. The payor is current, the next due date is next month, and the coupon shows only the next regular payment due.
2. The payor is late but within the grace period, the next due date is next month, two regular payments will show (the one just past due plus next month), partial payments made will appear, but no late charges.
3. The payor is late and past the grace period, the next due date is next month, more than one regular payment is showing (all past, unpaid regular payments plus next month), partial payments made will appear, and one late charge appears for each payment past due.

Choose Detailed, Intermediate, or Short receipts. Detailed displays the most data and is compatible with federal guidelines for keeping borrowers informed monthly. Columns match the payment history, showing multiple payments and split lines. Up to 6 payment lines fit this one page report. The optional coupon must appear on the same page with the window envelope formatted heading to avoid mailing a coupon to the wrong borrower. Intermediate prints one line per payment and is not suited for displaying split payments. Short is a classic receipt printed on letter paper cut in thirds.

As with form letters, letterhead style can be chosen from File, Company Configuration, Tools. Print your company letterhead as text or bitmap on the top left. File, Company Configuration on page 83 has information on the bitmap (.BMP) file needed. That is where you tell NoteSmith® how your printer accepts short receipts, which is the same way an envelope would print. Test using a full sheet of paper.

Insert up to 5 lines of your own body text by editing BP-Receipt.txt from Tools, Text File Editor.

Payment Coupons

Coupons can improve the timeliness of your payors. Select a date range, usually January through the end of the coming year. Coupons are generated from the last payment received for any payor whose due date is after the starting date of the range so that unneeded coupons are not generated.

☞ Do not wait for the December payment. Print from January so you get 12 coupons and a full final page.

☞ You may choose "Print to Screen" to review your payment coupons, but you can only exit this print preview by "printing" the coupons; you may select any printer, fax, or pdf, but you must print to exit the preview for payment coupons.

A cover letter in double window envelope format displays loan data for each account as required by federal law and excludes you from certain other mandated notifications during the year. A blank extra coupon prints at the bottom of the letter for emergency use in 3 up or 4 up format.

Each coupon prints the due date and payment amount, any late fee, and a blank line for "Extra principal." Coupons fit in standard window envelopes. Since they are designed for easy return of payments to *you*, has *your* address showing.

An optional extra line of information could display your bank account number for direct deposit, to advertise lending terms, or to mention houses for sale. The line can be blank. Enter the information in File, Company Configuration, Tools.

Coupons print 3 or 4 to a page to be cut for individual use. The final coupon is labeled so when you receive it back, you know to print another set for that account. An extra coupon will print if there otherwise would have been blank space. The notepad is marked when printed.

Choose Booklet from Print Options to pre-cut, stack, and staple coupons for each account. For a professional look, order check

stock perforated in thirds or fourths. Many standard styles are available.

Coupons do not print for these accounts:

- Maturity date is blank or has passed
- The account is closed
- Remaining payments reached zero or less
- The balance is zero
- Letters are locked
- Account is in bankruptcy

You can print a set for a closed or payable account by selecting it and printing One. Return to Accounts, Edit, Note and change necessary fields for others that did not print. Rentals (lease with Mo-Mo checked) do not need maturity dates, balances, or remaining payments to print.

Coupons are filtered by notes and investor filters, so selecting All Remaining prints all qualifying accounts in your database in your choice of lookup name or loan number order. NoteSmith® Pro users can designate a code box in Accounts, Edit, Investment for printing coupons, then set an accounts filter to screen them. Names are stored in the envelope database and can be printed from Tools, Envelopes. The Notepad is marked for each account getting a coupon set.

Coupons cannot be modified other than as shown above. When you need a specific coupon, "print" to a TXT file and open it with your word processor.

Add barcodes to coupons to speed up payment recording when the coupon and check are mailed to you. Install the barcode font using Windows File Explorer. Find the font on the NoteSmith® installation media called Z:Code39, also known as Code 3 of 9. Install the font before printing your coupons even if you do not presently have a scanner. If you buy one mid-year, your coupons already will have been sent. Obtain a reasonably priced keyboard wedge with a wand scanner. Check the internet for suppliers. See Accounts, Record on page 128 for how

barcodes can save you time when a coupon accompanies the payment.

Financial Calculator

The calculator is similar to most financial calculators, although it adds a drop down list for the payment period (similar to payments per year or P/Yr on a hand held calculator) and a check box to indicate daily interest instead of periodic. Enter the known data. Click on the appropriate calculator icon or use the Alt+Number to solve. Accuracy is to the industry-standard 7 decimal places rounded to the maximum places generally accepted for that data type.

From here you can select a payor, print an amortization schedule using the stored database information or the data on screen, or change the parameters of the calculator. To ensure your numbers make sense, solve for one of the five financial terms to activate the Amortize button.

To print a schedule with a balloon, type the full amortization term into the calculator and solve for payment. Change the term to the actual number of payments until the balloon and click Amortize. The balloon is the remaining balance when the last periodic payment is made and is due on the same day. The last

payment on a balloon note is the last periodic payment plus the balloon, both due at the same time. In other words, the balloon is the remaining balance due the same day as the last periodic payment is made.

If you solve for future value with a payment amount greater than zero, the result is the balloon amount. The calculator can solve for a regular cash flow with or without a balloon.

Financial terms are saved on exit but not loan number or name to avoid changing the current account shown in the main menu. Use the Lookup button to display all the items.

Amortization Schedule

To print schedules for payors already in your NoteSmith® database, open the financial calculator, choose the Note tab, and click on the Lookup button. You can print the payor's schedule or any investment schedule applicable to that account starting from the next payment due or the origination date. Record the last payment received before sending a schedule to the payor.

To print a schedule for any other purpose, use the financial calculator first and print from it.

Total schedules match the Payor schedule if you originated the note. If you bought it at a discount, this schedule does not apply to you, because you are not amortizing your basis at either the face interest rate or at your yield. You take a proportion of the payor's principal amount of each payment as your basis reduction.

A Partial schedule amortizes your basis (cash outlay) at your yield. This report does represent your amortization, both for tax purposes and for use with the seller of the partial as your cash payoff if the note pays out early.
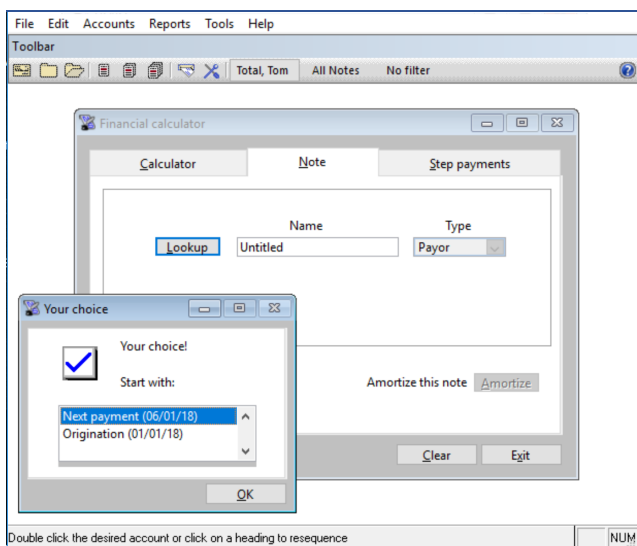
If you bought a BSchedule partial, you can print the actual BSchedule, which represents your agreement with the seller of the note as to how much you will receive if the note pays off early. This is also referred to as the undiscounted partial balance. This schedule is amortized at the face interest rate for the number of months you purchased for the periodic payment amount. The IRS allows you to use this schedule for tax purposes, which is more favorable to tax payers than using a straight partial schedule (above). For more explanation, contact the IRS or your tax professional.

Amortization schedules typically are printed showing non-daily, periodic interest. The original purpose was for payors and bankers to check off payments on their copies as they were made. NoteSmith® supports 365 and 360 day daily interest schedules, although it is unlikely a payor can make every payment on the due date unless they are auto-debited using ACH (Automated Clearing House) payments. Daily interest schedules should be on a 365 day year because it is not statistically correct to charge $1/360^{th}$ of a year's interest 365 times. The schedule starts on the next cycle due date. Prorate interest at closing for stub periods.

Insert up to 8 lines of your own body text by editing BP-Amort.txt from Tools, Text File Editor.

Step Payments

This feature prints an original amortization schedule alongside a schedule with payments that change over a regular interval. Step options include amount of payment, percentage of payment, interest rate change, and number of payments between steps.
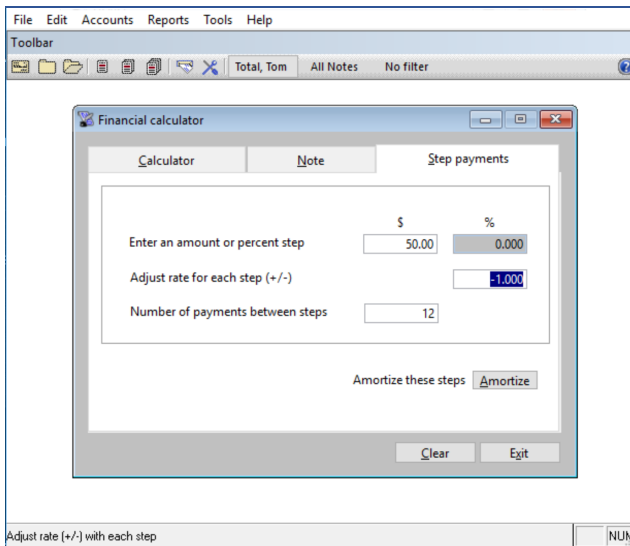
Annual and report totals illustrate payments and interest saved compared to the original note terms. Principal paid is higher during the early part of the term but with each step the overall interest reduction can be dramatic.

File Edit Accounts Reports Tools Help

Report Designer - t_amorts.frx - Page 3

Untitled Page 3
Step (Amount): 50.00 Step interval: 12 Rate change (%): -1.000

Due date	Num	Original pmt	Interest	Principal	Balance	Step pmt	Interest	Principal	Balance
04/01/22	51	132.15	56.78	75.37	6610.25	332.15	8.98	323.17	1438.37
05/01/22	52	132.15	54.33	77.82	6532.43	332.15	7.09	325.06	1113.31
06/01/22	53	132.15	55.48	76.67	6455.75	332.15	5.67	326.48	786.83
07/01/22	54	132.15	53.06	79.09	6376.67	332.15	3.88	328.27	458.56
08/01/22	55	132.15	54.16	77.99	6298.68	332.15	2.34	329.81	128.75
09/01/22	56	132.15	53.50	78.65	6220.03	129.41	0.66	128.75	
10/01/22	57	132.15	51.12	81.03	6139.00				
11/01/22	58	132.15	52.14	80.01	6058.99				
12/01/22	59	132.15	49.80	82.35	5976.64				
2022		1595.80	649.08	936.72		2736.61	66.34	2670.27	
				Step minus Original:		1150.81	-582.74	1733.55	
01/01/23	60	132.15	50.76	81.39	5895.25				
02/01/23	61	132.15	50.07	82.08	5813.17				
03/01/23	62	132.15	44.59	87.56	5725.61				
04/01/23	63	132.15	48.63	83.52	5642.09				
05/01/23	64	132.15	46.37	85.78	5556.31				
06/01/23	65	132.15	47.19	84.96	5471.35				
07/01/23	66	132.15	44.97	87.18	5384.17				
08/01/23	67	132.15	45.73	86.42	5297.75				
09/01/23	68	132.15	44.99	87.16	5210.59				

Temp   Record: 86/116   Exclusive   NUM

A step payment loan encourages payors to reduce their loan balance faster as their future income and inflation might rise while lowering your loan to value (LTV) and investment to value (ITV) ratios making the loans safer. The faster reduction of principal results in a greater investment by the payor into their property. Step payments can be written into an original note, modified later, or simply offered as a suggestion for early pay down. Formalize any permanent change with a note modification agreement prepared by a legal professional.

Insert up to 8 lines of your own body text by editing BP-AmortStep.txt from Tools, Text File Editor.

PDF in Bulk—Pro Feature

Automatically print selected reports to a PDF so they can be
backed up and moved off site. Reports always are generated in
ascending Lookup order. Company configuration and any filter
can be used so set them before starting. Select starting and
ending dates on the first tab. Reports and timing are set on the
second tab. Settings are stored in your data folder for use next
time.
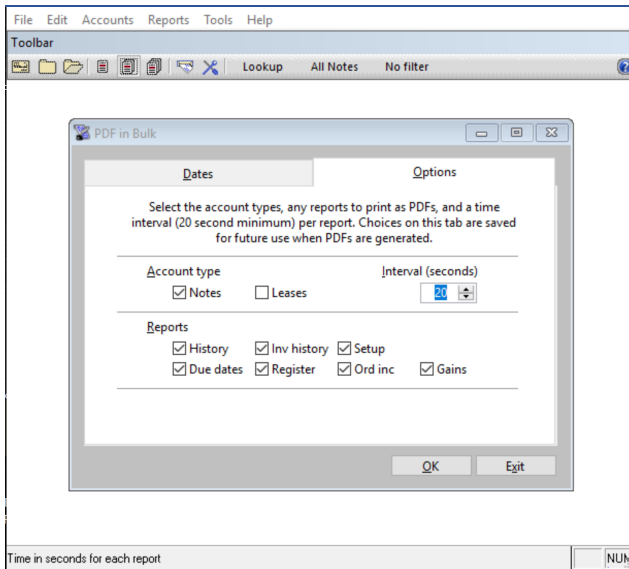
It is important you do not touch the keyboard while the routine
is running because it actually types on the windows as if you
were doing it. The routine periodically pops up messages so
you know what progress has been made. If no data is located
for the current report, a message appears for a few seconds, the
screen clears, that report is closed, and the program carries on
to the next report.

The process takes 5-10 minutes depending on how many
reports are chosen, the number of accounts available, and the
time interval per report. Set the interval long enough to generate

each report but short enough to minimize total time. Try 60 seconds at first. The minimum is 20 seconds.

These reports can be chosen: pay history, investment pay history, setup, due dates, register, ordinary income, and capital gains. All Remaining is used for the first 3 reports so you end up with at least one page for each account.

Files are created in the local PrintToFile folder, named by date, investor, report, and note/lease, similar to YYMMDD-ALL-DUE-N.PDF, where YYMMDD is the current date.

Upon completion, copy the new files to removable media and take the backup media permanently off site. The PDFs can be deleted from your hard drive.

Help

Manual

Access to NoteSmith® manual is obtained from this menu. The file opens, which is the printed manual in PDF format, and takes you to the Table of Contents. A PDF reader must be installed to view the file. See File, Setup starting on page 103 for details on installing Adobe Reader.

From the Table of Contents, find the desired topic and enter the page number into your PDF reader. Alternately, type any term to search the file or select a topic from the bookmarks.

NoteSmith® takes you to the relevant page of the help file when you press F1. If your computer is slow opening the PDF, however, the search may begin too early. Press the Enter key to retry the search when no results are found.

What's New

This choice opens the NoteSmith® help system and brings you to the "What's new" section. It is designed to highlight a summary of recent changes for users who have had earlier versions of the software.

Quick Start

This choice opens the NoteSmith® help system and brings you to the "Quick start" section. It is designed to assist first time users of the software.

Tutorial

This menu option searches your NoteSmith® program folder to
see if the tutorial can be found and starts it up if successful. The
tutorial is distributed with NoteSmith® and is installed by
default. It can be opened with the free Adobe Reader. If the
tutorial does not start, back up your data, put the installation
media in computer, and choose Repair. The tutorial file,
NSTutorial.PDF, may be deleted to save disk space if you do
not need it.

NoteSmith® End User License Agreement

The NoteSmith® End User License Agreement (NEULA)
explains in detail your license with Princeton Investments
concerning the use of NoteSmith® in your office. This menu
opens the NEULA file in Adobe Reader PDF format.

You have to accept its terms twice during installation. It is
highly recommended that you read through this document one
more time after using NoteSmith® awhile. The NEULA is
similar to the licenses of other software you use. You should be
familiar with the current trends in software licensing so you
know what you are receiving for your software investment.

The complete agreement in printed form appears on page 3 of
the manual and the NoteSmith® web site has the PDF version.

Renewal Invoice

After November 1, 2024 this menu item opens a window to let you print your annual technical support invoice. Update your program from File, Online to be certain you display the latest options (see page 41). Work across each tab in sequence.

Check the Contact box if you moved last year. Choose model, options (online backup is *highly* recommended!), and shipping date (earliest if you print IRS 1098/1099). Print the invoice from Confirm and keep a copy of page 1 and 2 for your files.

Check: Print another page 1 only and return that one full page with your payment. The invoice is self-addressed for a double window envelope. If you make a mistake, return to the first tab and start over. Do not modify the printed invoice.

Credit card. Use the Pay tab to access the web site. Printing the invoice ensures you order the same items and pay the same total price as mailing a check.

Technical Support

This menu opens a window to help you receive technical support. It opens automatically near the start of each month to check for updated files and, although not recommended, can be shut off from File, Setup, Program.
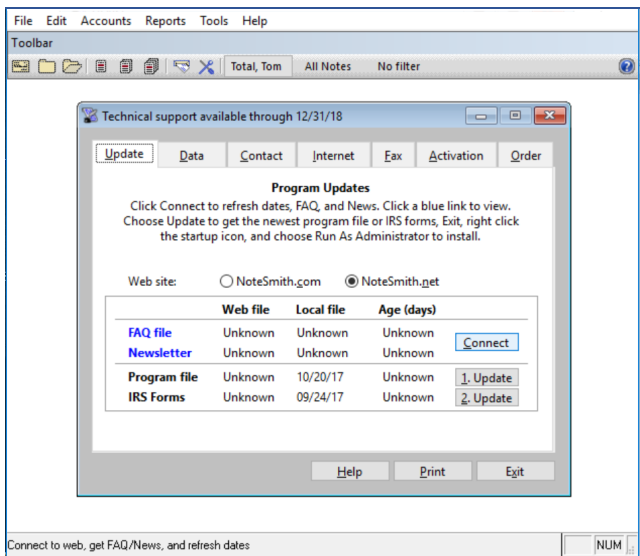
With an active internet connection, the program can update itself. Connection failures are due to internet security software installed on your computer which should be set to allow NoteSmith® internet access.

The latest Frequently Asked Questions file and monthly newsletter is downloaded, then your program and IRS file dates are compared to files on the internet. Download these larger files so your computer always has the latest program and information files. Due to time zone differences, a current file may appear exactly one day old. Click either blue link to open a file. Network versions check the server first and can copy the files from there. See page 41 for other details on updating.
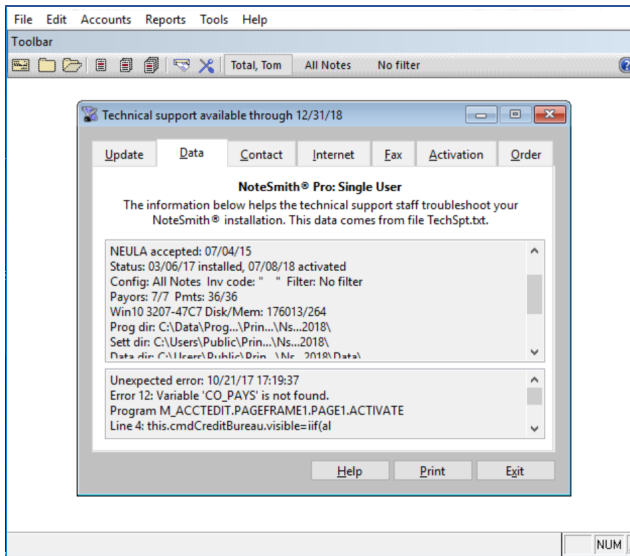
The Data tab shows information about your computer, your data, the program settings, and a log of recent errors.
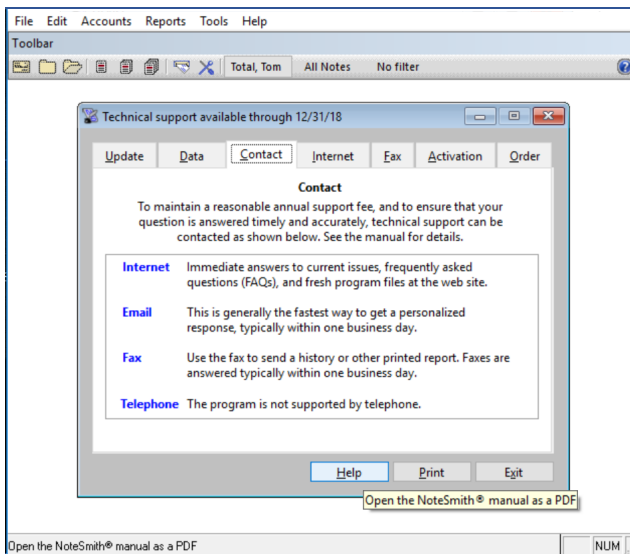
The Contact tab displays ways to contact technical support.
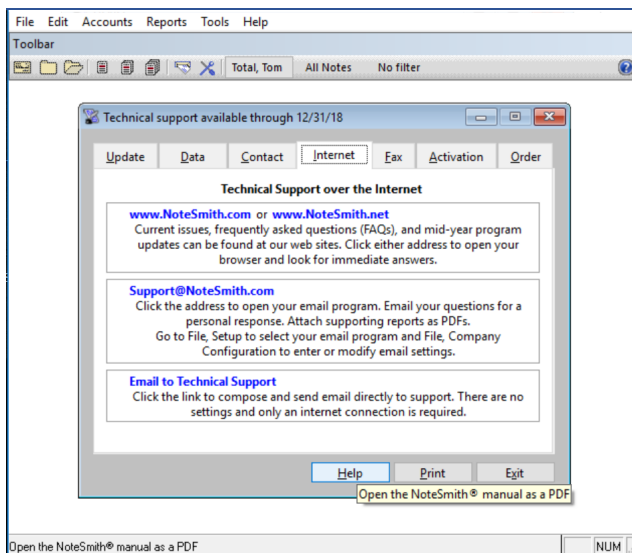
The Internet tab can take you to the NoteSmith® technical support page with answers to timely questions that we can anticipate before you can ask them!

You can pop up your email program if it is properly installed and selected at File, Setup, Office.

With just an internet connection, email technical support directly from the last box regardless of your email setup or when having issues with your own email server. *Include your correct email address!*
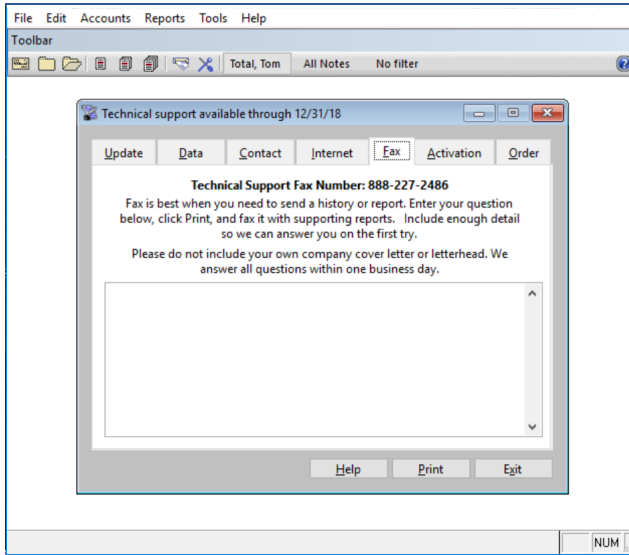
The Fax tab allows you to type a question in the text box. *Be sure to provide us with sufficient details to answer your question—do not simply send this page.* Any text you type here is merged with information about your computer and your NoteSmith® settings or error messages on the Data tab when you choose the Print button. This letter can be faxed to the number shown in its footer, which sticks out of your fax machine if you properly put the top in first.

Include supporting documents, but *do not include any other cover letter*, which will not help us. Always use this printout when faxing questions. If your question concerns application of payments, we *must* see the history and the setup reports. Send the letter through your fax modem by choosing it from the Print Options window.

You can scan the printout and attach to an email but scan on low resolution. A high resolution scan of just 1 page is the equivalent of 500 faxed pages! Pro users simply can print to a PDF file and attach it to an email.

You can print screens of windows that are giving you trouble. Screen prints can be pasted into a word processing document (use Alt+PrtScr to capture, then Ctrl+V to paste), then sent by email as an attachment. We each need to be good stewards of all our resources, even electronic ones, so do not email a high resolution photograph of your monitor or create a screen print of your entire desktop using the PrtScr button alone, either of which creates huge files that our spam filter will reject.

For more details on NoteSmith® technical support, see the section starting on page 354 of the manual.

Be sure your 24 hour fax number is entered into the current File, Company Configuration so it appears on this printout.

On demand telephone support easily would triple the price of your program and is not offered. We generally need to see the report you are asking about anyway, so it is easier and faster to fax it in the first place. You cannot read a history over the telephone and expect someone to be able to help.

File   Edit   Accounts   Reports   Tools   Help
Toolbar

Total, Tom   All Notes   No filter

Technical support available through 12/31/18

Update | Data | Contact | Internet | Fax | Activation | Order

Program activation

Activation is required to protect your investment in NoteSmith®, so you do not pay while others use it for free. This computer installation is fully activated. Thank you for your continued support.

Installation date   03/06/2017   Activation date   07/08/2018

Activation number   *******   Response number   *******

Read the manual carefully before modifying Windows, moving this activation to another computer, or uninstalling NoteSmith®.

Deactivate

NoteSmith® is fully activated on this computer.

Help   Print   Exit

NUM

The Activation tab finalizes the installation of your program on a licensed computer. The program is fully functional when first installed and remains so until it requests activation. You cannot activate an installation the same day you install it. NoteSmith® lets you know when and how to activate. For details, see the NoteSmith® End User License Agreement (NEULA) on page 3 and the installation instructions on page 31. The activation instructions appear on page 52, take only a few seconds to complete, but must be followed *exactly*.

To move the installation to another computer, use the Deactivate button and *print the receipt* as the program directs (see page 54). When the replacement installation requests activation, fax *both* the deactivation receipt from the old computer *and* this page from the new computer *at the same time*. If the receipt is unavailable for any reason, one additional activation can be purchased (see below).
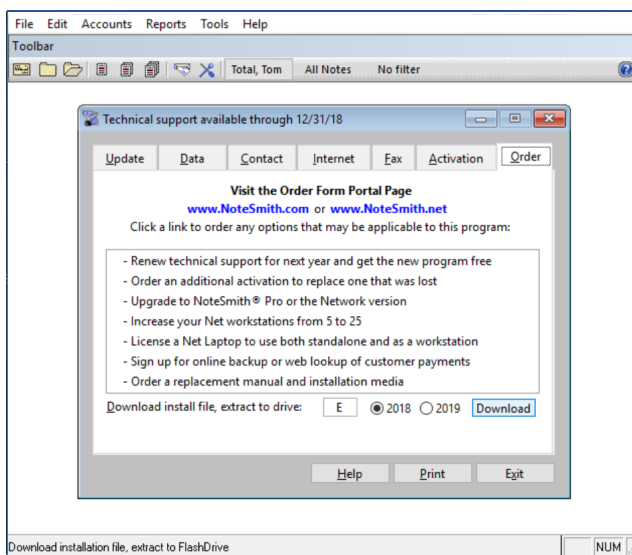
From the Order tab, you can add features to your program a variety of ways directly from our web site by credit card. Just click the blue link at the top of that window.

About

Help, About displays the version, copyright, and other information about your NoteSmith® program.

Accounts

This section illustrates some of the various accounts that can be serviced with NoteSmith®. Review the information carefully to compare with the notes you service. First time users should experiment with the sample notes distributed with the program before using live data.

The samples, as well as the illustrations below, are based on a $10,000 original note, 10% interest, 120 month term, and a calculated payment of $132.15. The field references are to the Accounts, Edit screens, particularly the Investment tab. An explanation of this tab can be found on page 152.

New users: It is imperative that you spend time with this section. NoteSmith® has been servicing loans for almost three decades. Its calculations are bulletproof and its flexibility servicing loans is unsurpassed in non-bank software. Realize that if the history you generate from NoteSmith® does not match some document already in your files, either the other document is wrong, which is quite common, or you simply set up NoteSmith® using parameters different from the other document. Contact technical support as necessary, but realize that *you must have a command of basic loan servicing concepts* for the support staff to be able to help you.

New Notes

Proper amortization of a note is dependent on the Accounts, Add, Note and Investment screens being completed correctly.

1. The Balance initially appears in the Basis field and as the Price Paid.
2. Change the Yield field if desired or press the calculator button. This will be used in certain portfolio reports later. It does not affect the taxability of total notes.
3. Discount earned is calculated from the ratio of Price Paid divided by Amount Bought, which should not be larger than the balance. In an origination, it should be identical.

These fields should all be in agreement at the time the note was originated or purchased:

Remaining Balance	Next Payment Due
Price Paid	Date Bought
Amount Bought	

When first entering an unusual note, record a few dummy payments. Print the payment history and investment pay history. Be sure you agree with and understand the numbers generated and *that you can explain them to your customer.*

Existing Notes

It is recommended you add a note from the time of closing, then record the payments you collected to bring it up to date. This is called entering historical accounts and ensures you have complete, accurate principal and interest calculations. Many new NoteSmith® users discover errors in the amortizations calculated by their old systems.

If you have confidence in your previous bookkeeping, enter the note as of January 1 or as of the last payment prior to that time. Calculate your basis in the note and add that in Accounts, Add, Investment, Price Paid. Both the basis and remaining balance should be entered into NoteSmith® as of the same point in time. Do not use your original basis and the present remaining balance. The basis should be smaller than your original purchase price unless you advanced new funds.

Regulation Z Notes

To set up an account which will receive a Regulation Z report, go to Accounts, Add, enter a loan number and the normal note information. Then do these steps:

1. Enter IRS 1098 deductible points on the Investment tab in the AI+1098Pts field.
2. Enter non-deductible points and finance charges that should appear on Regulation Z in the AccrSvc+Pts field.

3. Save and exit.
4. If there are other fees to be paid that should not appear on Regulation Z, enter them on Accounts, Record as a negative Service Fee Received ("S"), which accrues them to the account.
5. Each of the three charges above should be deducted from the loan proceeds at closing.
6. Record an initial Points ("O") payment to show the deductible points.
7. Record positive Service Fee Received ("S") payments for each of the other charges (steps 2 and 4 above).
8. Print from Reports, Accounts, Regulation Z. Deductible points (step 1) and non-deductible points/charges (step 2) are included in the calculations, but not fees (step 4).

See a knowledgeable, local attorney to help in deciding what charges belong on Regulation Z. The law pertaining to this report is complex.

Risk Based Pricing Notice

The Federal Trade Commission and the Reserve Board require that creditors include a Risk Based Pricing Notice when making loans based on a credit report and when the terms are less favorable than those offered to a substantial proportion of other customers. A sample notice, which you must modify for your use, is included in both TXT and DOC formats. See FTC.gov and FRB.gov for details.

Origination on Due Date

This is the simplest note to set up, where the closing date becomes the starting date for the payment cycle. Any note you set up is assumed by the program to be this type of note (in computer terms, this is called the "default," not a good word for mortgage investors). To learn the other types, you only need to know what is modified from this default note.

Enter the complete information in Accounts, Add, Note. First modify the suffix if this is not a receivable note. There is

nothing to modify on Accounts, Add, Investment except the investor code and, for Pro users, any of the optional codes.

Origination with Deductible Points

Enter this note as the one above, but type the amount of deductible points in the 1098 box. This debited interest is credited as received by recording a Points ("O") payment.

Origination not on Due Date

This is a common way of closing on a note and there are multiple methods to accomplish it, depending on whether you have the payor pay the stub period interest separately or with the first full regular payment due.

Follow the steps below carefully so you do not enter accrued interest manually and also force NoteSmith® to prorate the stub period, which would cause double interest during that period! Check the history to ensure interest during the stub period is correct. NoteSmith® prorates interest when the interest starts date and the next due date are not exactly one period (usually that is one month) apart.

Prepaid Interest

For this note, the payor's cycle has a different due date than the closing date. It is more common than the method below and the way that banks use. Interest and possibly escrow have to be overridden.

Assume a closing date of January 15 and a due date of the 1st of each month. Interest is owed beginning with the closing date, January 15, but periodic interest starts at the beginning of the next cycle, February 1. March 1 should be used as the Next Due date. The stub period is January 15 to February 1.

On the Investment tab, enter as Accrued Interest the amount of interest the payor owes to cover the period from January 15 to February 1. This field is not available after you record the first

payment, since you cannot manually adjust the interest owed after servicing begins.

Save the note, then immediately credit the payor with the interest payment by recording a Principal and Interest ("P") payment (interest is always deducted first) on the closing date, January 15, for the amount of the interest that was prepaid.

To record a new account with prepaid interest:

1. Enter all data for a regular (January 15) origination.
2. Enter the amount of prepaid interest in Accrued Interest.
3. Interest starts date should be the next cycle starts date (February 1) and next due is a cycle after that (March 1).
4. Save the account.
5. Record a Principal ("P") payment on the closing date (January 15) in the amount of the prepaid interest.

Stub Period Accrued Interest

The difference between this note and the one above is that the interest owing on the stub period before the first payment cycle starts is accrued and not paid at closing. This method of originating a note is used when the originator knows the payor does not have enough cash to make a down payment and prepay the stub period interest. It also occurs among new loan originators who do not realize this interest typically is prepaid. This is not a generally accepted method of closing a loan, although it appears to be somewhat common.

Making the same assumptions as above, enter the Accrued Interest on the Investment tab but, of course, you will not record an immediate payment to close out the stub period interest. The method of recording this stub period interest payment depends on when that payment is due.

To record a new account with stub period interest paid by itself at the start of the next full payment cycle:

1. Enter all data for a regular (January 15) origination.
2. Enter the stub period interest in Accrued Interest.
3. Interest starts date should be the next cycle starts date (February 1) and next due is a cycle after that (March 1).
4. Enter a Reminder on the Collateral tab that a stub period payment is due (February 1).
5. Save the account.
6. Record a Principal ("P") payment when the stub period payment is made (February 1) in the exact amount of the interest paid.

To record a new account with stub period interest paid with the first payment at the end of the next full payment cycle:

1. Enter all data for a regular (January 15) origination.
2. Enter the amount of prepaid interest in Accrued Interest.
3. Interest starts date should be the next cycle starts date (February 1) and next due is a cycle after that (March 1).
4. Save the account.

5.   Record a Regular ("R" or "r") payment when the next
     payment is made. If enough to cover the stub period
     interest plus the first cycle interest, there is no more
     accrued interest (AI), otherwise AI appears on the history.

The USRule setting affects whether interest is accrued or added
to the balance of the note. Checking USRule is more common
and accrues interest. See USRule on page 144.

Total Purchase of a Discounted Note

Enter the payor's information on the Note screen, then go to the
Investment screen. Change the Price Paid to reflect the actual
cash you paid out. The proportion of Price Paid to Remaining
Balance is used to calculate how much of the payor's principal
is taxable income to you. Type in your Yield or press the
calculator button. This figure is not used for IRS calculations in
this type of note, but is used when calculating Reports,
Portfolio, Statistics. Note that interest starts is one cycle earlier
than the next payment due. It is the payor's interest that we are
concerned with here.

When recording a full purchase of a discounted note:

1.   Enter financial data on Accounts, Add, Notes.
2.   Overtype the Price Paid to reflect your cost or original
     basis in the note.
3.   On the next screen, enter your expected yield.

In the sample total note distributed with the program, a $10,000
note was bought for $7,334 yielding 18%. The Next Due date is
February 1, so the Interest Starts date is assumed to be January
1. Date Bought is used only for capital gains tracking and does
not impact the interest calculations.

Partial Purchase

In NoteSmith®, a Partial purchase means that you are investing a certain dollar amount to be amortized at an expected yield over the time the note is in your possession. It is similar financially to a hypothecation (a loan secured by a loan). Contrast this with the BSchedule note below.

The Note screen will contain the same information it would for an origination, except the number of payments you own are less than the payor's total payments. On the Investment tab, modify Price Paid and Yield. Select Partial as the type. The yield figure is important because your price paid (which is really your basis) is amortized at the yield. You can distinguish the two types of partial purchases because a Partial, as opposed to a BSchedule, has no discount or windfall in the case of an early payoff. You receive back only your basis reduced by a portion of the payments you collected.

Amount Bought represents the principal pay down during the expected time you will hold the note. This figure is not significant and is considerably less than the amount you paid.

When working with investors, you want to give them Partials and buy your notes as Totals or BSchedules. This way, you keep any windfalls or discounts earned for early payoff and return the investor's principal dollar for dollar.

To record a partial (non-discounted) note purchase:

1. Fill in the financial data on Accounts, Add, Note.
2. On the Investment tab, overtype Amount Bought.
3. Enter or calculate Yield. This *is* used in calculating taxable income, so use an accurate figure.
4. Change Type to Partial.
5. Overtype Price Paid to reflect your cost or original basis in the note.

Use this method of amortization also on Total note purchases. Simply set up the note as if it were a Partial and select Partial as the type. This is an acceptable method of amortizing your

investment, and is preferred by the IRS, but is not normally used for two reasons:

- The payor's interest each month will not match yours, since there is no visible relationship between the payor's principal pay down and your reduction of basis.
- This method results in a higher taxable income during the front half of the amortization.

The sample partial note distributed with the program is a 60 month, 18% partial purchase of the $10,000 note introduced at the beginning of this section.

Adding to a Partial Purchase

At times you will be fortunate enough to buy additional portions of a partial purchase you made earlier by forwarding the note seller more money. Rarely will your discount or your yield on the subsequent purchase match the original. Close the account at your basis and Accounts, Add another. This requires a loan number change, new balances, and a new price paid.

To add to a partial purchase:

1. Print the partial payment history and setup reports.
2. Change the loan number from Accounts, Adjustments.
3. Pay off the partial by typing the date and basis into the closed fields of Accounts, Edit, Investment.
4. Create the new combined partial with the original loan number from Accounts, Add or Accounts, Copy. The new basis is the old basis plus your new outlay. The Balance, Yield, and Date Bought are different. Everything else is the same and can be added from your printed reports.

BSchedule Partial Purchase

This is the most difficult note to conceptualize, but is normally the most profitable to buy. In simple terms, it is just like a Total discounted purchase, but applies to only part of the note. It is a discounted partial purchase. In contrast to the example above, you are buying more principal than you are paying out in cash. You amortize the principal amount (not your outlay) at the face rate of the note (not your yield).

You buy this type by agreeing on the number of payments and that, in case of an early payoff, you will claim enough principal *at the face rate of the note* to make up for the payments you will not now receive. Three schedules are kept by NoteSmith® to make everyone happy. There is a Payor (A) Schedule, an Investment Schedule, and a BSchedule. The BSchedule is your agreement with the note seller as to how much of the payor's "ASchedule" you are entitled.

All that aside, how do you enter one now that you know you have one? Once again, all the information on the Note tab is the same as an origination, except the payments to you are smaller than the payor's total payments. On the Investment tab, change Amount Bought to the amount to which you are entitled from the amortization schedule. Calculate this with the financial calculator (number of payments bought, face rate of the note, amount of payment, solve for PV).

Next, change Yield to a larger number, Type to BSchedule, and the Price Paid to your investment. Comparing Price Paid to Amount Bought shows the discount ratio you bought (see Total above) and represents how much of each of the payor's principal reducing payments are taxable to you.

Note that the BSchedule itself has no taxable consequences until that sunny day when the note pays off early and you have a discounted windfall.

To properly record a BSchedule note purchase:

1. Fill in the financial data on Accounts, Add, Note.
2. Remaining payments to the investor are less than the total.
3. On the Investment screen, change Amount Bought to reflect the dollar amount you would receive from the payor if the note pays off a few hours after you closed.
4. Change Yield to represent your expected return.
5. Change Type to BSchedule.
6. Overtype Price Paid to reflect your cost or original basis in the part of the note bought.

The sample BSchedule note distributed with the program is a 60 month, 18% partial purchase of the $10,000 note introduced at the beginning of this section.

Adding to a BSchedule Partial Purchase

Always close out the account (Accounts, Edit, Investment) at your basis and create a new note. You have a different basis to balance ratio (discount percentage) or a different yield to basis ratio that will affect taxable income. Read "Adding to a Partial Purchase" above for suggestions.

Wraparound Note

A wraparound note is comprised of at least two notes with different payors (one of them is you) with different terms, due dates, and balances. A wraparound note has the same structure in NoteSmith® as a pass through or reverse partial, so these accounts can be set up the same way. Each cash flow you pay or receive is a separate account in NoteSmith®.

A wraparound is two related accounts. Go to Accounts, Add:

1. Add the receivable account first: the one paid to you.
2. Save the note.

3.   Add the underlying account that you pay. Use the same loan number prefix as the receivable. For the suffix, select -U1. There probably will be no discounting in the underlying payable note.
4.   Repeat step 3 for as many underlying notes as you have for that receivable. Use -U2 for the second, etc.

You can use the same process to record master leases and underlying notes when servicing rental property in NoteSmith® Pro. Your obligation will be an -LP lease payable or a -U1 first mortgage. Rental receipts, up to 9 per property, can be designated -L1 through -L9.

Finally, do not skip any numbers when adding accounts -L1 through -L9 and -U1 through -U9. If you have 6 rental units and one mortgage on a strip center, for instance, use loan numbers -L1 through -L6 and -U1.

There are two sample accounts distributed with NoteSmith® that illustrate a wraparound position. One is Mr. and Mrs. Wraparound and the other is Mr. Underlying.

Interest Only Notes

NoteSmith® does not discriminate against interest only notes or treat them any differently than an amortizing note. Each time you record a payment, there is just enough cash to cover a month of interest, so the remaining balance will not change.

As long as the payor pays the correct amount, the same thing happens each period, just enough to cover interest and the balance stays the same. *If you see the balance changing on an interest only note, either the note was set up improperly, a principal payment was received, or a payment was short.* A common problem is trying to charge daily interest.

An interest only, monthly loan payment is calculated as 1/12 of the interest rate times the balance. This is not a NoteSmith® calculation nor a NoteSmith® limitation, but a standard in the lending industry. This means that if you were to charge your payors daily interest, their payment would change every month

so they can pay the exact amount of interest. Daily interest is typical of a construction loan or short personal advance, but is not used with long term, real estate financing.

☞ Daily interest notes will not accumulate interest at the same amount in short months as in long months. Some principal reduction occurs in short months or months where the payor pays early. A deficiency occurs in long months or where the payor pays a few days late.

Adjustable Rate Notes

NoteSmith® handles adjustable rate, or variable rate, notes either manually (non-Pro or Pro) or automatically (Pro). Here are some items that you should address as you set up and service adjustable rate notes.

The change date is frequently on a due date although not required. All interest at the old rate is accrued before interest starts at the new rate. In automatic mode, NoteSmith® flags the Accounts, Record grid with a rate change in the Reference column. To accrue interest manually, record Regular ("R") or Principal ("P") payments to bring interest current.

The new payment may be different from the previous payment if you chose to adjust payments when rates change. There is a chance the note will not amortize properly if there is accrued interest on a change date. You will not lose the interest, but this might create a small balloon or increase the size of an existing balloon. Your amortization schedule cannot anticipate a payor being behind and owing old interest at the time of a rate change. This is normal adjustable rate loan servicing and not a limitation of or related to NoteSmith®.

Generally you should assume that the payment changes with the cycle immediately after a rate change. Otherwise you would have to send the payor two notices: one for the pending rate change and another for the new payment amount.

Payors who are ahead are not treated any differently than timely or late payors when it is time for a rate change. The rate change

affects payments based on when they are recorded, not on when they are due. If they are ahead at the time of a rate change, all the payments they made were based on the old rate and future payments recorded are based on the new rate.

Because interest is brought current by recording payments, a delinquent account might appear timely. Remember, only the interest is brought up to date and shows as accrued, not paid.

Form letter Adjr_ana.txt and the associated menu choice is to inform the payor of payment changes only, not rate changes. If the payment amount does not change, you probably are servicing a non-USRule, negatively amortizing note.

Setting Up an Adjustable Rate Note

Non-Pro Version

Put the interest rate schedule in the Accounts, Edit, Collateral, Reminder Text. Put the date of change in the Reminder date field. Set the date as the last payment before the change and NoteSmith® will pop up a reminder when that payment arrives.

Change the rate after the payment is recorded. The next regular payment is calculated at the new rate. The new rate takes effect for the entire period. For a mid-cycle rate change, record a $0 Principal ("P") payment on the change date to accrue interest at the old rate, *then* Accounts, Edit the new rate.

There is no dedicated audit trail for these changes, so edit the Notepad to record the date and who made the change official.

Pro Version

Change the occasional adjustable note manually using the steps above. To set up notes to be adjusted automatically:

1. At File, Adjustable Rate Configuration, add an index. To find a current rate, try the link provided.
2. Add a new note or edit an existing one. Go to Accounts, Edit, Note and click on the Fixed button.
3. On the next screen, click Fixed so it changes to Adjust and enables the other fields.
4. Choose the index.
5. Modify any other fields specifically for this note.
6. Click OK, then Save.

All your adjustable rate notes can be changed automatically by NoteSmith® from Accounts, Record. Select Adjust Rates from the payment type drop down list. You first must select an adjustable rate note for Adjust Rates to appear in that list.

To automatically change the adjustable rate notes:

1. Change the index rate and date in File, Adjustable Rate Configuration.
2. Record the Adjust payment type in Accounts, Record. Find an adjustable account first. All adjustable rate notes will be adjusted based on their index and change date.
3. Send Reports, Accounts, Adjustable Rate letters to payors with changed payments. Find the first adjusted payor and choose All Remaining from the Print Options window.

Balloon Notes

The amount of the balloon is always an estimate until it is time to pay off. The balloon amount can change due to the payor's timeliness or from principal payments made.

Some people consider the balloon to be the last payment scheduled, which is somewhat erroneous. NoteSmith® treats the large, last payment as the sum of the final regular payment due and the balance then immediately remaining. In other words, the balloon is the balance owing after making the last regular payment on the last scheduled payment date (maturity date). This coincides with how financial calculators consider 5 year balloons (FV at the 60th payment) or how amortization schedules print (balance on the same line as the 60th payment). *Under no circumstance is the balloon the last payment plus the last regular payment*. If pressing the payment calculator icon on Accounts, Edit, Note does not match the payment on a printout you may have, that document probably shows a last payment of one period of interest plus the balance.

One special caution has to do with single payment notes, which are balloons with no regular payment amount. If you renegotiate one of these and modify the terms in Accounts, Edit, Note, the Investment tab will be recalculated since no payments have yet been made to "freeze" the Investment information. In particular, watch the Interest Starts date.

Leases and Rentals – Pro Feature

NoteSmith® Pro users can track lease and rental income. To set up a lease or rent:

1. From Accounts, Add, enter a prefix, then select a lease suffix such as -L1.
2. Enter information on the Account, Cosigner, and Collateral tabs.
3. On the Lease tab (normally the Note tab), enter payment information.

4. Check Mo-Mo for month to month rent. Uncheck it for a long term lease. A lease has a balance which will reduce over the term. Month to month rentals have no balance.
5. The Escrow tab tracks tax and insurance data even if the tenant is not responsible to pay them. Option money on a lease is held in escrow, so enter it here.

Loan numbers always end with a suffix describing the type of account. Use -LP for a lease payable or any other numbered -L suffix for leases receivable. You might use -L1 through -L4 if you had a four-plex.

Construction Loans

Construction loans typically are disbursed in draws, which means there will be multiple future advances over time. This changes the monthly payment multiple times.

Set up construction loans as Daily interest and USRule. The balloon amount equals the original balance, since these are often interest only. As opposed to interest only notes with no principal payments or adjustments, these have multiple principal disbursements and possibly principal reductions.

Due to multiple draws, many of which will be mid-month, there is always a potential for adjustments to principal or accrued interest based on the timing of the two monthly payments on either side of the draw. A small principal decrease or an increase in accrued interest is not incorrect and neither party is benefiting. It is a result of the size of the payment, the old and new balance, the timing of the monthly invoice, the next draw, and the following payment.

There are many ways to record the payments that document the draw and you should set a procedure that reflects the way you wish to do business. Here is a suggestion.

To set up and service a construction loan:

1. Add the loan as Daily interest and USRule.
2. Send your invoice as normal.
3. To show the draw, optionally first record a $0 Principal payment to accrue the interest owing.
4. Record a negative Principal ("P") payment to indicate the disbursement.
5. *Either* accept it as a construction draw payment when the program asks, *or* immediately change Accounts, Edit, Note, Balloon to match the new balance, then click the calculator button to reset the monthly payment.
6. Send the new invoice.
7. Record the new payment. A small principal adjustment or interest accrual may show depending on the timing.

Bankruptcy

When a payor declares bankruptcy, you are prohibited from contacting them for most reasons, including collections. Enter the date of bankruptcy in Accounts, Edit, Collateral, which automatically sets the letters lock. Anytime you try to generate a form letter for this one account, NoteSmith® warns you of the bankrupt status. When printing form letters to All Remaining, accounts in bankruptcy are skipped.

It is your responsibility to ensure that you do not send correspondence to payors in bankruptcy.

If you have to file forms to protect your security, enter the date and explanation in the reminder fields. NoteSmith® can print the Bankruptcy Proof of Claim, Form 410 and 410A. Go to Reports, Accounts, Tax and Other Forms.

If you are reporting payors to the credit bureau using the NoteSmith® Metro2 exporting feature, there may be changes you need to make to the payor's account. Go to Accounts, Edit, Credit Bureau (see page 237), but review the Metro2 guidelines first to see what changes are required. Some Metro2 tips, including bankruptcy, appear starting on page 323.

After a payor has been through bankruptcy, they may be ordered to make up back payments on a separate schedule. Add a new account with a similar loan number and lookup name for this secondary cash flow, which may not bear interest and has other terms unrelated to the original note.

Secondary Mortgage Market Investors

The primary mortgage market is made up of lenders such as banks, mortgage companies, and other investors, many of whom are NoteSmith® customers. Once a loan is originated, the lender has the option to resell the loan to an investor on the secondary mortgage market. These investors include the Government National Mortgage Association (GNMA or Ginnie Mae), Federal National Mortgage Association (FNMA or Fannie Mae), and Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac). They are quasi-governmental organizations in charge of ensuring an adequate money supply for mortgage lending.

Servicing Guide

FNMA and FHLMC publish a "Servicing Guide" to ensure that loans they purchase conform to their servicing guidelines. The guide appears under various titles depending on the reference. Professional loan servicers will find interesting reading in these guides. Although the terms are commonly recognizable, they are by no means universal. They should be followed if you plan to sell a loan to them and otherwise should be taken as indicators of the industry. Remember to check with a local, knowledgeable legal advisor before adding any of their clauses in your own documents.

Below are some topics covered along with their application to NoteSmith®:

FNMA and FHLMC apply payments to interest first, then principal, escrow, late fees, and any other fees. See Order starting on page 148.

FHLMC will not create a deficiency by charging a late fee, which would require a late fee order of 4: Accrue or, with strict management controls in place, 0: Ask.

FHLMC states that unless otherwise specifically required by law, the interest portion of the payment must be determined by computing one full month of interest on the outstanding principal balance regardless of the day on which the payment is actually received. In NoteSmith®, this would be periodic or non-Daily (for a monthly note, M on the history, not m).

FNMA states that the interest portion of the fixed installment must be determined by computing 30 days interest on the outstanding principal balance as of the last paid installment date, unless otherwise stated by law. Although you might think this is 360 days of daily interest, it is monthly periodic interest with all months being equal ($30/360 = 1/12$).

FHLMC says that payments deficient by $50 or less should either reduce the amount to escrow, can be held in total as unapplied funds, or should be returned to the borrower. Over $50 deficient, it should be held as unapplied or returned. In NoteSmith®, unapplied funds are never truly unapplied. They should be applied to escrow (record as a positive Escrow Deposit) and move the money to a regular payment (negative Escrow Deposit and positive Regular payment) when the rest of the installment is received.

Servicing Functions

This section presents common NoteSmith® functions and illustrates procedures to ensure the accuracy of your records.

Payments

Application of Payments

When recording a payment, numerous calculations are performed in the following sequence. Review this list against your own payment history.

1. The payment is checked that it is large enough to cover interest, late and service fees, and has enough principal to make up a full PITI payment. If the previous payment was a partial ("r"), the program attempts to close out that cycle to generate an "R." The remainder is applied to the next regular payment or principal at your choice.
2. Service fees are deducted.
3. Escrow is deducted.
4. Late fees are taken next (2) or after interest (3) depending on late order. Late fees are not taken from "r" or "R" payments unless the grace period passes.
5. Interest is calculated periodically or daily. If the previous payment was a mid-month principal payment, interest is prorated to the next due date daily. Calculated interest is added to any accrued interest and the rest of the payment is used to close out total interest owing.
6. Any remainder goes to reduce the principal. Deficient interest in non-USRule accounts increases the balance.
7. For FHLMC loans, the order of steps 3-6 above is 5, 6, 3, then 4, or interest, principal, escrow, then late fees. Service fees should not be charged *by* you, but if they are charged *to* you, they are taken first by the servicer.
8. The next due date is advanced a period and the payment is designated as an "R" if it is large enough. If not, it is recorded as "r" and the payment due date is unchanged.
9. If the note is a discounted Total or BSchedule partial, the principal portion is split into discount earned and return of

capital. Return of capital reduces the basis. For straight Partials, the basis is amortized at the yield.

10. In the case of deficient "r" payments, unpaid service fee, late fee, escrow or accrued interest are tracked and deducted at the next payment. If you accept the short payment as an "R" instead, these items are zeroed out.

Recording Partial Payments

Many payors pay the regular amount each period, but some make seemingly random sized payments at random times. NoteSmith® copes with this easily and prompts you to choose the proper application of the payment.

If the amount paid is greater than the expected payment:

- Put any excess toward the next regular payment due, or
- Credit principal to reduce the balance faster, or
- Reduce any late or service fee balances due, or
- Hold the excess in escrow, or
- Pay off the account.

If the payment is smaller, the situation is a bit trickier. When a payor's actual payment is smaller than the scheduled payment, you have to decide how to handle the matter before deciding how to record it in the computer. Your choices are:

- Refuse the payment. Not recommended, except in the case of an impending foreclosure, or servicing potential FHLMC loans. See the Servicing Guide on page 281.
- Hold the payment in escrow until the balance is delivered.
- Apply the payment to accrued interest and any leftover to principal. This is actually a Principal ("P") payment.
- Acknowledge it as a Regular payment ("R"). This may be acceptable if the amount is only a few cents off.
- Apply to the regular payment but accept as a partial ("r").

Once you have decided how to handle the situation, record the payment in NoteSmith®. For instance, suppose the regular monthly payment is $100 and the payor sends a check for $75. NoteSmith® asks you to choose between:

- Recording a partial Regular ("r") payment toward the $100 leaving a $25 shortage, or
- Accepting the payment as a Regular payment ("R") and moving the next due counter ahead one period.

Most investors would take the first choice. If the payment amount had been $99.50, the second choice might be used. *Set a company policy on this situation for all payors and all data entry personnel.* A policy might be to accept payments as full if they are within the size of the late fee.

☞ Accepting a short payment as a full "R" payment does not credit the payor's account with a full cash payment. It only moves the next due counter ahead one period and reduces the remaining payment counter by one. The payment is applied according to the sequence you chose adding the new note.

Recording Double Payments

You may receive occasional double payments on one account. If made with separate checks, record them as two separate regular payments making two entries into NoteSmith® on the same day. Generally record payments exactly as received and let the program divide up the amounts.

When the payment amount is larger than the expected payment, NoteSmith® asks how to apply the excess:

- If the payor merely sends excess principal, record as a Regular ("R") payment and apply the overage to Principal ("P"). No interest is applied on the second payment if it is recorded as of the same date as the first.
- You may apply the excess to the next payment, which would be a logical choice with a double payment.

Recording Larger than Normal Payments

Decide beforehand how to handle this situation and apply those corporate rules at all times across all notes. A regular payment is applied to the outstanding portion of the next payment due first and the remainder to either principal or the next payment after that.

If you have a payment that needs to go to principal first, then a small part to the next payment due, split up the payment and record it in two steps. This is one of the few times you would not record a payment exactly as you received it. You want to override the typical way a note is serviced.

Your decision further may be based on what state law allows and how the note is written:

1. USRule. This normally would be dictated by state law and how close to usury you are. If your laws allow, you can leave this unchecked so deficient interest is added to the balance. It gives you a higher yield but is not double entry accounting. You increase an asset without increasing any other liability or decreasing another asset. CPAs would discourage unchecking this for cash basis investors or if you are servicing notes from cash basis payors.

Check USRule if you report interest on IRS Form 1098 or if you import data into Microsoft Money, a cash based program.

2. Daily interest. Banks normally use periodic interest, just as if you were checking payments off an amortization schedule. If you have chosen Daily, when a payor is two months behind, there is a lot of interest owed. Referring to USRule above, how do you want to handle this deficiency?

Because the "granularity" is a day instead of a month, this method shows the most timely interest total as of any given date. A popular misconception is that it gives significant extra interest over a year or over the full term of a slow paying note. It may even yield less interest if the payor is particularly diligent about making their payments.

3. Regular vs. Principal. Suppose you have a delinquent account about to pay off. You pay off daily accounts with a simple principal payment, but you might cheat yourself out of some late fees. If the account is periodic instead of daily, the interest calculations are a little different, so it would be appropriate to first bring the account up to date with Regular payments (full month's interest, even if you have to divide up the large payment or record a series of $0 payments), and only prorate the last payment.

There is no right answer. If there was, there would not be all of these choices in NoteSmith®. Follow your CPA's advice.

Assuming state law or the note does not say otherwise, here is our recommendation: check USRule, uncheck Daily interest, bring each account current with Regular ("R") payments (a delinquent pay date would accrue late fees), then pay off the account with a final Payoff ("Y") payment.

Adjusting Principal

When the payor makes a Regular ("R") payment and is a monthly ("M") payor, interest is charged up to the next due date, not the payment date, just as it would if you were checking payments off an amortization schedule.

When the payor makes a principal payment in excess of the regular payment, on the same date as a regular payment, the program does not add interest to date. This corresponds to traditional bank calculations.

NoteSmith® always prorates interest on a daily basis before adjusting the balance when a principal payment is made on a date other than when a Regular ("R") payment is made. Proration is done also for mid-month adjustable rate notes. This prevents you from making interest free loans.

Assume you are owed $25,000 at the start of a 30 day month. If the payor makes a mid-month principal payment of $20,000, you are owed interest on the entire $25,000 balance for the first 15 days and interest on only $5,000 for the last 15 days of the month. If you put the entire $20,000 to principal, you would collect interest only on $5,000 for the month when the next regular payment was made.

NoteSmith® insists that the account be current before adjusting the balance with a principal payment. This ensures all periodic interest has been calculated to the start of the current period (otherwise daily interest could be prorated over multiple periods) and late and service fees are accrued. You could bring the account up to date by recording $0 regular payments.

The principal balance is a calculated figure. If you think it is wrong, you cannot simply change it. You must delete the payments made until the time the balance was correct, edit the terms that caused the incorrect balance calculation, then put back the payments. Possibly all payments will need to be deleted. Note that any tax forms filed may need to be revised.

Modifying a Note Temporarily

In an economic crisis, it may be prudent to offer a special deal to your payors. Realize that loan servicing involves regular payments, typically once a month for the same amount until amortized. Any gifting you try to do will complicate simple servicing. Before you jump into any arrangement with your customers, consider the ramifications of what you are doing to their loans and how you will need to service them.

Modifying the terms of a note could trigger an immediate realization of your profit by the IRS if you are spreading that profit or discount over multiple year installments. Further, if there is a junior lien on the property and you "materially modify" your senior note, thereby jeopardizing the security of the junior position, your senior position can be challenged. To give your payors a break, you modify their original terms, so the safe route is to generate a note modification agreement. Consult with your professional tax and legal advisors.

Forgiving interest: This entails setting the account to a 0% rate in Accounts, Edit, Note. You cannot do this starting today if the account already is delinquent months ago. You need to either set the interest to 0% as of their last due date or record $0 Regular (R) payments to bring them current, accruing the deficient interest on the late payments, then change the rate to 0%. This is not a limitation of the software but a requirement of the statistics of loan servicing.

Skip a payment: At Accounts, Edit, Note, change the next due date, record a $0 Principal (P) payment with a relevant message in the Reference field so a line appears on the history, and document the Notepad. If you defer payments, the number remaining will be insufficient for amortizing notes to pay out by their maturity date, so a small balloon results or the maturity date needs to be modified.

An alternative when offering payment skips is to record a $0 Regular (R) payment to move ahead the next due counter and accrue the interest owed to you. This may be the simplest and cleanest way statistically, although it does add Accrued Interest (AI) to the payment history of USRule notes and increases the balance of non-USRule notes..

Bankruptcy: Enter the bankruptcy date on Accounts, Edit, Collateral, which automatically checks the Letters Lock so you do not send any bulk correspondence to the payor by accident. Print the Proof of Claim 410 and optional 410A from Reports, Accounts, Tax and Other Forms. Expect to end up with two accounts if you have two court approved cash flows. If a payback plan is issued by the court, enter that cash flow into NoteSmith® as a new account and you may need to modify the original account. Alternately, close the original account and add two others depending on the outcome.

Foreclosure

Notes that result in foreclosure can be closed by entering a date in Accounts, Edit, Investment, Date Closed, which is simple enough. The Price Closed is another matter. Your temptation is to close it at your basis but the IRS has regulations in place stating that if you take back your collateral, you do so at its fair market value, in which case that would be the price you enter. This could create a taxable profit for you even though you receive no cash. For instance, you lend $75,000 on a $100,000 house, then take it back with a current fair market value of $85,000. You have increased your net worth by $10,000. The IRS can tax you on that profit even though you still have the same amount of cash.

If you are deferring your profit using 6252 forms, tax on the entire profit could be due. Further, you might give a 1099-A (abandonment of collateral) or 1099-C (cancelled debt) to the former payor, who has had income in the form of forgiven debt obligation. Temporary IRS guidelines may be in effect which preclude issuing these tax forms in a given year. Consult your professional, licensed tax advisor.

Assumption

In an assumption, the terms of the note do not change, only the borrower. Typically, the new borrower takes over the payments but the original borrower is not released from the note. Therefore, simply type the original borrower information into the Notepad for future reference and replace the relevant information with that of the new borrower.

If the original borrower is released from liability on the note, however, this could constitute a "material modification." If your original note was purchased at a discount, such a modification constitutes a taxable event to the IRS, so they will treat this as if you received your balance in full. Consult your professional, licensed tax advisor.

Refinance

A refinance closes the original note and replaces it with a new note. In NoteSmith®, likewise, you would close the original note by entering a Date Closed and Price Closed into Accounts, Edit, Investment, then add the new note if the refinance was through your company. Since you are closing an existing note and possibly making significant changes to the amount owing or to the note terms, a "material modification" may make you subject to a taxable event as described under Assumption above. Consult your professional, licensed tax advisor.

Escrow Overview

There are a number of escrow functions within NoteSmith®. Since escrowing applies to data input, recording payments, generating letters, and portfolio reports, you will find escrow features throughout the program. This section gives an overview of details appearing elsewhere in the manual.

1. Accounts, Edit, Escrow: This is where you enter the amount of money you escrow for the payor. Enter as many escrow types per payor as necessary. They are all summed and make up the TI portion of a PITI payment.
2. Reports, Portfolio, Escrow: This report shows the accounts you escrow, how much, when they are due, and when you last paid from their account. Run this at the end of the year or just before adjusting escrow in bulk.
3. Reports, Portfolio, Register-Escrow: This checkbook-style register shows all escrow payments for the date range you indicate. Print by the quarter or at year-end.
4. Tools, Escrow Adjustments: The automated, Pro-only routine runs through all escrowed accounts and adjusts them for the coming year based on payments you made last year. A reserve can be added. Accounts that have partial Regular payments made are not adjusted because their expected payment already has been calculated.
5. Reports, Accounts, Escrow Analysis: This is a one page report for mailing to payors showing the new payment, new escrow amount, and how they were calculated.

Escrow Adjusting

Here is a general procedure for reviewing and adjusting escrow, typically near year-end, and communicating the analysis to your customer.

1. Go to Tools, Escrow Adjustments, Report. It usually is best to choose Print or PDF so you can edit accounts while reviewing the report. It lists the current situation by account. Although you should review each one, especially look for those significantly over or under funded.
2. State law, sometimes federal law, governs how much and when overfunding needs to be refunded to the customer. Also the law states whether you can demand reimbursement for underfunding, how much, and how quickly. Make yourself familiar with the laws that affect your portfolio before adjusting.
   a. Overfunded: For accounts overfunded to the point you must issue a refund, go to Accounts, Record and enter a negative Escrow Deposit. Export that payment to QuickBooks or manually print a check to the payor.
   b. Underfunded: For accounts underfunded to the point you can demand reimbursement, contact the payor and record the payment when received as a positive Escrow Deposit.
3. Change each periodic escrow amount based on the Escrow Adjustments report from Accounts, Edit, Escrow. Alternately, let the program do all accounts from Tools, Escrow Adjustments, or manually "mark" the accounts to be adjusted automatically. Make a backup from File, Utilities before proceeding since many database changes will be made quickly. The Expected escrow is the necessary amount to pay all budgeted items and maintain a minimum escrow balance equal to your reserve amount, normally 2 months of escrow.
4. From Reports, Accounts, Escrow Analysis, select the first payor from the Lookup window that appears, choose All Remaining and Printer. Send an escrow analysis to each payor. Print another set for your records, preferably to a

PDF file for safekeeping.

Adjusting escrow is a moving target, rarely showing a zero escrow balance at year-end on any account. Budgeted expenses will change so the timing between your escrow analysis and the next disbursement affects results. Run adjustments soon after all annual disbursements are made and in the same month each year. Shortages and overages then can be made up by small monthly escrow adjustments, minimizing makeup or refund checks.

Charging Late Fees

NoteSmith® allows you to charge late fees manually or automatically. ("I'm sorry, Mrs. Jones, I can't help you. The computer takes the late fee out the day you are late.")

You may want to override the computer (up to you if Mrs. Jones is told this can be done) to charge an extraordinary late fee. Do this by entering a *negative* amount when recording a Late Fee Received ("L"). Use a negative because you did not receive it, you are charging it. This fee is pooled with any other late fees. To credit the account when these manually recorded fees are paid, manually record a Late Fee Received ("L"). Regular ("R") payments ignore extraordinary fees.

A negative balance on the payment history (second line of a payment) indicates you owe the payor that money. This probably means you entered a positive figure in trying to manually charge a late fee. Late fee balances appear as positives if they are carried forward to the next period.

If the payor pays you an extraordinary late fee, enter that as a positive Late Fee Received (a negative number charges the fee, see above). Late fees that NoteSmith® automatically charged are taken out of the next Regular PITI received according to the settings in Accounts, Edit, Note.

When a payment arrives late and does not include a late fee, NoteSmith® deducts it anyway according to the way you set up that note. If the payor sends the late fee later, you should record

this as a *Regular* or *Principal* payment since it is in addition to the PITI already credited. Recording this payment as a late fee received gives the payor a balance in the late fee account since one fee has already been deducted.

If you accept a payment late that does not include a late fee as a Partial ("r") payment, NoteSmith® expects more money later on and does not close the month. When the payor makes their next payment, even if it is on time, the first parcel of money closes out the previous month, this new month is short, and another late fee is owed. While statistically this is valid, some states or state agencies call this "laddering of late fees" and prohibit it. If this applies to you, accept the first late payment that would have been full without considering late fees and record it as "R" instead. An additional benefit is that the history looks cleaner to the payor.

To "forgive" the late fee on a recorded payment, delete the payment, return to Accounts, Edit, Note, modify the Late Order to Ask, save the note, re-record the payment, then change the order back. Forgiving late fees should be a rare exception. Set up the account in the beginning according to the original note and let the computer do the work. Eliminate exception items from your business. If the wording of your note states to deduct a late fee, then do so with all such notes to maintain consistency within your servicing company.

You can set late fees to pop up a choice (0: Ask) of how to deduct them each time they are due at Accounts, Edit, Note. See page 148. Set this if you always want the option to forgive late fees. This is not a good idea because it leads to inconsistent application of payments, especially if your portfolio is serviced by a variety of people during the year, each of whom may charge the fee differently.

Further to that, when popping up a menu to apply your late fees, you run the risk of "clashing business rules." Suppose a partial payment is made that is $50 short, but is late, so a $25 late fee could be owed, and you choose to accrue the fee for now. Later in the week, the payor sends $75 to close out the month. The menu pops up again and, feeling generous, you

decide to forgive the late fee. Due to inconsistent decision making, you created in a situation where a $75 check that used to be expected must be shoehorned into a $50 remaining cycle that you now expect. If your paperwork specifies a late fee, set up the account to take it automatically.

Small, flat fees which are administrative fees for sending letters and making calls are not reportable as interest on IRS Form 1098. Fees designed to raise the investor's yield, such as a fee that increases with each late day, may be considered by the IRS to be interest charges. They are reportable by the recipient on Form 1098, are deductible by the payor, and are not supported by NoteSmith®, which treats late fees only as one time, administrative fees.

Partial payments, late fees, and NSF

When you reverse, NSF, an entire payment cycle consisting of a single payment or two or more partial payments, NoteSmith® has all the information concerning that entire payment cycle and it will reverse all aspects of that payment cycle, including any late fees that were charged on any of the payments in this cycle. However, when you NSF a payment that is only a portion of a full payment cycle in which a late fee has been billed, NoteSmith® does not have the entire payment information and doesn't know if the late fee was or was not taken in another partial payment. In this case, NoteSmith® will not add another late fee because one has already been billed. Although this is a cautious approach, it is important since only one late fee is generally allowed to be taken per payment cycle (to avoid laddering). Therefore, in a situation with late fees that are charged and then go NSF, you should, when necessary and appropriate, manually record a negative Late Fee Received to get the late fee back on the books. It is easy to verify if a late fee wasn't added back by looking at the late fee balance on the history or the late fee charge on the Record screen. Unfortunately, there is no way to make this automatic; it has have to be handled manually to avoid the potential of charging too many late fees.

Late Fees not Taken

NoteSmith® does not miss a late fee. Check the next payment due on the payment history and see what the program thinks.

Late fees are taken *after* the grace period expires, not on the last day. A payment due on the 1st with 10 days of grace does not incur a late fee until the 12th. Late fees are not taken from Partial ("r") payments unless a partial payment already is late.

Finally, be sure to review the "R" payments and the due dates column to determine where the payor is in the cycle. "P" and "r" payments do not advance the next due date counter.

Accrued Late Fee

When recording a Regular payment, the amount in the Applied column does not match the payment by the amount of the accrued late fee. The Applied column is equal to or less than the payment amount and represents how much of the payment was put to that line. Applied, therefore, is generally a cash amount. When a late fee is due, not paid, and chosen to be accrued, the cash balance of that line is compromised by the accrual item. The cash amount in the Applied column is reduced by the amount of the accrual. If the Applied column represented the full amount of cash applied, the line still would not balance due to the late fee accrual item.

Service Fees

When recording a Regular payment, the amount in the payment field may seem incorrect by the amount of the service fee. The service fee either can be taken from the payor, in which case it is added to PITI, or from the investor, where it is subtracted from PITI. You are a servicing organization that is neither the payor nor the recipient. The amount that is recorded as the payment, from the investor's viewpoint, will be PITI minus the service charge. The payor's amortization then is calculated correctly and the investor's gross receipts are accurate.

The service fees are not directly credited to the servicing organization's account, but are represented by the total of all service fees on the ordinary income report with the investor code set to blank.

Payments Ahead of Schedule

Although rare, some payors do get ahead of their scheduled payments. This is likely in areas with seasonal workers who may have 9 month jobs but 12 month obligations. There are some ramifications to this situation.

The IRS allows payors to deduct home mortgage interest one month ahead, so only the January 2024 payment, if paid early for instance, is deductible on the 2023 tax return. Check with the IRS for the exact ruling.

Many notes are worded that a payment is due each month. If a payor sends an amount equal to a few extra payments, that may not give them the right to skip paying one month. Check your note and ask a local, knowledgeable attorney.

A principal payment made on a daily interest note that is ahead of schedule has interest calculated to date from the last interest payment date before the principal is adjusted.

Bad Checks and Reversing Payments

You may record a payment only to find out later that the check was no good or that it was recorded in error and you would like to reverse it without deleting it. Record an NSF ("F") payment against the account, which negates the highlighted payment but leaves it on the computer.

The Reference field is available when recording so you can identify NSFs or reversals. If you export to QuickBooks or Money, negative entries counterbalance the deposit.

NoteSmith® proposes to debit the account's standard NSF fee, which you can cancel if necessary. Set a standard, company-wide NSF fee in File, Company Configuration, Accounts, which is carried over when adding a new note. You can override it anytime you edit the account or record an NSF.

Zero Payments

Record a Regular ("R") payment of $0 when you want interest or fees to accrue. If a payor is particularly late, you can record $0 payments to force NoteSmith® to accrue the interest owed.

If you record a $0 Principal ("P") payment, accumulated interest is added to the balance or to accrued interest depending on the USRule setting. If instead you record it as a Regular ("R") payment, you have acknowledged that you will not receive a payment for that period and the next due counter is advanced by one.

Recording the $0 payment after the grace period charges a late fee to the account. The late fee accrues, since you did not receive cash, and will be paid from a future cash payment. Use this method in bankruptcy or foreclosure proceedings to accrue interest and fees.

Partial payments ($0 "r") accrue interest on daily accounts. Otherwise, there is not much use for a $0 "r" payment. You should use "R" instead.

You may use $0 "R" payments to bring an account up to date before issuing payoff figures. When servicing accounts, only the last period should be prorated, so these $0 "R" payments accrue interest by full months. Use a delinquent pay date to accrue late fees.

Future Advance or Draw

When advancing money to a payor, adjust the balance by recording a *negative* Principal ("P") payment. This cannot be done from Accounts, Edit because interest on the old balance must be calculated. Enter the amount of the cash or future advance, the program deducts the interest owed to that point, and registers as the real payment the cash amount for which you would need to write a check to the payor.

☞ NoteSmith® never adjusts the remaining balance without first clearing out the interest owed to that point on the present balance. Prorated interest always is calculated at a daily rate.

Realize that making a future advance changes your discount ratio. Since there is no discount on an advance, the dollars you pay out are added to your basis. The note increases by that same amount. Reviewing the payment history after an advance reflects the new figures.

Accounts allowing draws could be non-USRule, meaning the note could amortize negatively due to adding accrued interest to the note balance.

To record a future advance (draw) on a non-USRule account:

1. Choose Accounts, Record, Principal ("P") payment
2. Enter the date the advance is made.
3. Enter the amount of the intended advance as a negative.
4. After recording the payment, the principal adjustment including the daily interest appears on the screen.
5. Write out your check to the payor for the payment amount. This is the difference between the amount you financed and the interest they owe you.

6.   On any note modification agreement, record the amount shown as principal, not as the payment amount.

Future Advances on Fees Paid

When you advance funds for the benefit of a payor, *you may not be able to record the advance against the payor's remaining balance*. Two simple cases are where you make a payment on a first mortgage to protect your second mortgage position or you have to pay $350 to a repo agency to bring in a car whose owner is delinquent.

If the payment you make is owed to you upon demand, or if the advance is made at a different interest rate than the rest of the note, consider recording the advance as either a service fee (no interest) or create a new account (new interest rate). Even if you are able to add your payments on the first to the balance on the second, and at the same interest rate, you should consider adding a second account.

Because you made such a drastic change to the terms of the note by advancing money, you really have two cash flows. One is owed over time, one on demand. Or one is owed at 10% over time, one may be owed at 18% on demand.

When you make an advance, NoteSmith® recalculates the payments remaining based on the new balance and the expected periodic payment. If there is no mathematical solution, remaining payments are reset to zero. Return to Accounts, Edit, Note and reset the figures to represent the new figures as you negotiated them. A balloon results when the payment is not increased or the term extended.

Estimating Current Receivable Payments

Occasionally, a CPA will want to break out the current receivable portion of the outstanding principal. To do so requires two steps. First, go to Reports, Portfolio, Statistics and get the average term, average interest rate, average payment, and average balance. Then go to Tools, Financial Calculator and enter those numbers, solving for term. Something has to be rounded, so term is probably best. Print the amortization schedule that results from that calculation.

This gives the best guess as to the future income stream based on the numbers existing on your As Of Date when you ran Statistics. Your CPA easily can break out the numbers needed for the current (short term) versus the long term.

Closing Accounts

Payoff

There are multiple ways to pay off a note in NoteSmith®. Whichever you choose, print a payoff report first. Use any of the methods below but do not mix and match the steps! Choose one method and do all the steps for that method.

Regardless of the method you choose, print out the payoff report first. Then do *one* of the following:

- Record a final *Payoff ("Y")* payment using a matching date and amount from the payoff report. This is the preferred and easiest method, but cannot be used if there is no ($0) final payment.
- Type the payoff amount into Accounts, Edit, Investment, Price Closed and type a date into Date Closed. This gives a capital gain or loss and is more appropriate for writing off bad debt. Use this if there is no final payment.
- Use the Payoff Wizard at Accounts, Record, on the Account tab.
- Sell the note using Accounts, Sell, Total.

Anytime you pay off an account using the first method above, a date is added into Accounts, Edit, Investment, Date Closed. This keeps the account from appearing on due dates and aging reports and prevents someone from recording a payment against the account. See page 304 to "unclose" the account.

The payoff report figures prorated daily interest from the last interest date to the ones listed. Proration stops if the next payment is due or the remaining term is zero. If you try to close a *periodic* account by recording a *Regular* payment, *a full period of interest will be applied* to the last payment and the balance will not zero out.

An account normally should be paid off with a Payoff ("Y") payment. A periodic account *must* be paid off with a Payoff payment. If the account is not current, NoteSmith® figures the total amount of regular payments, service fees, and late fees delinquent and bases its payoff report on that total. To give you the option of how to handle balances such as escrow, service fees, and late fees, NoteSmith® does not apply any of the Payoff ("Y") payment to them. Split up the final payment and apply funds to whatever balances and in whatever amounts you think are appropriate. Then put the final amount leftover to pay off the principal.

Record $0 Regular ("R") payments to bring the account up to date manually (accruing periodic interest), then close out the account with a Payoff payment (prorated daily interest). Recording these payments after their grace periods accrues late fees. NoteSmith® pops up a menu that asks how to treat the deficiency. Select Regular ("R") and not Partial ("r"). Partial will not close out the payment period.

Once recorded, these $0 Regular ("R") payments do not need to be deleted. The account will have all the service fees, late fees, and interest accrued and has an accurate balance. If you record a different type payment or a payment for an odd amount between the time you generate the payoff report and record the final payment, the account likely will not zero out.

Periodic accounts are charged a full period of interest with each payment. *It is not appropriate to charge daily interest over more than one period when paying off a periodic payment loan.* It is mandatory, therefore, to accrue periodic interest with Regular ("R") payments, then prorate the final period. NoteSmith® does this automatically when generating a payoff report on a delinquent account or recording a Payoff ("Y") payment.

Accounts that do not zero out by a few pennies or dollars typically result from prorating beyond the next payment due, which is past where the report stopped. It is not always necessary to zero out an account depending on the reason. Uncollected shortages will appear as capital losses on your books. An overage normally is returned to the customer. To zero out an overage, space over Accounts, Edit, Date Closed, then record a Principal ("P") payment equal to your refund check. If the principal discrepancy is equal to the escrow balance, record a negative Escrow Deposit ("E") and an equal but positive Principal ("P") payment to move the money from escrow to principal if allowed by your state law.

For help recording a payoff payment, use the Payoff Wizard button at Accounts, Record, on the Accounts tab.

Short Last Payment Due at End of Term

Assume you have a 27.5 month note. Add it as 28 months using the original terms. When the 27th payment is made, the next payment due will reflect a small payment necessary to close the note. If the payor makes a full payment before you send a payoff report, a credit balance appears on the account (a negative balance—balances owed to you are positive).

When recording payments in bulk from Accounts, Record, and you highlight Bulk Pay, the program counts the number of accounts that are due a short payment and pops up a message at the conclusion of the work.

Record a Payoff ("Y") payment instead of a Regular ("R") payment to close an account with a final partial payment due.

Payoff with Payments Ahead of Schedule

If the payor wants to pay off a loan that is ahead, you need to prorate interest backwards. NoteSmith® automatically does this but do not rely on it more than one month. Interest should not be prorated more than one month so if a payor is 2 months ahead, delete the last payment or two and re-record them as Principal payments. At the time you recorded them they seemed like Regular payments, but that is not what they really turned out to be.

Unclose an Account

If you record a payoff accidentally or incorrectly, the account needs to be "unclosed" before you can make modifications to it. Go to Accounts, Edit, Investment, zero over the Price Closed, then space over the Date Closed. Go to Accounts, Record, highlight the Payoff ("Y") payment, and click the Delete button.

Selling a Note

To sell a note, go to Accounts, Edit, Investment. Type the selling price and closing date into Price Closed and Date Closed. Pro users can let Accounts, Sell do the typing and the Online module can email the account to the buyer.

You will not be able to record more payments against this note. It will not appear on your Due Dates or Aging reports, although you can view the Payment and Investment Pay Histories. Any capital gain or loss from the resale appears on Reports, Portfolio, Capital Gains in IRS Schedule D format.

If you will continue to service this account for the investor, non-Pro users have to Accounts, Add the information back in using a different loan number and investor code. As payments are received, record them against the new account. Pro users can "Continue to service" and a new account is added.

Selling Part of a Note

Institutional buyers require you sell a partial payment stream to them rather than borrow against it. This creates a taxable event, reflected on Reports, Portfolio, Capital Gains. Working with private investors, try hypothecation, giving a note secured by the mortgage you purchased. This is not a taxable event but is really a wraparound as far as your books are concerned. You also get the advantage of not giving any of your discount away in case of an early payoff.

NoteSmith® users can sell part of a note using these steps, which are the same ones the Pro program goes through automatically using Accounts, Sell:

1. Calculate the profit in the part sold. This is done from Tools, Financial Calculator. Subtract the present value of the payments sold at your yield from the present value of those same payments at the investor's yield.
2. Add the profit to the basis and type this amount under Accounts, Edit, Investment, Price Sold.
3. Create a new account for the residual part you hold: Accounts, Add, assign a loan number similar to the old number (xxxxxxxxR-RC), and enter all relevant data.
4. If you will be servicing the sold portion, Accounts, Add the payor again with a new loan number (xxxxxxxxS-RC) and the new investor's code.
5. Accounts, Edit the original note and type a date sold to keep the account from appearing on late reports.

Optionally reassign loan numbers so the payor keeps the same one and does not get confused. Use Accounts, Adjustments to change the original loan number *before* selling. Then assign the original number as the "new" loan number while selling.

As payments are received, record them against the new investor's note. Your old note no longer accepts payments. After this partial runs its course and the investor is out of the picture, you will record payments against the residual account.

At year-end, the payor will have multiple, partial year 1098s, payment histories, and investment pay histories. The reason is two different parties received payments from the payor in one year but the program automatically handles it.

Selling Part of Each Payment

Setting up this type of arrangement, called "fractionalizing," is conceptually different from selling an investor the front half of the note. See "Selling Part of a Note" on page 305 in this section. The trick in NoteSmith® is to be sure someone is tracking the payor's situation properly. *There is a potential for violating state and federal securities laws when doing this, so check with your legal advisor.*

We have to reduce the parts to their lowest common denominator, which is the present value at the yield to the owner. To sell an investor part of each payment (Pro users can do the first two steps automatically using Accounts, Sell):

1. Sell the account. Your profit will be the present value of the payment parts sold at your yield minus the present value of the parts sold at the investor's yield. Adding this figure to your basis gives the selling price of the account.
2. Add a new account. This is your account using the same payor, remaining balance, and terms. The basis changes since you realized a profit using the investor's money.
3. Accounts, Add a new underlying note using the same loan number prefix as above and the suffix -U1. This is the part you owe to the investor. Set it up to reflect the partial payment the investor receives. If there is discounting involved, use the face rate of the note for the rate on the Note screen. If this is a straight Partial note purchase, the face rate of the note equals the yield. (Yes, you are borrowing at the investor's yield!)
4. Finally, be sure to service the payor through your account. The investor's account reflects only a partial balance and a reduced payment.

Brokering a Note

To record the gain received when brokering a note, add a new note and complete the information on Accounts, Edit screens. Type in the Price Closed and Date Closed on the Investment tab, which closes the account at a different price from what you paid. You do not need to record any payments. Your profit appears on Reports, Portfolio, Capital Gains.

Deferred Profit from Sale of Real Estate

Investors may sell real estate and take their profit on a deferred schedule, also known as an installment sale. This situation is calculated exactly the same as buying a note at a discount, although NoteSmith® can fill in the IRS Form 6252.

Enter the full sale price of the real estate, including the down payment and the note carried back, into the balance field. The investment basis is the taxable basis in the property. The ratio of basis to balance creates the discount percentage at which profit is recognized. NoteSmith® stores your cost of selling and the original date you acquired the property.

Record a Principal ("P") payment on the date of closing equal to the down payment. The down payment, and any future principal that is received, is recognized as part return of capital and part discount earned (taxable profit realized).

Dealer Profit from Sale of Real Estate

When real estate dealers sell their inventory, they must declare their profit immediately, even if they create a note and receive that profit over time as an installment sale. There are two cash flows to be tracked which generate two types of income. The first is the immediate paper profit from the sale and the second is the installment sale yielding interest over time.

Enter the full sale price of the real estate, including the down payment and the note carried back, into the balance field. The investment basis is the taxable basis in the property, usually lower than the selling price. The ratio of basis to balance creates the profit percentage which is recognized first.

Next, go to Accounts, Sell and sell the note in total, creating a residual note which you continue to service. Go to Accounts, Edit and review the numbers stored in both the sold and the residual notes. Due to rounding, you may want to overtype some of the fields.

The sold note shows all the paper profit on the capital gains report. The residual note shows your basis as the amount of the note so there is no discount or profit left in this note.

Record a Principal ("P") payment on the date of closing equal to the down payment. The down payment, and any future principal received, is recognized fully as return of capital and only interest income appears from this note.

NoteSmith® stores the cost of selling and the property acquisition date on Accounts, Edit, Collateral. This date can be filtered to print reports showing short term property versus long term property. Create a filter on the field Date6252 and modify it to show Sold_date-Date6252<366. This displays short term property held under a year and hides property held long term. NoteSmith® reports, including income reports, honor this filter while it is active.

Investors

Charging Service Fees to Investors

NoteSmith® accounts are set up from the note recipient's view, which impacts the manner service fees are counted. If you are the recipient of a note that someone else was servicing for you, the payment you receive already would have the service charge deleted. When you are the servicer, you really are not recording the payor's payment to you, but the amount of the payment owing to the investor. When recording a payment, the field containing the payment amount actually reflects the payment going to the investor. Retype the date if necessary and click Record. You can see the service fee properly recorded in the distribution grid.

Each cash flow you pay or receive is represented as an account in NoteSmith®. Set up payments to your investors as AutoPay (Pro feature) from the receivable note's Accounts, Edit, Investment screen. Each time the payor pays, the underlying payable accounts has a payment recorded automatically.

Servicing for Collateral Purposes Only

If you want to track an account for collateral purposes only, and not have the taxable income appear on your books, set up a specific File, Company Configuration for that kind of account and assign the matching investor code in either Accounts, Edit, Investment or in Accounts, Adjustments.

Pro users could assign COL to one of the code fields on Accounts, Edit, Investment to filter them or these accounts can be stored in a separate data folder (see below).

Servicing Notes for Others

Servicing notes for others can be done 3 different ways in NoteSmith®. The following section illustrates them and gives you their advantages.

<u>Using Investor Codes</u>

Proper use of investor codes is the easiest way to subdivide your NoteSmith® portfolio. Use this method if you have less than 1000 total notes or if you frequently buy notes from, or sell notes to, your investors. *If you do not know which method to use, this should be your choice.*

Each note can be labeled with the actual owner on the Accounts, Edit, Investment screen using the Investor field. The field is a drop down list generated from the File, Company Configuration window. This is true for your own notes as well as those of your investors. An explanation of using investor codes appears on page 155. By telling NoteSmith® (File, Company Configuration) whose notes you are using, all reports generated are for that investor or entity.

NoteSmith® Pro users can store information for unlimited investors in a configuration so the program even prints late letters with the investor's mailing information. You could set up, for instance, a configuration that used investor JWM1's notes and had JWM1's company name, but had your address and phone number, so payors will call your office.

NoteSmith® Pro users simply can sell accounts (Accounts, Sell) and create new ones when liquidating an investor, which saves entering the account information from scratch.

Only one data folder is used this way and all NoteSmith® data is backed up at once. This is not the case when using multiple data folders.

Creating Subordinate Payable Notes

If you handle a moderate number of notes for others and the notes frequently are partials for which you own the tail ends, it may be easiest to set up the investor account as a payable. Your company can tell NoteSmith® it owns the entire receivable note with an obligation to pay some of the cash flow back out to an investor.

Assume you bought a note that had 120 payments remaining. You used investor funds to purchase the note and the investor ended up with a claim on only 100 payments, with or without a discount. You own the last 20 payments.

You could enter this as 120 payments owned by you (using your investor code) and create a payable note to the investor for 100 payments. When you select Accounts, Record, Bulk Pay (Pro only), this investor account is paid automatically.

Most portfolio report totals are valid only if you print the report displaying all notes (a blank investor code in File, Company Configuration). Otherwise, payable obligations to investors are screened out when displaying your holdings.

Watch that your NoteSmith® accounts match the paperwork. This system implies a *hypothecation* (borrowing from an investor and securing them with a note that is owed to you), since you still own the receivable note. You pay the investor on time regardless of when the payor pays you. If you are really selling partials, you need to show the gain in your records, which is not done by creating subordinate accounts. Use Accounts, Sell to create the investor account and calculate your gain. You may have a taxable gain on the partial even though you netted less cash than the total purchase cost.

Maintaining Multiple Databases

NoteSmith® Pro users can store accounts in more than one data folder. Only use this feature for large portfolios (1000 notes or more) in separate taxable entities (such as 500 personal notes, 250 corporate notes, and 250 automobile notes of yet another company), and if you are a computer power user. NoteSmith® does not create consolidated reports across multiple folders so rely instead on investor codes available from File, Company Configuration if you need reports on total holdings.

You might benefit from multiple databases with obviously disparate portfolios. Suppose you had these two portfolios:

• Mortgages that you were servicing for a family trust
• Automobile paper that belonged to you individually

By placing mortgages into one folder and car paper in another, your computer runs faster, your hard disk operates more efficiently, and you do not have to worry about data entry errors in one portfolio affecting the other.

Set up additional folders from File, Setup, Data Folders. *Do not create your own NoteSmith® folders from Windows.* Change the active data folder from File, Folder. During installation, your primary data folder is created as:
        C:\Users\Public\Princeton\NoteSmith2024\Data
NoteSmith® Pro users can create a folder anywhere on their hard drive, but best to make it a peer of Data. Network Server users can create folders on any server drive. The feature is not available on Network Workstations.

To set up multiple databases for a folder of automobile notes:

1. Use File, Setup, Data Folders to create another data folder, using the new name Auto
2. If you have notes in Data that should be in Auto, go to Accounts, Move and move them
3. Go to File, Folder, and locate C:\Users\Public\Princeton\NoteSmith2024\Auto

4.   Enter new automobile accounts

You now have 2 folders of data on your hard disk. The folders each contain live data files but with different data.

Backup: When maintaining multiple data folders, your responsibility for back up increases. *NoteSmith® backs up the currently used data folder only*. Switch to the other folder (File, Folder) and back that up to separate removable media to make a complete backup. Be certain you understand file copies and keep separate disks for each portfolio, that is, *four* backup sets for *each* data folder.

Archive: You can add an Archive folder to store notes that you closed in previous taxable years. Accounts can be moved from your normal folder to Archive with Accounts, Move. Only move notes that were paid off more than 2 calendar years ago. You may need to print IRS forms for last year and payors of recently closed accounts still will have questions.

New version: Additional data folders you created in older versions are not created automatically when you install a new version of NoteSmith®. You have to create the data folders in the new program, such as Auto or Archive, and import your existing data from similarly named folders in the older program. This is handled from File, Setup using first the Data Folders tab, then the Import tab.

Program Setup

Dates

Date on Report

This is the system date of your computer. Change it by right clicking the date in the lower right corner of Windows and choose Adjust only if it is wrong. Never change to an incorrect date as many computer and Windows processes depend on its accuracy.

Missing Calendar Year Payments

Check File, Company Configuration. The calendar year needs to be January 1 through December 31 of the same year. The investor code box impacts which notes are visible. If you cannot find the account you need, type spaces in the investor field, then Save. All accounts will be visible. Keep an "All Notes" configuration with a blank investor code.

If the payments still cannot be found, either restore from a backup or enter the payments again.

Due Date after the 28th

In short months, NoteSmith® moves the due date to the last day of the month. In longer months, the due date is moved back to its stated date. This follows Regulation Z guidelines.

Filters, Codes, and Years

The active configuration filters accounts and payments received by calendar year, fiscal year, and investor code. Account reports (payment history, etc.) are filtered by calendar year. Investor reports (ordinary income, etc.) are printed by fiscal year. Lists of accounts or payments are filtered by investor code.

Pro users may select File, Filter, allowing you to screen lists of accounts (not payments) according to any payor criteria, including user defined codes. This advanced feature is unnecessary for some people. Use it if you are buying hundreds of car notes from different dealers and wish to create sub-portfolios.

Filtering Accounts

NoteSmith® users are able to filter their payments using investor codes and calendar year date fields. Pro users can filter their accounts using most fields that appear in Accounts, Edit, including the user defined code fields.
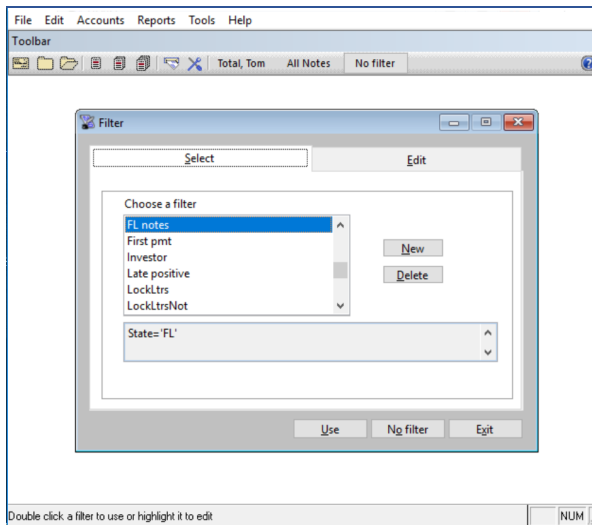
Choose File, Filter from the main menu. A full range of features is available for you to manage a group of account filters. The No Filter button cancels the last filter.
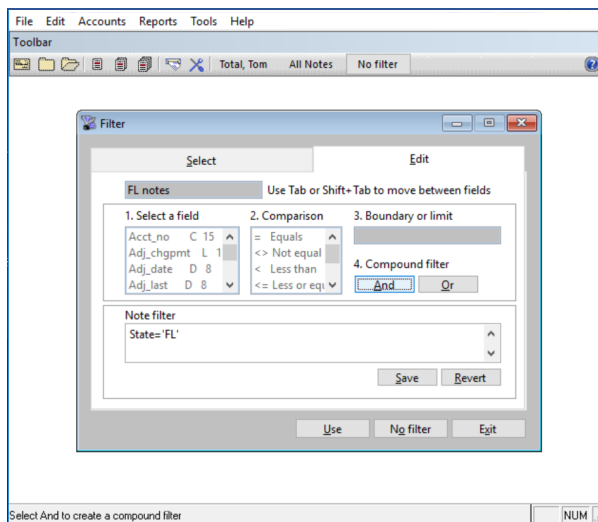
The best way to explain filtering is to use an example, so we will create a new filter that displays notes by state. Assume that most of your notes are in California, but you have a broker who sells you a few Texas notes.

1. Choose Add from the first window and rename the filter "TX Notes." Omit the quotation marks.
2. You see a list of available fields to design the filter. Use your arrow keys, page keys, or mouse to find the line that says Pr_state. State would filter on payor mailing address, but we want to sort PRoperty state. Press Tab.
3. The light bar jumps to the next box on the right to select the relation between the items. Highlight "= Equals" and press Tab.
4. The Boundary box becomes active. Type TX in capital letters and press Tab.
5. You now have the choice of adding to this filter but we will finish here. Click on "Save." The filter is saved and can be accessed from Use.

If you use this filter, anytime you access the database for portfolio views of your notes, only Texas notes are seen. Your filter description appears in the heading of all reports so they are not confused with unfiltered reports. You could print out a Reports, Portfolio, Statistics listing, return to File, Filter, choose your California filter if you have one, and print another Statistics listing. Compare your local success to that in Texas.

For advanced users only: Instead of using just the pick lists NoteSmith® provides, you may use the following information to generate your own filters. Mistyping or misusing the information below will generate error messages. This is provided for the benefit of those users experienced with software and especially database programs. If you are not already trained in database manipulation, you should not use any of the commands found here.

NoteSmith® only filters the payor database which stores generally unchanging information such as last name, address, and interest rate. Filters can be constructed manually to operate on payment or escrow databases as long as the filter is used only with a custom report. NoteSmith® allows you to create a payment or escrow database filter but will not activate it except from the custom report window. Databases other than Payor have to be named explicitly as shown below. Name these filters with a CR- prefix so to remember they are for custom reports. Inappropriate use generates an SQL error in the custom report writer.

Samples appear below on the left with an explanation on the right. Modify each sample as necessary and insert it or overtype it while working with a filter. Do not copy the explanation on the right, the colon (:), or the spaces. Honor the capitalization. Note that the results you get are dependent on the style of report you run. Test carefully.

date()-Payment.Nextdue>30	: notes >30 days late
Payment.Accrint>0	: accrued interest exists
empty(Payment.Pmt_type)	: initial setup payment
not empty(Sold_date)	: notes sold
empty(Sold_date)	: notes unsold

Escramt>0	: monthly escrow not zero
not empty(Escramt)	: different way, zero is empty
right(Loan_num,3)$'-L1-L2'	: suffix subset of '-L1-L2'
left(Lastname,4)='John'	: last name starts with 'John'
'Main'$street	: 'Main' appears in street

Investor Codes

Change Investor Code

Here are the steps to change investor codes when a note was entered using the wrong company configuration.

1. Go to File, Company Configuration. Drop down the list of configurations and determine the correct one for this account. If the correct configuration does not yet exist, use the Add button and create a new one. Save changes.
2. Drop down the list again and select All Notes so all your accounts are visible, then Use.
3. Go to Accounts, Adjustments, and find the account.
4. Drop down the Investor Code list and choose the correct one, then click Adjust.

Wild Card Investor Codes

The space character at the end of the investor code is a wild card. Enter "JW " into the File, Company Configuration, Investor code, and the program finds all JW notes: JW, JWM, JWM1, etc. When set to JWM1, however, it finds only JWM1 notes. This allows you to group and subdivide your portfolio.

User Defined Codes

The purpose of the 9 codes (Pro feature) is to discriminate your data in ways we could not anticipate. NoteSmith® is a generic note servicing program so, using the codes, you can customize it to your specific business. Flag each account with your codes to store, sort, and report data exactly as you like. Codes are user defined fields to store extra information. You can create filters on those fields to hide or display accounts.

From File, Company Configuration, choose the Accounts tab and type labels for any of the 9 code fields. Whatever you type there appears on Accounts, Edit, Investment. You could designate 3 of the 9 codes as Position, Safety, and Coupons. A note may be labeled 1 for Position (first lien), A for Safety, and

Yes for Coupons. In order for the coupons to print as desired, a filter has to be designed and used.

For example, set up NoteSmith® to separate A grade notes from B grades. Assume the only notes you own are A or B.

1. Choose File, Company Configuration and type your code names into the Account tab. Type "Safety" into the field representing Code2. This alerts you that the second code box is reserved for safety of the note. Save the changes.
2. As you add each new account, type A or B into Safety (which formerly displayed Code2). If the accounts already have been entered, Accounts, Edit them.
3. Select File, Filter, Add and name this "A Grade."
4. Highlight Code2 in the drop down list and press Tab. Only the screen name was changed, not the real name.
5. Highlight Equals and press Tab.
6. You must give a boundary condition, in this case A to designate high quality loans.
7. Click the Save button. From the Use tab, double click on A Grade. All of your reports and lists reflect data that includes only A grade notes. B notes or notes that are undesignated are filtered out of your reports.

You may use this feature to screen by state, last name, loan number, the 9 codes, or any category listed in the File, Filter, Fields drop down list. This is a tremendous advantage to you if you are servicing a multitude of notes that come from a variety of sources. A good code choice might be the seller of the note, if you purchase many notes from just a few sources.

Suppose you were buying paper on furniture, root canals, and cemeteries. All your notes were high yielding, under 2 years, and came from different sources. Use Code 1 as your source code. Each account would have either Furniture, DDS, or Cemetery in the first code. Set up an accounts filter called "DDSAccts" using Code1, Equal to, DDS. Print a due dates report using the DDSAccts filter and only dental paper is listed with DDSAccts appearing in the heading.

If you wanted to get more sophisticated, you could use Code2 for short versus long term discriminations. Type ST in the Code2 field of each note under 1 year and LT for the rest. You could create a filter for just short term notes, regardless of whether they were furniture, root canal, or cemetery. You could even create filters to give you just the long term cemetery paper or just the short term furniture paper.

One use of filters involves setting up a creditworthiness code. You then can do a statistical analysis of notes with risky payors versus notes with solid payors. If you have unusual notes, such as wraps with two receivables and one payable, set up a code field to tie these 3 notes together.

Choose the correct AND/OR logic when building compound filters! If you want notes located in Texas or California, you need two criteria: Equal to CA OR Equal to TX. It is easy to think of wanting CA notes AND TX notes, but the filter does not operate that way. *It evaluates each note against the criteria you set*. Using AND, NoteSmith® would look at each note and say "Is this note in CA AND in TX?"

Year-end Procedure

Your tax preparer needs the NoteSmith® Ordinary Income and Capital Gains reports for your Income Statement and the Statistics report for a Balance Sheet. Other reports provide supporting details and audit trails.

Do *each* item on the Year-end checklist. Photocopy this page and keep it by your computer until it is completed. Instead of printing onto paper, generate PDF files and copy them to a USB Flash Drive. The pages are in printable format without actually generating paper to be warehoused. Go to Tools, PDF in Bulk (Pro feature) and let the program do the work.

NoteSmith® Year-End Checklist

☐ Back up to a new Flash Drive. Label it with the date and file it. Repeat and store off site. Optionally send a copy to our web site from File, Online, Backup.

☐ Print all Payment Histories and Investment Pay Histories, 4 copies, using All Notes (blank investor code) in File, Company Configuration.

☐ Print Due Dates. Reset File, Company Configuration, and repeat for each investor. Repeat for your files using a blank investor code to print all notes.

☐ Print Register. This is the bulk of your taxable data. The entire year's Register and the Payment Histories make up your audit trail. Repeat for each investor configuration.

☐ Print Capital Gains.

☐ Print 1098, 1099-INT, 1096, and 6252.

☐ Send a Payment History and 1098 to payors.

☐ Send Investment Pay History and 1099-INT to investors.

☐ File a Payment History or Investment Pay History with each individual account.

☐ File one complete set of histories and portfolio lists with your tax advisor and one set in your archives.

☐ Edit your File, Company Configuration, changing the calendar year and fiscal year for the arriving payments.

☐ Adjust escrow, print and mail analysis to each payor.

☐ Print any other Reports, Portfolio.

Exporting and Other Programs

Credit Bureau

NoteSmith® Pro customers can export to a credit bureau electronically from the Tools menu as long as they can process data in the commonly accepted Metro2 format. Details for preparing the file, uploading it to your bureau, and frequency of submission are discussed on page 237.

It is imperative you have the Metro2 guidelines, available from your local bureau, so you correctly format your financial data. You are submitting financial data to a national credit reporting firm. This is not a job for someone new to computers, new to NoteSmith®, and new to lending. You have a responsibility to your customers that any financial information you report is done by a qualified professional.

Reporting to a Credit Bureau

In most cases, send files by email to your local credit bureau office. They consolidate the information with that of other local businesses and submit a larger file to a national agency. Sometimes the local bureau has their own interpretation of how data is to be formatted which is contradictory to how the national firm expects it. If your local bureau rejects your file, be sure you get a clear, simply worded reason why, preferably referencing the field numbers in the Metro2 guidelines.

NoteSmith® has been generating credit bureau files since 2002. If your file is rejected, first suspect data was incorrectly entered into Accounts, Edit, next that the Accounts, Edit, CrBureau screens have an incorrect entry, and finally that the local bureau misinterpreted the Metro2 guidelines. Only when these 3 items have been eliminated, contact us with your export file and your credit bureau correspondence. If there really is a problem with the export routine, we will modify it as with any other module in the program.

Setting up an Account to Export

The following information applies to the window that appears from the CrBureau button. Access it after entering all data at Accounts, Add and saving your new note the first time. On first access, that window is set up for a generic loan. Most of the fields on this window were added strictly for credit bureau exporting and do not appear elsewhere in the program.

Notice that there is some redundancy in reporting. For instance, foreclosure requires the Account Type to be Mortgage, Account Status to be 94, with a Payment History Profile Prefix of H. This helps assure that a foreclosure is not reported due to accidentally checking a box.

Some codes are set by NoteSmith® when the export file is generated. Those are not shown here, since you cannot modify them, although they do appear in the Metro2 documentation. See the Metro2 Guidelines for a list of all the codes and how they are used. Contact your local credit bureau representative with any questions on reporting.

Original Entry

Items to consider the first time an account is edited for credit bureau reporting:

- **Consumer TT** (Transaction Type) is set to 1-New Account. After you export later on, change this to None.
- **Miscellaneous** information, such as the address type, generation, date of birth, and employer help uniquely identify the borrower.
- **Consumer Information Indicator** is one letter and used for bankruptcy reporting, therefore it normally is blank. Common codes are A-Chapter 7 Petition, B-Chapter 11 Petition, E-Chapter 7 Discharge, F-Chapter 11 Discharge, R-Reaffirmation of Debt, Q-Removes Previously Reported Indicator (use once only).
- **Portfolio Type** often will be Installment. Use Line of Credit if it is likely you would forward the payor more money. If the loan is on real estate, select Mortgage. A lease is Installment. Other types are available.
- **Compliance Condition Code** likely will be left to None at this time.
- **Account Type** is a two digit number. Common entries are 00-Auto, 01-Unsecured, 02-Secured, 04-Home Improvement, 06-Installment Sales, 10-Business Loan, 13-Lease, 15-Check Credit or Line of Credit, 17-Manufactured Housing, 26-Mortgage.
- **Account Status** is a two digit number filled in automatically based on timeliness or days late. Once a date is entered into Accounts, Edit, Investment, Date Closed, this field is available for you to describe the close out. Common entries are 11-Current, 13-Paid or Closed Zero Balance, 61-Paid in Full as Voluntary Surrender, 63-Paid in Full as Repossession, 64-Charge off, 89-Deed in Lieu of Foreclosure, 94-Foreclosure.
- **Special Comment** field is a one or two character upper case letter used with the Account Type. Common codes are AS-Closed Due to Refinance, BC-Lease Obligation Satisfied, BG-Lease Terminated with Balance Owing, B-Payments Managed by Credit Counseling Service, C-Payments Made by Co-Borrower, BA-Transferred to

Recovery (Account Status must show late using 71-97), Blank-Removes Previously Reported Code.

- **First/Previous Delinquency** can be filled in only by an administrator. The program calculates this automatically and is available only in case the account was first entered already delinquent.
- **Payment History** Profile is updated automatically and generally should not be edited. The field is filled with B's when first created. Common entries are 0-Current, 1-30 to 59 Days Past Due, 2-60 to 89 Days Past Due. Use the Prefix drop down list for issues such as E-Zero Balance, G-Collection, and H-Foreclosure. If the first export is for a 5 month delinquent account, edit the First Delinquency and this string to show a history of 4321BBB…
- **Original Balance** is filled in as is Original Term. Modify as necessary and remember to edit the term if the account is a mortgage, which is always reported in years.
- **Number of Properties** is included to indicate the number of properties (in excess of one) that secure a single mortgage. This is a requirement for 1098 reporting that was added in 2017.

Mortgage

A special case of credit reporting, with redundant settings to help ensure accuracy:

- **Portfolio Type** is M-Mortgage.
- **Account Type** is 26-Mortgage.
- **Term in years**. For a monthly note, divide the displayed entry by 12 and overtype it with the result.

Bankruptcy

- **Consumer Information Indicator** is entered when bankruptcy is filed.
- The bankruptcy information should be reported using the **Consumer Information Indicator** only one time, then removed one time using the correct code, typically Q-Removes Bankruptcy Indicator A-P.

- For discharges (E-H) or rescission (V-Y), enter the appropriate **Consumer Information Indicator** from the Metro2 Guidelines. If the account is current, **Account Status** should be 11. Enter the date of the bankruptcy notification in the **Date of First Delinquency**.

Close an Account

A final payment must be recorded within the range of dates you export or the payoff will not appear in the file. You cannot record the payoff simply by entering a date and amount in Accounts, Edit, Investment.

For a final Payoff ("Y") payment, the payment amount must be greater than $0. If not, record a final Regular ("R") payment of $0 on a date within your next export range, then enter the date into Accounts, Edit, Date Closed. When one of these two methods is completed, go to Accounts, Edit, CrBureau and check the following fields.

- **ECOA** code is set to T-Terminated.
- **Compliance Condition Code** is set to one of the closed choices, typically XA-Account Closed.
- **Account Status** is set to 13.
- **Special Comment** might be AS-Closed Due to Refinance, BC-Lease Obligation Satisfied, M-Closed at Grantor's Request, Blank-Removes Previously Reported Code.

QuickBooks

NoteSmith® Pro exports transactions in popular financial software formats. Select Tools, QuickBooks from the main menu. Exporting your data in other general purpose formats is done from Reports, Miscellaneous, Custom Reporting.

This routine works with older versions of Quicken and QuickBooks, and also with newer versions (2019+) of QuickBooks with *one important instruction highlighted in Overview below*. Microsoft Money uses the same import routine that Quicken used. For the balance of this chapter, the word QuickBooks is used in place of all three programs, the only difference being that NoteSmith® creates QIF files for Quicken or Money, and IIF files for QuickBooks.

Note that Intuit has terminated importing of data into recent versions of Quicken from local computer files and only supports importing of files from internet banking sites.

Overview

Use these steps to get started quickly, especially if you are experienced in both NoteSmith® and QuickBooks:

1. Go to Tools, QuickBooks.
2. Type the information on the Names tab as you want it categorized in QuickBooks. Save this for future use.
3. Select the dates to include in your export.
4. Click on Export. The file name starts with Q, then the date (in YMD format) and investor code (QYYMMDD-INV). The QuickBooks IIF or the Quicken/Money QIF extension is added automatically.
5. Minimize NoteSmith® and start QuickBooks. The import feature is available from the QuickBooks File menu. **In QuickBooks 2019+, an "Import IIF file" window will open with a button labelled "Import IIF." Do NOT click this. Instead, click "Import it for me" at the bottom of the window. This replicates the import process used in QuickBooks for many years, and is compatible with the IIF file exported from NoteSmith**.

Use the browse button or type in the name of your file and *uncheck* Special Handling for Transfers. The file always will be found on the local hard drive in:
 C:\Users\Public\Princeton\NoteSmith2024\Data\PrintToFile

Details

Exporting is designed to be adaptable to the settings you currently use in your own QuickBooks program. From the main menu, choose Tools, QuickBooks.

New QuickBooks users should set up NoteSmith® first, then export to QuickBooks. The default names for exporting should be used unless you already have different names set up in QuickBooks. Enter the name of your QuickBooks checkbook on the Names tab. When you start QuickBooks, create a new file, then import your NoteSmith® file, all accounts, categories, and classes are set up automatically. You do not need to use the home or business names that come with QuickBooks unless you wish to add them for other business needs.
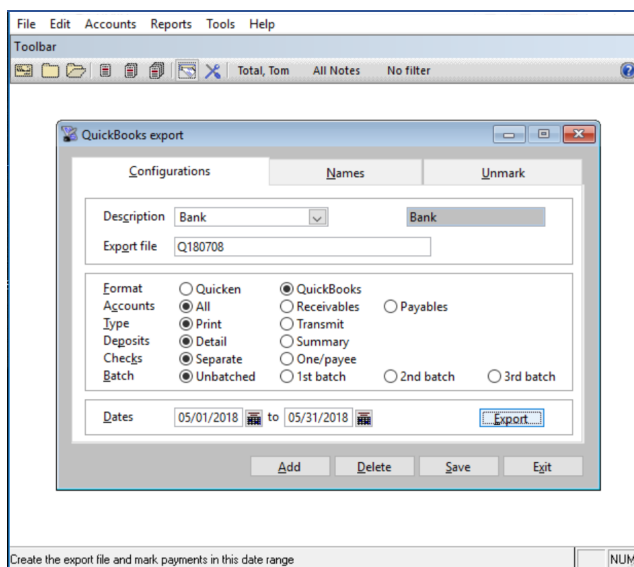
Enter the name of your bank account so the data is imported to the correct register. QuickBooks users must specify a Bank

account, not Undeposited Funds. If you want escrow sent to a second checkbook, enter that name also, otherwise leave it blank. A second IIF including the word ESCROW is created. Import each of the two files into their correct checkbook.

Clear the "Special Handling for Transfers" check box regardless of what the QuickBooks manual says.
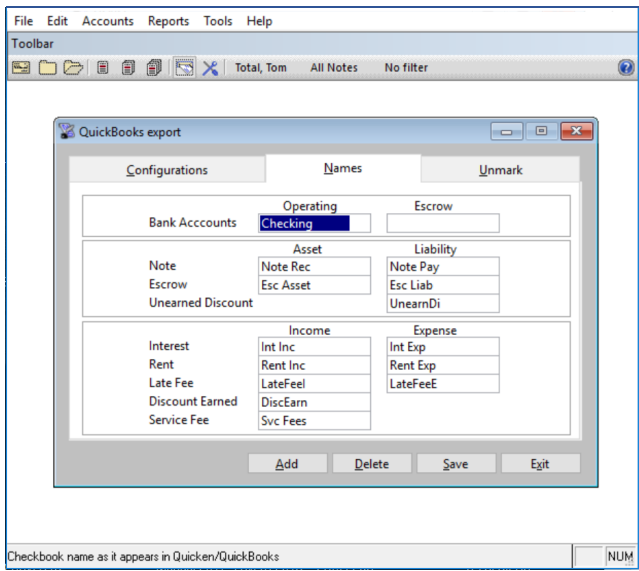
Payments on originated loans have this basic format:

Transaction amount	$ 142.15
Interest income	100.00
[Notes Receivable]	32.15
[Escrow Liability]	10.00

When dealing in discounted notes, the [Notes Receivable] amount is further divided into discount earned and return of capital. Another category, Unearned Discount, is created to store the difference between your cash purchase price and the amount of the amortization schedule you bought. This Unearned Discount is amortized gradually over the life of the loan and is realized as Discount Earned. Use your own QuickBooks terminology to export your data.

A typical discounted note payment has this general format:

Transaction amount	$ 142.15
Interest income	100.00
[Notes Receivable]	32.15
[Escrow Liability]	10.00
Discount Earned	12.15
[Unearned Discount]	-12.15

The "missing" ingredient is Return of Capital, $20.00 in this case, and appears in your books as the difference between the Note Receivable and the Discount Earned. It is not a category that is tracked separately.

QuickBooks allows you to set up both accounts and categories on the fly as you import. These are typical accounts:

Notes Receivable	Other asset
Notes Payable	Other liability
Bank Account	Bank
Escrow Liability	Other liability
Escrow Asset	Other asset

These are typical categories:

Interest Income	Income
Discount Earned	Income
Late Fee Received	Income
Service Fee	Income
Rent Income	Income
Rent Expense	Expense
Late Fee Paid	Expense
Interest Expense	Expense

Service fees that you pay are not expensed, they just reduce Service Fee Income.

When you select import in QuickBooks, choose Y for importing transactions, categories, and accounts the first time you import. You can leave these set to Y each import. The data is already in the NoteSmith® file anyway, and QuickBooks adds any new information from NoteSmith® automatically, in case you add accounts or modify the setup.

You are limited to 20 characters in the conversion for setting up category names, which gives meaningful names that still can fit on reports. Older Quicken versions limited chains of category/class:subclass to 31 characters including punctuation, so each name has a limited length. This is enough to identify and discriminate all categories. Some people use long category and class names that would not fit on a printed page. The 31 characters are adequate to describe your financial data.

Additionally, classes are set up using collateral streets and loan numbers. It would be easier to let QuickBooks set these up during the first import. The street address is truncated at 20 characters. The full 12 character loan number is used. Last names can be up to 15 characters and first names usually 3, with a limit of 15 for first and last together. Collateral is used for the class because the security is how your accounts are grouped. If you had a four-plex with a bank mortgage and a seller financed mortgage, all 6 accounts appear as part of the same class and your QuickBooks reports makes more sense.

Once you have exported NoteSmith® data to a text file (such as Q2024-07-04-INV.IIF), start QuickBooks and import the data. **In QuickBooks 2019+, an "Import IIF file" window will open with a button labelled "Import IIF." Do NOT click this. Instead, click "Import it for me" at the bottom of the window. This replicates the import process used in QuickBooks for many years, and is compatible with the IIF file exported from NoteSmith**. If you are in the right QuickBooks register, your data is sent to the bank register named in the NoteSmith® exporting screen.

You may export as many files as you want, just be sure to name them distinctly. Once a payment is exported to a file, it is marked as exported and will not be exported again. This makes it easy for you to transfer your data without having to track which payments were already done.

☞ Be careful not to overwrite a file that has not been imported into QuickBooks. If you do, use the Unmark tab. Select the correct date range and Export the payments again.

There are two methods of exporting deposits. On the first tab, notice the choice for Detail or Summary. If you wish to have maximum reporting information in QuickBooks, choose Detail. If you are content to keep the detail in NoteSmith® and save both disk space and volumes of information, choose Summary. The Summary type totals each Account, Category, and Class for the dates you indicate and exports only the totals. This is a good choice if you deposit a number of checks on one day at the bank and want to show a matching transaction in QuickBooks for that one deposit slip.

Notes and leases payable (including underlying notes of wraparounds) appear in detail unless you click One/Payee. This sums all the checks owed by payee so you can cut just one check for each person or company entity. NoteSmith® groups checks by exact spelling of the first and last names or, if the Company Pays box is checked on Accounts, Edit, the spelling of the company is used.

The ***** or >>>>>symbols appear in the check number, so you can automatically print or transmit a QuickBooks check for the payments you make and are tracking in NoteSmith®.

NoteSmith® accounts filters and receipts filters in effect allow you to screen out notes which may have no place in your bookkeeping system. Filters allow you to track accounts for a variety of investors, businesses, and other entities without fouling up your own checkbook. Payments can be exported in batches, which are filtered automatically by NoteSmith®.

All exported data is available to you in ASCII file format. You can export your NoteSmith® data to a file, where you are free to modify the data before importing it into QuickBooks. Refer to the QuickBooks help screens for an explanation of the various symbols that are printed.

The exported files are located in the NoteSmith® PrintToFile folder. QuickBooks allows you to browse or enter the path to find the files, which will be found in:
    C:\Users\Public\Princeton\NoteSmith2024\Data\PrintToFile

If you sell a note that has accrued interest, accumulated late fees, and an escrow account, you may wish to review and modify the transaction so it matches the actual paperwork you used to close the sale. NoteSmith® cannot know, for instance, whether accumulated late charges were bought by the new note holder or if you forgave them. Use Tools, Text File Editor to modify any unusual or complicated transaction, or modify the QuickBooks register after importing.

Payments you receive appear as deposits in the bank register. A single letter next to the payor's name designates the payment type ("R" for Regular, "L" for Late, etc.). Payments you make appear with the Payee name on the register line. The address is exported and prints on a QuickBooks check for stuffing in a window envelope. The payor's telephone number appears when a new note is detected to take advantage of Checkfree, the electronic payment program used in older versions of Quicken.

Important Notes

NoteSmith® is intended to be a tool. Be aware that, since you have access to raw data, we cannot promise the integrity of the calculated data. Anyone with a text file editor, such as the one in NoteSmith®, can alter data before importing.

If many people have access to your system, password protect NoteSmith® and QuickBooks.

Remember that it is impossible to do any data validation since both programs do not directly interface. Establish an exporting routine. You might export NoteSmith® data only once, at month end, or match exports to your daily deposit slips. Once the slip is filed, do not resurrect it for exporting.
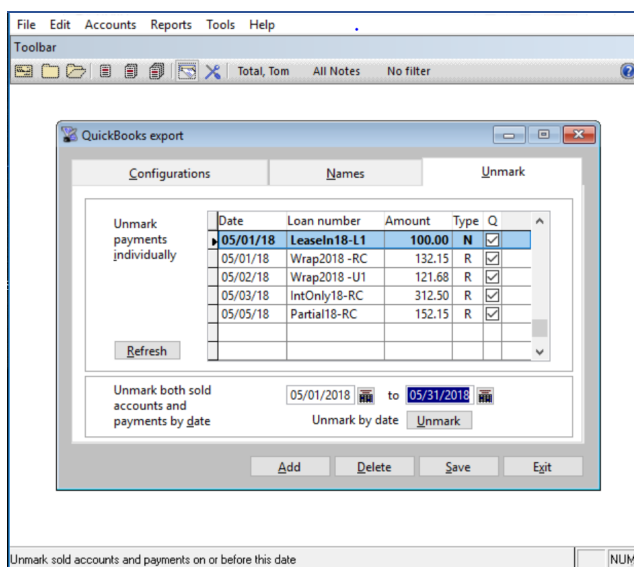
Use the Unmark tab when you exported payments and need to export them again. This tab honors the current company configuration (investor code). Filters are not applied since only the payment database is used. Unmarking causes NoteSmith® to go through the database and remove the marks by date range designating exported payments. Unmark by date range or

unmark individual payments. When unmarking a single payment, NoteSmith® automatically unmarks all the splits if, for instance, the payment included extra principal and shows up as two lines on the payment history.

If QuickBooks reports an error while importing, it is due to a non-USRule payment where deficient interest was added back to the balance of the note. Quicken is cash basis accounting and QuickBooks is double entry accounting. Non-USRule is neither, so the import is not balanced (view the QIF or IIF with a text file editor or word processor to see where) and is rejected. Delete the offending payment, check the USRule box, record the payment, and try the export again.

File names are descriptive of their data to avoid overwriting existing files. The file is named with a Q, the date in YMD format, then the investor code, such as Q2024-07-04-INV.IIF.

Take advantage of Windows to bounce back and forth between NoteSmith® and QuickBooks using ALT+Tab. Export a file from NoteSmith®, then swap into QuickBooks to import the file before anything can happen to it. If you have more importing, swap back to NoteSmith® and export again.

TValue and other amortization programs

NoteSmith® is tested with TValue, the best amortization schedule program available. If figures do not match, NoteSmith® is set up differently than your amortization program because they use the same formulae and rounding. *If your amortization does not match in both programs, you set something improperly.* Technical support has had faxes showing four setup mismatches on the same note! Read the NoteSmith® and TValue manuals carefully. We cannot provide support for TValue. Check the following:

1. The most frequent problem is setting NoteSmith® to exact days (daily) and the amortization program to periodic (monthly) compounding, or vice versa.
2. The dates, terms, or payment amounts are not the same. Check the year carefully.
3. In the case of negative amortization, the USRule settings do not match in both programs. This especially is likely with a zero payment loan.
4. If you are using TValue to match a first month partial payment, go to the Loan Detail Window (F2 from the amount field) to allocate daily stub period interest. Refer to the TValue manual for a mortgage example.

    The Loan Detail Window is the correct way to close a mortgage loan with stub period interest using TValue. This matches NoteSmith® and institutional closings, which prorate the stub period by exact days (daily interest) to the start of the first full period, then switch to periodic (monthly) interest. *This is the only method of prorating the first payment accepted by banks.*

    To prorate the stub period in TValue using daily interest, then switch to typical monthly amortization schedule interest for the remainder of the loan, enter it as an Exact Days loan. At the end of the stub period, enter a Rate Change in TValue but just change to monthly interest instead of actually changing the rate.
5. Amortization programs may force fit interest into each payment period you set up. If you are compounding monthly with the first payment on March 1 and the next on April 3, the amortization program may charge a month and

$2/30^{th}$ of interest to the payment.

NoteSmith® force fits interest if you tell it to count days (check Daily on Accounts, Edit, Note), otherwise it creates an electronic amortization schedule and checks off each payment when you enter a Regular ("R") payment. If the payment is due on the first and you credit it on the third as above, only one month of interest is charged on that payment. The two days are ignored and interest is picked up on them next month. Use this when the note uses language similar to "360 equal monthly payments" or the payor has a grace period when payment can be made *without penalty*. Charging interest on these two days is a penalty, since some of the payor's dollars did not go to principal as agreed in the note.

6. TValue rounds off interest in the final payment period so the note amortizes when you solve for the payment amount before printing the schedule. To print it properly, solve for the payment amount, then re-enter the payment to a whole penny and solve for term. When printing the schedule tell TValue to adjust the last payment.

    NoteSmith® adjusts the final payment to the sum of the last principal amount plus one period of interest. When servicing a note, the payor can only pay in whole penny amounts, so it always is the term that is rounded.

7. The note has accrued interest or partial first month interest. Matching that first payment with NoteSmith® is a variation of the items above:

    a. At Accounts, Edit, Investment of the new note, enter the partial interest as Accrued Interest.

    b. Set Interest Starts to the date of the first payment.

    c. Record the first Regular payment using the amount you received. Select Regular from the pop up menu.

8. Canadian interest was chosen in only one program or the setup does not match. In TValue, Setup, Compute should be Canadian with Odd Days set to "straight line." If the rounding box pops up, choose "Balloon (create an additional payment)."

Other Programs

NoteSmith® can export reports from the Print Options window into TXT, CSV, and PDF (Pro only) formats. For details, refer to the Print Options discussion on page 69.

Custom reporting (Pro only) allows you to choose fields for a report, then output them to printer, 1-2-3, CSV, Excel, dBase, FoxPro, and Tab Delimited formats. See page 209.

Technical Information

System Requirements

NoteSmith® requires a Microsoft Windows 32 or 64 bit computer other than Terminal Server, which is not supported. The program and all associated files take up 60 MB before entering data. Amount of RAM generally is not a limitation.

SegoeUI font is used on screen, reports are printed in Arial, and form letters are user selectable for Arial or Times. NoteSmith® honors window and font size adjustments from Windows Settings, particularly important when run on a high resolution (>1680x1050) monitor.

Program Limits

The following limits exist within the program, and should be broad enough to cope with the most unusual of notes:

- $99,999,999.99 note and regular monthly payment
- 999.999% face interest rate and 999.999% investor yield, with calculations accurate to industry standard 7 places
- Periodic payments spaced at up to 13 month intervals
- 999 payment amortization equal to 83 years of monthly payments or 20 years of weekly payments
- Escrow account, late account, and accrued interest account balances of $99,999,999.99
- $99,999,999.99 per year escrow per note per entity
- Maximum arrearage of $9,999.999.99
- 9 company configurations, unlimited in Pro
- Free disk space is the only limit to payors and payments
- Notepad limit is 750 single spaced pages per account

Form letter files must be less than 64K or about 20 pages, a standard limit with text file editors. Word processors handle large files by reading smaller blocks at a time and are preferable if you will mail merge 20+ page letters per account.

Files

NoteSmith® ships in a format for Windows installation. Setup.exe copies the following files to your hard disk:

PAYOR.DBF	Payor information
NOTEPAD.DBF	Payor notepad
PAYMENT.DBF	Payments received and made
ESCROW.DBF	Escrow information
*.DBF	Miscellaneous data files
NSWIN.EXE	NoteSmith® startup file
NSAPP.APP	NoteSmith® program file
*.CDX	Index files for maintaining alphabetical and date orders
NSYYHELP.PDF	Manual, YY is the program year
*.TXT, *.DOC, BP-*.*	Mail merge files, Word merge files, or boilerplate text files
CB*date*.TXT and CB*date*.ZIP	Credit bureau export files in Metro2 format
Q*date*.QIF and Q*date*.IIF	Quicken (or Money) and QuickBooks export files
Other	Temporary files for Pro users, network files, etc.

Program files are copied into one of these folders, depending if you use 32 bit or 64 bit Windows:

C:\Program Files\Princeton\NoteSmith2024
C:\Program Files (x86)\Princeton\NoteSmith2024

Installation creates these data folders on your hard disk:

C:\Users\Public\Princeton\NoteSmith2024
C:\Users\Public\Princeton\NoteSmith2024\Data
C:\Users\Public\Princeton\NoteSmith2024\Data\Original
C:\Users\Public\Princeton\NoteSmith2024\Data\PrintToFile
C:\Users\Public\Princeton\NoteSmith2024\Data\Backup
C:\Users\Public\Princeton\NoteSmith2024\Data\Backup\Zips
C:\Users\Public\Princeton\NoteSmith2024\Data\Backup\Audits

The Backup folder stores a copy of uncompressed data and the Zips folder stores compressed, encrypted, sequentially older backup copies in PKZip format. The Audits folder stores archived copies of Audit.dbf. The Original folder has empty database files from the original installation media and PrintToFile stores TXT, PDF, and CSV files generated instead of printed.

Pro users can create as many other data folders as desired using File, Setup, Data Folders. Typically, they should be in:
                   C:\Users\Public\Princeton\NoteSmith2024

The database files (*.DBF) are in Microsoft Visual FoxPro9 free table format and can be viewed with utilities provided by major software companies. The data also can be read into many word processors, spreadsheets, and databases for manipulation, display, and reporting. Some of these commercial products allow you to modify the data. *Modifying data files bypasses error checking and indexing, which will cause your program to fail and likely corrupt your data.* Make a copy of any data files you want to view or manipulate. Do not use the originals. The file Fields.txt in the Program Files folder describes the data stored in the main database files.

The *.FPT and *.CDX files are proprietary files and should not be viewed or altered without risk of data loss.

Finally, the *.TXT files are unformatted ASCII (pronounced as-key) text. All major word processors allow you to create or save documents in this format. You therefore can utilize late letters from another program by saving them as plain text, printed text, or ASCII text and copy them to the NoteSmith® Data folder for use by the program.

Calculations

Interest

The periodic (typically monthly) formula for one payment is:

Interest=Balance x AnnualRate / TermsPerYear

The daily (pay date to pay date) formula for a payment is:

Interest=Balance x AnnualRate / DaysPerYear x Days

Discount Earned

The formula is:

DE=((AmtBought-Price Paid) / AmtBought) x Principal Received

Discount earned is the discount ratio times the principal the payor pays to you. For example, suppose you buy a $10,000 note for $7,000. You have a 30% discount in the note. When the payor makes the first payment to you of $132.15, a typical amortization would be $83.33 interest and $48.82 principal. This $48.82 is partially taxable, since you only paid $34.17 for it (70% of $48.82). Discount earned in this case is $14.65.

This formula is used by NoteSmith® for all Total and BSchedule partial purchases. It is important that you have the correct Price Paid and Amount Bought figures in Accounts, Edit, Investment before you start recording payments. The formula is referenced in older copies of IRS Publication 550.

Amortizing Basis (Price Paid) Using Yield

This is how a straight Partial note purchase amortizes. Your agreement with the note seller does not allow for discounting, therefore, you do not get any windfall with an early pay off. You merely receive your unamortized investment.

For this type of calculation to be accurate, you must provide the correct Price Paid and Yield figures in Accounts, Add or Edit, Investment before recording payments.

If you and your accountant prefer to keep your books using this calculation, merely designate your Total notes as Partial notes. Both the discounted method and this method are documented in IRS publications. Be aware, however, that this method generates a higher taxable income during the first half of a loan and the interest that you declare will not match the interest you report to the payor as having been paid.

There is another method of calculating discount earned. You can divide your unearned discount at purchase time by the number of periods you expect to receive payments. It is similar to straight line depreciation. You generate phantom income during the early years of long term notes and balloon notes. Phantom income is taxable on your books even though you have not yet received the cash. NoteSmith® does not support this straight line method.

Last payment: recorded versus incoming

The last payment date is shown on many reports. Due to the nature of each report, it may display either the last *recorded* payment or the last *incoming* payment. For instance, the register report shows any payment recorded that fits your date range while the collections report shows the last incoming payment made by the payor. The types of payments filtered out of reports that need to show the last incoming payment are negative late fee received (debiting a late fee manually), escrow deposit, tax disbursement, and insurance disbursement.

Error Messages

Program error

This is a fundamental error message indicating that the NoteSmith® program file is not interfacing properly with either the computer, Windows, or the data. A few things to check:

- Older NoteSmith® data files do not work with newer versions of the program. Do not mix copies of files from different disks or restore old data into the new program. Use File, Setup to import older data into newer programs.
- Be sure you have a Data folder subordinate to:
      C:\Users\Public\Princeton\NoteSmith2024
- Software running in the background can tie up files that NoteSmith® normally expects immediately. See page 51 for details.

If these items do not solve the problem, highlight all of the text with your mouse, then copy and paste it into an email or the Help, Technical Support report. Recent error messages are captured by this report which contain enough detail so the exact line of code can be researched. Be sure you can duplicate the error and explain exactly what causes it.

This message is used to debug program code. If the computer is set up properly, it *could* indicate a problem in the program that no one else has found. This is unlikely due to thorough testing and should only be considered after the items above are exhausted.

Error: File is unavailable

There are a number of reasons for this depending on what you were doing. During backup, the message appears if your media is unformatted or write-protected or if you put media in one drive and have backup set for a different drive letter.

Go to File, Utilities and choose Maintenance. If you receive error messages, you have a hardware compatibility conflict. Normally, maintenance solves the problem.

NoteSmith® and Pro users running the program on a network could get this error if two users are trying to share files because these are single user versions. NoteSmith® Network users need to be sure read and write privileges are granted to the shared hard disk or at least to the server's shared folder:
<div align="center">C:\Users\Public\Princeton</div>

This error could result from a corrupted data disk (your hard disk is failing), from a user deleting required files, or from anti-virus software not scanning quickly enough. The file causing the problem is specified at the bottom of the error box. It may be best to go to File, Utilities and choose Restore.

Error: Cannot update the cursor

This also may appear as Error 1705: File access is denied. Anti-virus software or automatic backup software may be set to scan every file as it is used. NoteSmith® may open as many as 14 files at one time, some of them temporary, and your anti-virus software cannot scan and release the files in time. See page 51 and read Frequently Asked Questions in Help, Technical Support for detailed suggestions on excluding files.

If you run NoteSmith® Network Workstation, check that full access was given to the correct folder and subfolders *on the server*, which is C:\Users\Public\Princeton.

Windows defaults to read only sharing. You must have full (read/write) access to all the disks, folders, and files NoteSmith® uses. Some servers prohibit sharing of files on its C: drive. Exit NoteSmith® and see the Installation section which starting on page 31, which contains information about alternate data folders.

Error: No payments available

You screened out all payments or payors from view. Go to File, Company Configuration, and change the dates to encompass the data you seek or just choose the All Notes configuration, making sure the investor code is blank.

Error: Numeric overflow

A numeric overflow error is generated when a number is too large for its field. Typically it is from entering an incorrect number of remaining payments when adding a new note or leaving it set to zero. After 99 payments are recorded, the number "-100" cannot be saved because that takes 4 digits.

NoteSmith® pops up a warning when you try recording payments to such an account, then zeroes the remaining payments, balance, basis, return of capital, and discount to protect the rest of your data. A numeric overflow error results only from ignoring the warning. This error appears in Reports, Miscellaneous, Exceptions and File, Utilities, Maintenance.

Go to Accounts, Record, delete all the payments to the clipboard (see Del2Clip on page 131), go to Accounts, Edit, Note to enter the correct original number of remaining payments, Save, then paste the payments back in from Accounts, Record, choosing Clipboard as the payment type.

Error: Database

If you were trying to restore your data from removable media, exit NoteSmith® and start it again. If you were not restoring, one of the database files on disk likely is corrupted. It is an error at the Windows system level and cannot be corrected by NoteSmith®. *Do not back up your data at this time!*

Try the following items in order:

- Restart NoteSmith® and go to File, Utilities, Maintenance.
- Restore your data from the most recent backup. Go to File, Utilities, Restore, and enter your hard drive letter.
- Restore from a zip backup. Go to File, Utilities, Restore, enter your hard drive letter, and check the Zip box.
- Try restoring from successively older backup media or the optional online backup until you are successful.

Error: File "filename" is unavailable

The file name might be NSApp.app or any other name that does *not* end with DBF. You *cannot* restore these from File, Utilities, Restore or from a backup made within NoteSmith®. You have to reinstall from the NoteSmith® media and choose Repair from the menu that appears.

Error: File "filename" has become corrupted

If this message appears on program startup, you may have had a power outage while NoteSmith® was idle at the main menu, especially if file Proption.dbf was corrupted. If a different file is named, power may have been lost while the program had data files open. Possibly your hard disk is failing or your network slowed to a crawl. A user may have allowed Windows to reboot after it updated itself, instead of exiting NoteSmith® normally to close its files properly. Investigate the original cause, which is hardware based.

Your data is "self-healing", which means NoteSmith® can recover the file automatically. Depending on the file and any backup copies stored on your hard drive, the file simply may be recovered or NoteSmith® will present a list of options. In rare cases, the recovery file may have the same damage as your live file, in which case a full data restore is necessary from File, Utilities. Use the C drive, a Zip file, a recent removable media backup, or the optional online backup.

Error: Out of memory

Exit NoteSmith®, close all programs, and restart the computer. If the problem persists, increase the amount of RAM in your computer. Be sure there is enough free hard disk space. Check from Help, Technical Support, Data.

Warning: Database fails integrity check

This message only appears when recording payments. It means that your hard disk lost a block of data from the middle of a database and all your data is now suspect. Go to File, Utilities. If Maintenance does not fix the problem satisfactorily, you need to Restore from either the C: drive, a Zip file, removable media, or the optional online backup.

Printer not available

The printer buffer is not large enough or is being used heavily on the network. This message comes from Windows and is beyond the control of NoteSmith®. Minimize NoteSmith®, click on Start, Settings, Devices to see what may be wrong. If most reports print properly but the printer hangs repeatedly on one report or form letter which can be previewed successfully, contact technical support.

If you have a fax modem connected to your computer, Windows allows you to print to it as if it were a printer. When preparing to print a report, if your fax modem is the default printer, NoteSmith® calls up your fax software. At that time, NoteSmith® makes sure your fax modem is available. When you decide to print the report to a regular printer instead, you have to cancel the fax program and NoteSmith® receives a message that your printer is not ready after all. An error message results, which you then can cancel. Make a real printer the default printer under Windows.

Technical Cautions

A backup routine has been provided to protect your data. Run it frequently and keep one copy off site or, for a small additional annual fee, save to the NoteSmith® web site.

Anytime you receive a program error, follow the directions on screen, then go to File, Utilities, Maintenance. This routine checks your data files and can repair many common problems.

If you leave your computer for any length of time, exit NoteSmith®. In a power outage, no data will be lost since all data files are closed and stored on disk. If the power fails while you are printing or entering data, files may be corrupted. If so, first try File, Utilities, Maintenance, and fall back on Restore as needed. *Do not run the backup routine if your data is suspect!*

Run your Computer at Maximum Speed

NoteSmith® is a typical database program. Databases are large files which need to be accessed frequently to manipulate the data you request. Here are some suggestions to speed it up, which will benefit most of the programs you use.

1. Get a fast hard drive or a solid state drive with plenty of extra storage space. Hard disks are inexpensive considering the amount of storage and speed they offer.
2. Add RAM. Newer versions of Windows require at least 2GB of RAM and operate best with 4GB+.
3. Networks are fastest when connected using a network cable or, secondarily, a strong, high-speed wireless signal. A weak or slow wireless network cannot transmit data quickly.
4. Use the Windows disk defragmenter program. As you create larger files, such as when recording payments, Windows stores the new information in the next available free spot on your hard disk. When your disk needs to read consecutive NoteSmith® payment records, they may be physically located at opposite ends of the disk. Defragmenting recopies these pieces so each file is contiguous and related files are stored together.
5. Use the fastest CPU you can afford. An accelerated video card helps speed the redrawing of various windows, but NoteSmith® is not demanding in this regard.
6. In NoteSmith®, run File, Utilities, Maintenance at least once a month. Make sure there is adequate space on your hard disk so NoteSmith® can make a copy of your data, permanently strip out the deleted records, and reconstruct the database.

Technical Recommendations

Over the decades, the support staff has dealt with many questions, and a number of common themes have emerged. Here are a few recommendations:

1. *Do not let anyone make a change to your PC that you cannot undo.* This is a common sense suggestion that is not specific to NoteSmith® but is a good general rule.
2. *Follow our installation steps exactly.* Get the program working *exactly* as our directions specify so that you can see the program works as advertised. Our most frequent technical support questions involve NoteSmith® Net and installation directions which were not followed *exactly*.
3. *Keep our data in the default folder location.* Next year, the new program will expect to find the data in the old location. The installation is designed to be no more than a 2 minute job per computer and will be less than that when renewing if the directions are followed.
4. *Data can be copied to a central location the customer might use for system-wide backup.* It is not necessary for the live data to reside at a central location. NoteSmith® can be set up to make a copy to a drive, or a folder mapped to a drive letter, with only 2 mouse clicks.
5. *There is no reason to edit the Windows Registry.* If the NoteSmith® installation or program fails, both the installation media and the program code contain tools to repair itself. Editing any NoteSmith® registry entry is a violation of the NoteSmith® End User License Agreement (see NEULA on page 3) and copyright law.
6. *Document anything you change that is not part of the printed directions.* Leave a copy stapled to the Installation Guide for future reference.

Contacting Technical Support

We are committed to help you with NoteSmith® and you can receive technical support a number of ways. *Take a few minutes to read the following pages to get the most from our service in the shortest period of time*. We offer assistance through the internet and through the program, which are quickest, and by fax or email as part of your licensing fee. Postal mail and telephone support are not available.

Receiving Immediate Support

Many problems can be solved quickly by checking our documented responses. If you have a question, it is likely that someone else has had the same question before you. To save you time, we document answers to most questions we see.

We recommend you seek an answer in this sequence:

1. Check the index of the printed manual or search the PDF manual from the Help menu.
2. Go to File, Online, Update to download the most recent program files. Upon completion, exit and restart the program to see if the new files solve the issue.
3. The latest Frequently Asked Questions (FAQ) file is downloaded when updating, so search it from Help, FAQ. This is the same file NoteSmith® technicians use.
4. If none of these solved the issue, contact the support staff for a personalized response (see below).

Receiving Personalized Technical Support

NoteSmith® is supported primarily using the sequence above. If your issue is addressed by the publicly posted items, your personalized response will redirect you there. Shorten the turnaround time by working through the sequence above before contacting support for a personalized response.

Email and toll free fax are used to provide personalized support. Support by postal mail and telephone are not offered. Contact

information is on the last page of the printed manual, the Referral page, and the Installation Guide.

Our goal is to have a response to your question by the next business day, although most are answered the same business day. During the past decade, 99% of our responses were on your desk the same business day or before you arrived for work the next morning. To accomplish this, all questions must be triaged through one central office. Follow our guidelines below to keep the process moving as smoothly as possible.

The support response you receive can be only as good as the detail in your question. This also applies to your contact information, so provide your correct *company name, personal name, email address, and fax number on all correspondence.*

Email

We prefer email as a first contact. The support email address appears in the back of the manual, which you can use anytime through December 31, 2024. Check your spam filter if you do not receive a timely response.

Application of payment questions must be accompanied by the payment history and setup report, so "print" them to a low resolution PDF and attach the files to your email. Copy the text of error messages with your mouse and paste into an email. Reduce the size of screen prints, paste them into a Word document, and attach it. If you cannot attach files to an email, try faxing. Our email spam filter disallows huge photo files of your monitor and high resolution pages scanned to PDF.

Fax

It may be easiest to fax your question when we need to see a report that you see. The toll free, technical support fax number which you may use through December 31, 2024 is listed in the back of the printed manual, on the Referral page, and in the Installation Guide.

These guidelines ensure that you receive an accurate response by the end of the next business day.

- Compose a letter from Help, Technical Support, Fax. Use that as a cover sheet, which provides data about your computer, program settings, and the last error message displayed. *Do not fax us your company letterhead or handwrite questions on blank paper.*
- Print any reports we need to see. Write on them when necessary. We must see the history and setup reports if your question has to do with application of payments.
- Do not fax screen prints or photos. Fax machines turn images into illegible black on black. Use email instead.
- *Include your 24 hour fax number in the transmission header and on your question.* If we cannot connect, your answer and an invoice will be printed and mailed.
- Check your email inbox and spam filter for a reply.

Mail

Response by postal mail is not included in your purchase price due to the time it takes to prepare. Mailed responses incur a minimum charge. A technician may suggest mailing lengthy reports or screen prints, for which there would be no charge. The mailing address is listed in the back of the printed manual, on the Referral page, and on the Installation Guide.

Telephone

A dial-in telephone support number is not offered, which allows us to sell NoteSmith® for about one third of the price we would have to otherwise. Notice that is one third *of* and not one third *off*! In our experience, almost all questions can be answered in a day by emailing or faxing the correct reports so we can see your problem.

Technical Support Eligibility

Technical support is available to NoteSmith® users subject to these items:

- Support is provided only for the current calendar year NoteSmith® program and, during the final annual quarter, for the next year's program if it has been released.
- New users should return the registration form. Renewal users do not have a form to return.
- New users who license NoteSmith® in the first 3 quarters of the year receive support through December 31. This will be shorter than a year for the initial license because support for any version always ends on December 31 of the year for which the program was released.
- New users who first license in the last quarter of the year receive the next year's program and technical support through December 31 for the year that program was released. This will be longer than a year.
- Renewal users receive support through December 31 of the year for which the program was released. It can be renewed by subscription. You will be reminded by mail, email, and within the program during the last quarter of the year. Users who renew subscriptions receive support until the next December 31, which is a full year if renewed timely and less than a year if renewed late. The lowest renewal price is available before the new year begins.

Next Business Day Turnaround Time

When you fax or email a question, expect to receive a response by the end of the next business day. If you do not receive a timely response, resend your question once. It is possible your question or answer was lost electronically in either direction.

When you do not receive our response, it is common that your fax machine did not broadcast the correct number (see your fax manual) or your fax did not answer. Your fax machine should show your fax number in the transmission line at the top of the page so ours can flag that it was you if it failed or (yes it happens) the page was put in blank side to the scanner. Our

preferred method of response is email, even if you fax to us first, so check your email and its spam filter.

When we do not receive a question, it is due to one of two things: Your fax was not sent to our number or your email ended up in our spam filter. Obviously, the former is easier to fix. If the latter is at issue, email using plain text, no fancy fonts, no background stationery, no ALL CAPS, no links to other sites, no crude words, and no sales-speak, all of which are captured by our sensitive spam filter and deleted.

If you do not hear from us after one full business day, try again, possibly using a different method. Reference your original attempt, giving us the date, time, and fax/email you used. We will see if we can find what happened to it. Note that if we sent a timely response using the contact information you provided, we may mail an invoice for research time.

Why We Handle Technical Support as We Do

The quickest way we can help is to answer questions before they are asked. Answers are documented in this manual, in on-screen help, and at the NoteSmith® web site. See above.

The best way we can help personally is for you to show us what you see. Email and fax are the best ways to accomplish this. Faxing a history gets you a much more accurate and timely answer than if you tried to read it over the telephone.

Email and fax eliminate telephone tag and long periods on hold. PCWorld estimated that it takes the average user 30 hours to speak to a support technician if they require support by phone. Also, we have seen technical support programs as high as $100 per month or even $95 per call! These are brought to you by well-known software companies. We can eliminate both the wait and the cost if you fax or email to us.

A few years ago, we studied the feasibility of adding on-demand voice support. Our conclusion is that offering this service would more than double *and possibly triple the price of NoteSmith® assuming we lost no users at the higher price.*

We use your correspondence to document answers to frequently asked questions, to improve the manual, and to modify the code to avoid similar issues in the future.

Finally, our support is cheap by any standard. NoteSmith® is highly specialized, niche software marketed to a limited audience. It is not a mainstream retail product. We are as reasonably priced as we can be without sacrificing the quality and timeliness of your responses.

Training

Training is not offered for NoteSmith®. Specifically, the technical support staff does not provide training by email or fax. It would not be practical nor is it advertised as available.

It is expected you have loan servicing experience already and that you will take time to familiarize yourself with the software by reading the printed manual. Significant time is devoted each year to editing the manual so that all questions we can anticipate are already answered and accessible for you. A quick start tutorial is available from the Help menu.

We never release customer names and addresses, so we are unable to provide you with NoteSmith® users in your area. Realize that they have their own businesses to run and it is not their responsibility to provide training on servicing loans to your company.

Conclusion

With a good understanding of the information here, or knowing where to find it if you need it, you and NoteSmith® should get along fine.

If you find this a useful, efficient program that has helped your business, tell your friends and associates. We even provided a tear-out referral page in the back of the manual you can give away.

If the program does not help your business, tell us. The majority of improvements to NoteSmith® since 1988 were generated by user requests. If there is something that could be done better, we want to add it.

Thank you for selecting our software. Best of luck with all your investments.

Wayne J. Lonowski
Adagio Systems, LLC/
Princeton Investments
September 15, 2023

Referral

The best confirmation that we are doing a good job is when we discover a new NoteSmith® order arrived as the result of a referral from a satisfied customer.

If you have a friend, relative, or business associate who could benefit from the cost effective and comprehensive NoteSmith® software, tear out this page and give it to them.

Thank you for your continued support.

NoteSmith® Software

The NoteSmith® family of loan servicing software tracks mortgage notes, discounted notes, leases, rent, and other cash flows. Perfect for investors, loan companies, and not-for-profit organizations, NoteSmith® is affordable, easy to use, and fully featured. Used nationwide since 1988 and internationally since 1995, NoteSmith® was designed for DOS and later upgraded for all versions of Windows through Windows 11, both 32 and 64 bit.

Our products were created for internal use and modified based on the suggestions of our loyal users. Loan originators, mortgage lenders, note buyers, real estate investors, attorneys, accountants, and charities know that our products are updated for them and will continue to serve their needs for years to come.

Thank you for using NoteSmith®.

Adagio Systems, LLC/
Princeton Investments
1001 E Harmony Road, Suite A-110
Ft. Collins, CO 80525
888-226-2486
www.NoteSmith.com

Orders (No technical support or annual renewals)
Email: Orders@NoteSmith.com
Telephone: 888-226-2486
Fax: 888-227-2486

Technical Support (Current year support or annual renewals)
Email: Support@NoteSmith.com
Fax: 888-227-2486 or 212-500-0019

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Adagio Systems, LLC/
Princeton Investments
1001 E Harmony Road, Suite A-110
Ft. Collins, CO 80525
888-226-2486
www.NoteSmith.com

Orders (No technical support or annual renewals)
Email: Orders@NoteSmith.com
Telephone: 888-226-2486
Fax: 888-227-2486

Technical Support (Current year support or annual renewals)
Email: Support@NoteSmith.com
Fax: 888-227-2486 or 212-500-0019

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