**Add loan accounts**

Even if you do not use Quicken for maintaining a balance sheet, you may still want to amortize and/or record loans using the liability account features. We will record only liability accounts in this section as the balance sheet features in Quicken are not designed to maintain cost and market value information (for example, you cannot calculate and record depreciation from within Quicken).

*Note: Line of credit notes are best handled as credit card accounts in Quicken. See the line of credit account instructions under Various Topics for more details.*

*Note: Users may want to evaluate Quicken’s features for tracking net worth (see Balance Sheet instructions on page 108 for more information). If you use Quicken to maintain a balance sheet, use the appropriate asset/debt accounts and be sure to update asset values periodically. If tracking assets at cost basis, use purchase price minus adjustments for depreciation as the beginning balance.*

The Petes have two loans outstanding on January 1, 2008: a pickup loan for $1,455 and a land loan with a remaining balance of $73,126.04. The pickup loan will be paid off this year so we will not amortize it. The land note at origination was for $94,936 to be repaid over 15 years at 10.5% interest with annual payments (9 years of payments remain).

**Add liability accounts**

**Tools**

**Account List**

To set up a liability account, click the Add Account button.

This account is held at the following institution: **1st National Bank**

Select the check box: **This is a loan account**.

Click Next

Name this account: **Pickup Note**

Click Next
Note: Enter Optional Tax Information is for tax deferred accounts, such as IRAs, 401ks and Keogh Plans that need to have transfers in and transfers out recorded on different tax lines.

Click **Done**

A screen will pop up asking if you would like to set up an amortized loan to be associated with this account.

Click **No** (*We will not amortize this loan since it will be paid off with one payment in the next few months.*)

You will be taken to the Pickup Note register under the Property & Debt tab.

We will now set up the land loan. Click on **Add Account** at the bottom left of the screen.

This account is held at the following institution: **Farm Credit**
Select the check box: **This is a loan account**.

Click **Next**

Name this account: **Land Note**

Click **Next**

Statement Date: 01/01/2008
Ending Balance: 73126.04

Click **Done**
The popup screen will ask if you would like to set up an amortized loan to be associated with this account.

Click **Yes**. We will amortize this loan as there are 9 years remaining.

A **Loan Setup** screen will pop up. Click the **Summary** tab (at the top of the window to the right of **Easy Step**) and enter the information in the following three screens:

![Loan Setup Screen](image)

**Next**

Here we enter the information about the origination of the loan.
In the Payment section, click Calculate if you do not have your Payment Amount. Quicken will calculate an estimated payment amount (principal and interest only).

Done
Note that a payment amount, $13,039.18, has been calculated and now appears in the Loan Setup window. Click Done again to accept the estimate.

A Set Up Loan Payment screen appears to prompt you to specify details about the payment. Enter the additional information. We will use one of the farm categories that we imported earlier. Category and subcategory should be entered exactly as Interest Expense: Farm Interest Mortgage.
The loan payment requires a split transaction, as the principal paid is applied to the loan balance in the appropriate loan liability account (Land Note) while interest paid is recorded in the checking register as an interest expense (Interest Expense:Farm Interest Mortgage). We will add the tag, Overhead, when we make the first payment; see the Loan Payment instructions.

OK to close the Loan Payment window.

A window will open asking if you would like to create an asset account associated with the loan account you just set up.

Click No, then OK.

Note: If you want to create a balance sheet in Quicken and have an asset account for each piece of property, you would respond Yes. If you choose No, you can always add asset information later. See the balance sheet instructions for more information.

You may receive a reminder that the loan is now a scheduled transaction. OK

The Land Note register appears. You will see the payments made up until the current balance are recorded as a balance adjustment.

Record Loan Payments

Let's assume it is now August 2008 and time to record a payment on the amortized land loan. Click

Property & Debt (from the drop-down menu at top)
Loans  [Ctrl+H]

If the Land Note is not the loan in view, click Choose Loan and select it.

Click the Make Payment button.

You are questioned, “Is this your regularly scheduled payment, or an extra payment to this loan?”

Click Regular.
Make Regular Payment screen is opened. First, click on the Split button in the middle. We need to make sure the tag to label interest as an overhead expense is inserted.

OK

Make sure the rest of the payment screen is correct and add the check number.

OK

Close the View Loans window.

You can view how the amounts applied to principal and interest are handled by viewing the land note payment line in the Checking register and looking at the splits. Highlight the Farm Credit transaction by clicking anywhere within the transaction. Click Split (or press [Ctrl+S]) to open the Split Transaction window, or you may simply hover the cursor over -Split-, which will show a pop up window with the split information. You will see that Quicken has recorded the appropriate amounts to principal ($5,159.39 to the Land Note) and interest ($7,879.79 to Interest Expense:Farm Interest Mortgage).

If you opened the Split Transaction window, click OK to leave the split.

To switch from the Checking account to the Land Note account and view the principal payment applied to the outstanding loan balance, highlight the Farm Credit transaction right-click (click the right button of your mouse). Select Go To matching transfer. You will see a Balance Adjustment entry was made for earlier principal payments. The principal portion of the current payment from the checking account has been applied to the loan balance. (If you get a message that the transaction is not a transfer, you didn't click Enter to record the payment information and it was not posted.)

Right-click the Farm Credit transaction and select Go To matching transfer to return to the Checking account. Click OK if the Split Transaction window appears.