Explanation of Simple Interest Calculation

Interest on your loan accrues daily. It is for this reason that the portion of your monthly payment allocated to interest may fluctuate. To calculate the interest due on your loan, please follow the steps below:

1. Obtain the new principal balance of your loan from your Online Banking Account Services page or the automated phone service.
2. Multiply your principal balance by your interest rate. Divide your answer by 365 days (366 days in a leap year) to find your daily interest accrual or your per diem.
3. Multiply this amount by the number of calendar days that have elapsed since the date of your last payment to find your interest due.

Below is an example of how the number of calendar days between payments can affect the portion of your regular payment allocated to interest.

1. $10,000 principle balance
2. $10,000 multiplied by 8.5% interest divided by 365 days in the year = $2.33 per diem
3. $2.33 multiplied by 33 days elapsed since the date of your last payment = $76.85. This portion of your payment will be allocated to interest accrued.

Now let us consider that only 29 days have elapsed between payments.

1. $10,000 principle balance
2. $10,000 multiplied by 8.5% interest divided by 365 days in the year = $2.33 per diem
3. $2.33 multiplied by 29 days elapsed since the date of your last payment = $67.53. This portion of your payment will be allocated to interest accrued.

In this example, the difference of 4 days between payments affected the portion of the payment allocated to interest by $9.32.

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