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# FieldSolutions

## Freehand

## Product Overview

Field Solutions Ltd

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# Freehand Product Overview

## ***What is Freehand***

Freehand is the industry-standard finance quotation calculator in the asset finance small- and middle-ticket markets.

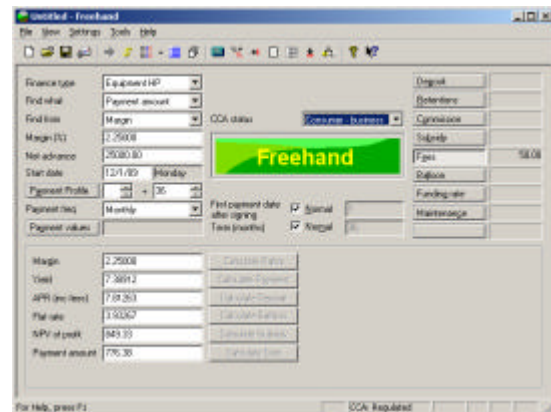
## ***Aimed at***

Freehand is designed for use by finance sales and operations staff, to perform new business quotation calculations, to verify and adjust submitted quotes, and to evaluate performance of live agreements. It is used by direct sales forces, operations and pricing departments, intermediaries, dealers and vendors.

## ***Benefits***

Freehand is easy to use, with simple intuitive data entry screens. Calculation parameters can be centrally controlled, ensuring consistency of pricing across the organisation; or can be controlled by the end user, allowing total flexibility.

Pretty well any new business or administration system's calculations can be matched, ensuring consistency of calculation from front-end to back-end.



Freehand is fully CCA-compliant, not only calculating CCA APR and early settlement figures but providing comprehensive contract completion reports to reduce or eliminate document completion errors.

Fully up-to-date with lease tax changes in FA2006, FA2008, Freehand also handles the car capital allowance changes proposed for FA2009.

## ***Range of calculations***

Freehand provides a comprehensive range of calculations:

- Lease, hire purchase or loan.
- Leases pre- or post-tax.
- Calculates pretty well any financial amount or interest rate.
- Supports a range of interest rate measures to match customer's and lender's requirements.
- Simple or structured repayment profiles, including seasonal payments, cash deposits, part-exchange, balloons and residual values.
- Supports customer-invisible elements such as commissions and subsidies.
- Early settlement and extension/balloon refinance calculations.
- Insurance calculations including Gap, PPI.

## Reports

Extensive reporting capabilities include full actuarial amortisation schedule (including tax computation for tax-based leases), hard-copy listing of input data and calculated results, contract completion report, and client-specific documents including printed contracts, quotation letters and proposal forms.

Proof reports are available for CCA APR and settlement calculations.

## Customisation

Extensive customisation and personalisation is a standard feature of Freehand. The product can be branded for the lender or intermediary. Features not required by the organisation are eliminated to provide the simplest possible appearance to the end-user. Availability of features and control of parameters can be varied by user group within the organisation, allowing control to be maintained centrally or delegated outward as required.

## Schemes

Freehand supports pre-defined lender commission schemes, allowing intermediaries to verify commission calculations before submitting proposals to the lender.

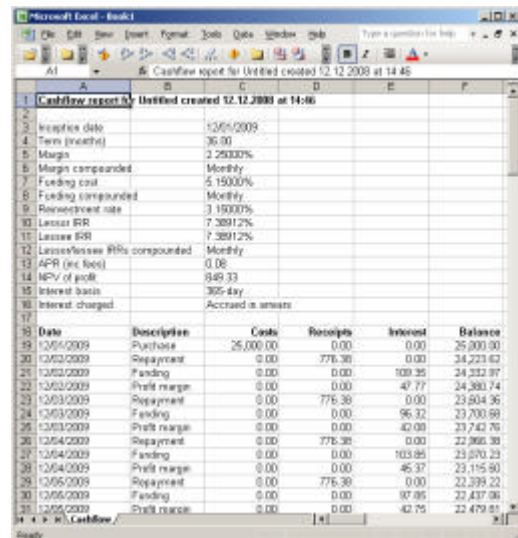
Freehand also supports manufacturer subsidy schemes, allowing vendor and sales-aid users easy access to promotional offers.

## Platforms

Freehand runs on any 32-bit Windows-based PC, from the original Windows 95 up to Microsoft Vista. The program can be installed locally on the user's laptop or desktop PC, or can be installed on a central network for shared access.

## Interfaces

Calculation parameters (including user privileges and security, funding rates, commission and subsidy schemes) can be controlled and distributed using Field Solutions' internet-based Field**Control** system. This allows central control of parameters with automatic updating of end-user systems.



Date	Description	Costs	Receipts	Interest	Balance
12/01/2009	Purchase	25,000.00	0.00	0.00	25,000.00
12/02/2009	Repayment	0.00	776.36	0.00	24,223.63
12/03/2009	Funding	0.00	0.00	109.85	24,333.47
12/04/2009	Profit margin	0.00	0.00	47.77	24,381.24
12/05/2009	Repayment	0.00	776.36	0.00	23,604.88
12/06/2009	Funding	0.00	0.00	96.32	23,701.20
12/07/2009	Profit margin	0.00	0.00	42.09	23,743.29
12/08/2009	Repayment	0.00	776.36	0.00	22,966.93
12/09/2009	Funding	0.00	0.00	103.85	23,070.78
12/10/2009	Profit margin	0.00	0.00	45.37	23,116.15
12/11/2009	Repayment	0.00	776.36	0.00	22,339.79
12/12/2009	Funding	0.00	0.00	97.85	22,437.64
12/13/2009	Profit margin	0.00	0.00	42.75	22,479.89

# Freehand Datasheet

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## Asset depreciation schedules

Asset depreciation schedules can be entered or imported from spreadsheet. Primary calculation then works out the asset value at all points in the agreement, showing in the amortisation schedule (see below) the asset value compared to the outstanding balance. Warning message is generated if at any time in the agreement the outstanding balance exceeds the asset value.

## Balloon refinance/extension/secondary rental calculations

- For balloon refinance, task calculates payment value, margin or revised balloon; allows different margin and/of fundcost from agreement primary period; for leases, allows different tax pool treatment from primary period.
- For residual-based lease extensions, task calculates extension rental amount, margin or revised residual value; allows different margin and/or fundcost from lease primary period; allows different tax pool treatment from lease primary period; allows market value of asset at end of primary period to be entered, basing extension calculation on actual market value rather than originally-booked residual.
- For finance leases, task calculates secondary rental or achieved margin; allows different margin and/or fundcost from lease primary period; allows different tax pool treatment from lease primary period.
- Amortisation schedules are available to show the full results of the recalculation.

## Calculated results

- Results area of main screen shows margin, lender's nominal IRR, CCA APR, Flat rate, NPV of profit, payment value (for structured payment profiles, shows first calculated value after start date), calculated non-payment amount (deposit, balloon/residual, commission, subsidy, cost).
- Additional disclosure (e.g. net margins, inclusive or exclusive of customer fees, contribution, customer nominal IRR, payment per week, rate/£000) can be added to suit lender or intermediary.
- User can overwrite any result and recalculate without needing to change calculation target or amend input data:
  - ? Recalculate interest rates.
  - ? Recalculate payment amount (for structured payment profiles, preserves ratios between solved payments).
  - ? Recalculate other amounts - deposit, balloon, commission, subsidy or cost.

### **Calculation limits**

- Upper and lower limits can be set on a number of variables:
  - ? Net advance.
  - ? Deposit percentage and/or number of advance payments.
  - ? Pause to first payment after signing.
  - ? Interest rates - margin, NPV or profit, APR.
  - ? Agreement term.
  - ? Customer fees.
  - ? Commission.
  - ? Terminal payment percentage (table of maximum percentages by year, separately for cars and other assets).
- Where user has access to Limits settings screen (see Configuration) limits are advisory.
- Where user does not have access to Limits screen, limits are mandatory.

### **Calculation targets**

Freehand can solve any of the following:

- Payment (rental) amount.
- Deposit/prepayment.
- Balloon or residual.
- Commission.
- Subsidy.
- Cost/net advance.
- Agreement term/number of repayments.
- Interest rates.
- Audit (used to establish reconciliation between Freehand calculations and other systems).

### **Commissions**

Freehand allows commission values to be entered or calculated. Commissions are assumed to be paid out on start date.

- Up to three commission amounts (payable on start date) can be entered.
- Primary commission amount can be targeted.
- Where controlled by lender, Freehand supports dealer/intermediary commission schemes; schemes can be based on difference in charges, share of contribution, percentage of net advance or other basis; subject to minimum net margin, net PV or net contribution limits. Commissions can include share of customer fees, or reduction where minimum fee levels or other limits are not achieved. Commission shares can be banded by net advance and/or gross margin.

### **Components of Net advance**

Freehand calculates the net amount advanced from the following input data:

- Cost.
- Cash deposits to lender and/or dealer/vendor.
- Part-exchange.
- Less settlement on part-exchange.
- Carry-over.
- Road-fund licence(s).
- VRT (Ireland).
- Automatic calculation of VAT at prevailing rate.
- VAT amounts can be manually overridden to match supplier invoices.
- VAT difference can be collected, deferred or fully funded.

## **Configurability**

Freehand's configuration mechanism allows Field Solutions to set up different configurations for different clients, and allows clients to have different levels of user access to calculation features and to settings.

At least one configuration must exist; if more than one exists, Freehand displays a picklist on loading to allow the user to select the required configuration.

Configuration controls a large number of features, including:

- Available agreement types, calculation targets and interest rate types.
- Available payment frequencies.
- Available calculated result fields.
- Access to main screen features: consumer, lease type, car HP VAT treatment, override pause date and agreement term, structured payment profiles.
- Access to subsidiary data entry screens and features within them: deposit, retentions, commissions, subsidies, customer fees, balloon/residual, override funding rate, sundry receipts, maintenance.
- Names of Settings and Defaults files to use, allowing different configurations to share settings.
- Names of graphics files to use, allowing branding.
- Names of documentation report templates and their availability.
- Availability of components of net advance: dealer/supplier deposit, part-exchange, carry-over, road-fund licence(s), VAT deferral, lease deposits VAT-inclusive.
- Availability of menu options: summary & amortisation schedule reports, RV details report, settlements & extensions tasks, rate conversion task, batch test task.
- User's access to settings screens and options.
- Whether a lender's commission scheme must be loaded.
- ... and much more.

## **Consumer Credit Act**

Freehand is fully CCA compliant, and supports Consumer business lending, Consumer non-business lending and Non-consumer lending.

## **Cost of funds**

For margin plus cost of funds calculations, cost of funds is determined by:

- Looked up from table by agreement type and term.
- or Manual override.
- or Automatic calculation of basket rate from swap rates based on weighted average balance.
- or Entered as rate/£000.
- Reinvestment rate looked up from table, calculated from applicable cost of funds or manual override.

## **Customer fees**

Freehand accommodates customer fees within CCA APR and settlement calculations:

- Documentation (administration/facility) fee, collectable on signing, with first subsequent payment, on specified other date, or spread over contract term (funded or unfunded).
- For hire purchase/loan contracts, documentation fee can be VATable or non-VAT.
- HP option-to-purchase fee (collected with last actual customer payment), can be VATable, non-VAT or automatic VAT calculation based on de-minimis limit.

## **Expiry**

The Freehand program is normally distributed with an expiry date. Licence updates are distributed by disk or email, or via [FieldControl](#).

Additionally, an expiry date can be set up in Settings. If the user has access to the corresponding settings screen, the expiry date is advisory; otherwise it is mandatory.

## **Finance types**

- Lease, Car lease, Hire purchase, Car hire purchase, Loan.
- Car agreements are generally entered VAT-inclusive; all others VAT-exclusive.
- Leases – pre- or post-tax.
- Leases – finance lease or operating lease.
- Tax-based leases – pooled (run-on) or depooled (accelerated, balanced).
- Tax-based car leases post FA2009 – based on emissions bands.

## **Help screens**

Full context-sensitive help screens are available, from the Help menu, Toolbar button or by pressing the F1 key.

## **Insurance calculations**

Insurance products such as payment waiver and gap can be specified. A comprehensive parameter specification screen allows pretty well any insurance product to be modelled.

Where insurance such as Gap requires a manually entered premium, this is entered on Freehand's main data entry screen.

## **Interest rates**

- Available Interest rate measures: margin over cost of funds, lender's nominal IRR (pre-tax), Consumer Credit Act APR, flat rate, NPV of profit, Rate/£000.
- Daily interest calculations on UK 365-day, actual/360, EU or US 30/360-day bases.
- IRR calculations on a periodic basis, at specified frequency or payment frequency.

## **Lease options - general**

- Where residual value (or part thereof) is guaranteed, Freehand can account for residual value guarantee fee.
- Performs SSAP21 90% test; generates warning if entered lease classification differs from SSAP21 test result.
- Automatic calculation of SSAP21-compliant residual value, i.e. minimum RV needed to achieve operating lease status or maximum RV needed to achieve finance lease status.

## **Lease options - tax**

- Margin gross or net of tax.
- Where multiple tax operating companies are set up, selection of applicable tax company by rule (earliest, latest, specified) or by user selection. Different rules can apply to finance and operating leases.
- Expected sale proceeds entered when required (pooled finance lease); pooled operating leases use entered residual value as sale proceeds.
- Automatic classification of lease under FA2006 (long funding lease regulations) or manual override. Asset economic life 65% test can be applied or disapplied. A warning is displayed if calculated long funding lease status differs from entered classification.

## **Maintenance**

- Maintenance charge entered as amount payable to supplier per payment interval.
- Assumed to be collected from customer and paid out to supplier concurrently; no timing differences affect interest calculation.

## **Other cash items**

- Retentions – up to 10 retentions or stage payments; any amount not specified as a retention is assumed to be paid out on start date. Retentions may have tax-point as start date or payment date.
- Sundry receipts – up to 10 receipts not forming part of the regular repayment profile. If specified as Grant, does not form part of customer interest rates (APR, Flat) or appear in customer reports.
- Terminal payment (balloon or residual value); by default received at agreement end date but collection date can be manually overridden. For leases, select whether terminal payment is a balloon (payable by customer), residual (own risk) or third-party guarantee (buyback).

## **Other tools**

- Currency conversion: Freehand operates in a single currency at a time, but all money amounts can be converted at entered exchange rates into other currencies.
- Rate conversion task shows effect on interest rates of changing compounding frequency.
- Notes can be entered and saved with the evaluation for later reference.
- Batch test task, designed to provide clients with an easy way to validate program upgrades; automatically recalculates a batch of test results, reporting any differences in primary results (payment value, margin, settlement value, etc).

## **Reports**

- Customer payment report shows in tabular form total customer payments per month, including HP VAT and customer fees.
- Summary report lists all input values (including applicable settings) for file hard-copy.
- Residual value details report (on screen) shows details of SSAP21 classification for both lessor and lessee: PV of residual, PV of minimum lease payments, maximum risk for finance lease classification (or minimum risk for operating lease classification), maximum risk for FA2006 funding lease classification; PV of lease rentals at lessee's implicit rate, lessee's probable SSAP21 classification.
- APR proof report shows details of calculation of the Consumer Credit Act compliant APR, including where payments do not fall at whole-month intervals the calculation of time periods in accordance with Regulation 11 of the Total Charge for Credit regulations.
- Amortisation schedule shows full details of the margin/fundcost calculations, showing for each applicable date details such as date, description of cashflow, costs, receipts, funding, profit, tax, balance outstanding, accrued interest, capital movement.
- Amortisation schedule column layout is user-specifiable.
- Amortisation schedule shows annual summaries of interest and (where applicable) tax computation.
- Amortisation schedule shows weighted average balances by funding period, and where applicable details of calculation of weighted average basket rate.
- Standard documentation reports provide contract completion details, in particular showing full CCA disclosure for regulated hire purchase, credit and hire contracts.
- Customer-quality printed reports can be added: quotation letters, proposal forms, customer contracts.
- Where specified by the lender or intermediary, data capture screens allow entry of non-financial details needed for document completion – customer, goods, bank, guarantor details, etc.
- Customised reports can be generated as word-processor files (e.g. Microsoft Word), spreadsheets (e.g. Microsoft Excel) or Adobe PDF files.

### **Saved data files**

- Proprietary binary file.
- Automatic task to email saved files to mail recipient (using MAPI).

### **Settings/Standing data**

Extensive parameter screens to allow full control over calculation methods, etc, and include:

- Table of funding rates (see [Funding rates](#)).
- Daily rate calculation settings include compounding frequencies and regular compounding dates for profit and fundcost, daily basis (365/360/etc).
- Nominal calculation settings include compounding frequency and whether 'whole period' (i.e. ignoring actual days and assuming all payments are whole-months apart).
- APR calculation settings allow divergence from strict CCA compliance in order to match lenders' own systems.
- Flat rate calculation settings specify one of four different calculation bases, giving a lender's or customer's flat rate.
- VAT rate.
- CCA consumer business lending threshold.
- Rules for calculating the default agreement term and default terminal value (balloon/ residual) date.
- Default customer fees and VAT status.
- Parameters used in settlement calculation, allowing lenders' decisions as to methodology to be implemented.
- Banking dates: rules for whether and how to move receipt and payment dates not falling on a banking day – weekends and England, Scotland, Northern Ireland or Ireland bank holidays.

See also [Tax settings](#).

### **Settlement calculations**

- Early settlement values can be calculated for any day of the agreement, on a number of bases:
  - ? CCA2004 amortised basis ('new' CCA rules).
  - ? Rule-of-78 ('old' CCA rules).
  - ? Discounted outstanding payments.
  - ? Preserving original margin.
- Calculated results include gross outstanding payments together with all calculated settlement values and applicable rebates, and (for CCA2004 calculations) achieved margin.
- Settlement schedule automatically calculates and reports all settlement values at intervals (monthly, quarterly, etc) during the agreement period.
- Schedule can be sent to editor (Notepad, Word) or spreadsheet for further processing and printing.

### **Simple payment profiles**

- Start date
- Number of advance payments (collected on start date).
- Number of remaining payments.
- Payment frequency – monthly, 2-monthly, quarterly, 4-monthly, semi-annual, annual.
- Agreement term entered as number of months or specific date.
- First subsequent payment date automatically calculated, or entered as number of months or specific date.
- User-definable picklist of commonly used payment profiles.

### **Structured payment profiles**

- Any desired payment profile can be specified.
- Profiles are specified as a sequence of payment steps, each consisting of a number of equal payments (known or calculated) at a common frequency starting on a specified date.
- Steps can be consecutive, overlap, or have gaps between.
- Steps can mix known and unknown payments, can be at different frequencies, can start of different days of the month.
- Repeat task to facilitate construction of annual seasonal patterns.
- Escalate and de-escalate functions, at simple or compound escalation factor.
- Structured profiles can be added to user-defined list of profiles.

### **Subsidies**

- Supplier and/or manufacturer subsidies can be specified.
- Subsidies are entered as £-amount or percentage of net advance.
- Subsidies are normally assumed to be received on start date, but a collection delay can be specified.
- Where controlled by the lender or manufacturer, Freehand supports manufacturer subsidy schemes. Schemes are specified as a subsidy (£-amount or percentage) based on a maximum subsidised amount (£-amount or percentage of asset cost or list price). Schemes typically specify the repayment profile and applicable interest rate (flat rate, nominal IRR or APR). Schemes can automatically override default customer fee levels.

### **Synchronisation with FieldControl**

Where supported by the lender or intermediary, Freehand can synchronise with Field Solutions' **FieldControl** system, which allows central control over operating parameters and settings.

On synchronisation, Freehand downloads:

- Latest configurations and settings.
- Latest commission and manufacturer subsidy schemes, if applicable.
- Updated documentation report templates (contracts, quotation letters, etc).
- Updated program components, if any.

### **Tax settings**

Settings applicable to tax-based leasing include:

- Table of tax rates and effective dates.
- Tables of capital allowance rates for cars (low, medium and high emissions bands following FA2009) and other assets.
- Details of tax operating companies, including:
  - ? Year-end date.
  - ? Whether tax payable by instalment.
  - ? Whether company has opted-in to FA2006.
  - ? Whether company is coterminous (for FA2006).
  - ? Tax treatment of receipts and costs (cash, accrued, even-spread/equalised/ averaged).
  - ? Availability of company for finance and operating leases.
  - ? Rules for determining tax company to use.
- Other details of capital allowance calculations.
- Details of UK or Irish tax instalment regime, including whether to assume tax instalments due prior to lease start were made on due date or following lease start; in the latter case, whether interest at Revenue penalty rates applies.
- Parameters controlling long funding lease calculations under FA2006.