UNDERSTANDING HOW A PRECOMPUTED LOAN WORKS

Q. What is a precomputed loan? A precomputed loan is a loan where the interest for the term of the loan is calculated when the loan is made. The interest is included in the account balance. Because interest is calculated when the loan is made and not calculated as payments are made, the interest is "precomputed."

Q. What makes up a precomputed loan? A precomputed loan is made up of the amount you borrow (also called the amount financed), plus precomputed interest, plus any prepaid finance charges. Prepaid finance charges are loan fees charged to you in addition to interest. Examples include an origination fee and an administrative fee. The amount financed and loan fees are called the "principal." Here is an example to illustrate what makes up a precomputed loan:

Principal

Amount Financed	+ Origination Fee	+ Precomputed Interest	= Starting Account Balance
$2,501.02	$100.00	$730.66	$3,331.68

Q. How is the monthly payment determined on a precomputed loan? Your monthly payment is your starting account balance divided by the number of payments in your loan term. For example:

Starting Account Balance	/ Loan Term	=	Monthly Payment
$3,331.68	24 months		$138.82

Q. How are payments on a precomputed loan applied? Your account balance goes down by the amount of the payment as payments are received. Payments are not applied separately to principal and interest because your account balance already includes both principal and interest. Here is how the first payment is applied on the example loan:

Starting Account Balance	– Monthly Payment =	Account Balance
$3,331.68	$138.82	$3,192.86

Q. What happens if a precomputed loan is paid off early? Remember, precomputed interest is based on the term when the loan is made. When you pay off early, all of the precomputed interest may not have been "earned." The earned interest will be calculated based on how long it took you to pay off your loan. The unearned interest is then refunded to you by subtracting it from your account balance. Your payoff amount is your remaining account balance plus any unpaid fees and charges, like late charges.

In the example loan, your starting account balance is $3,331.68. After 10 on-time monthly payments of $138.82, you decide to pay your loan off early. At the time of payoff, your account balance is $1,943.48:

Starting Account Balance	– 10 Monthly Payments =	Account Balance
$3,331.68	$1,388.20	$1,943.48

Because you are paying your loan off early, the earned interest is $509.03, instead of the $730.66 for the full 24 months. This means you have an interest refund of $221.63:

Precomputed Interest	–	Earned Interest	=	Unearned Interest Refund
$730.66		$509.03		$221.63

Your interest refund is subtracted from your account balance and your remaining account balance, plus any unpaid fees and charges, is your payoff amount of $1,721.85:

Account Balance	– Interest Refund	+ Unpaid Fees and Charges	= Payoff Amount
$1,943.48	$221.63	$0.00	$1,721.85

Q. How is the interest refund calculated at payoff? Your interest refund is calculated using either the Rule of 78s or the actuarial method. Check your loan agreement to see which method will be used for calculating the refund.

The Rule of 78s is allowed, and sometimes required, under state law. The Rule of 78s is a sum of the digits of the months in a year: 1 plus 2 plus 3 plus 4, etc., to 12, equals 78. Each month in the loan term is assigned a value that is the opposite of when it occurs in the loan term. For example, the 1st month of a 12-month loan gets the value of 12, the 2nd month 11, the 3rd month 10, etc., until the 12th month gets a value of 1. Using the Rule of 78s, paying a 12-month loan off after 2 months means that the lender gets to keep 29.48% of the interest (1st month 12 plus 2nd month 11 = 23/78 or 29.48%). This is the earned interest. More interest is earned in the beginning of the loan since the amount owed is greater. This means the Rule of 78s can result in a lower refund in the beginning of the loan term because of the higher earned interest amount.

Under the actuarial method, earned interest is calculated based on each scheduled payment due date. For each due date, interest through the date of the payment is calculated and subtracted from the payment amount. The remaining payment amount is applied to principal.

Q. Are prepaid finance charges refunded if a precomputed loan is paid off early? Prepaid finance charges are usually considered earned at the time of the loan, so there is no refund if the loan is paid off early. Your loan agreement will tell you if you are entitled to a refund of prepaid finance charges if you pay off early.

Q. What happens to the interest on a precomputed loan when payments are made early or late or are less than or more than the regular monthly payment? The amount of interest on a precomputed loan is based on the time between your loan date and your payoff date. The amount of interest does not go up or down if you make payments in different amounts or at different times. You can reduce the total interest paid on the loan by paying the loan off early.

Q. If interest is not increased by late payments, why is it important to make monthly payments on-time? It is important that you make payments on-time to avoid late fees. Collection action may be taken for delinquent accounts. Not paying on-time may also hurt your credit history and credit score.

Q. How is a precomputed loan affected by a deferment? A deferment moves the due date for your next payment to give you time if you have a problem making a payment. For example:

You have a precomputed 12-month loan. Your first payment is due January 12. Your last payment is due December 12. You receive a deferment in May. Your next payment is now due June 12 and your last payment is moved to January 12 of the next year. Your loan now has a 13-month term, but the precomputed interest included in your loan amount covers only 12 months. A deferment fee is charged to cover this interest "gap." The deferment fee is less than a full payment because it is usually equal to interest for the deferment period.

Deferment fees and requirements vary by state, so contact your branch if you have questions.

Q. How does my precomputed loan balance show on my credit report? OneMain follows industry guidelines for reporting precomputed loan balances to the credit bureaus. The balance reported is the balance you owe for each monthly reporting period. This balance does not include "unearned" interest. As interest is "earned", but not paid, the balance reported to the bureaus increases to reflect the "earned" interest. For this reason, the reported balance will be different than the balance shown on your monthly statement because the statement balance includes interest for the term of the loan, which is both "earned" and "unearned" interest.

Making your monthly payment on time ensures that the reported balance reduces, because the "earned" interest is paid. Missing a payment, increases the balance reported equal to the amount of interest that was "earned" during the

reporting period, but not paid. The balance reported to the bureaus is not a payoff amount. Please contact OneMain for your payoff amount.

Q. Who can I contact if I have questions about my loan? You may contact your branch or Customer Service at 855-6636246 Monday through Friday, 8:00 a.m. – 6:00 p.m. ET. You can also ask for a payoff statement at any time. It will show the account balance without the unearned portion of the precomputed interest.