

How Daily Simple Interest Works

How is interest on a daily simple interest loan calculated?

Interest on a daily simple interest loan is calculated by using the **daily simple interest** method. This means that interest accrues on a daily basis on the amount of the loan (current outstanding principal balance) from the date the interest charges begin until you repay the loan. The daily simple interest method counts the number of days between the date your last payment is received and the date your current payment is received.

How does the daily simple interest calculation work?

$$\text{Principal Balance} \times (\text{Annual Interest Rate}^* / \text{Year Count}^{**}) \times \text{Number of Days Since Last Payment}$$

$$\mathbf{\$6,000 \times (24.36\% / 365) \times 31 = \$124.13}$$

Standard Monthly Payment Amount – Monthly Interest Due	\$173.86 – \$124.13
Amount Paid to Principal Balance	\$49.73
New Principal Balance	\$5,950.27

**Please refer to your loan documents. ** Year count refers to a 360 or 365 year that applies to the loan and this number can vary. The example shown above is for illustrative purposes only and is not meant to reflect actual interest due on any particular loan.*



The following is an example of six months of payments.*

Principal Balance	\$6,000
Annual Interest Rate	24.36%
Standard Monthly Payment Amount	\$173.86
Payment Due Date	15 th of each month
Year Count	365
Term	60 months

On-Time Payments

Payment Date	Number of Days Since Payment	Payment Amount	Amount of Monthly Interest Due	Amount Applied To Interest	Amount Applied To Principal	Unpaid Accrued Interest	Principal Balance
12/15/12							\$6,000.00
1/15/13	31	\$173.86	\$124.13	\$124.13	\$49.73	\$0.00	\$5,950.27
2/15/13	31	\$173.86	\$123.11	\$123.11	\$50.75	\$0.00	\$5,899.52
3/15/13	28	\$173.86	\$110.24	\$110.24	\$63.62	\$0.00	\$5,835.90
4/15/13	31	\$173.86	\$120.74	\$120.74	\$53.12	\$0.00	\$5,782.78
5/15/13	30	\$173.86	\$115.78	\$115.78	\$58.08	\$0.00	\$5,724.70
6/15/13	31	\$173.86	\$118.44	\$118.44	\$55.42	\$0.00	\$5,669.28

Principal balance consistently reduces

When you make your standard payments by your due date, you will notice the following:

- Your payments will satisfy the interest that is due and will allow for principal reduction each month.
- You will avoid additional interest charges.
- You will avoid late fees (where applicable).
- Your account is paid off as scheduled.

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The following is an example of six months of payments.*

Principal Balance	\$6,000
Annual Interest Rate	24.36%
Standard Monthly Payment Amount	\$173.86
Payment Due Date	15 th of each month
Year Count	365
Term	60 months

Large Payments

Payment Date	Number of Days Since Payment	Payment Amount	Amount of Monthly Interest Due	Amount Applied To Interest	Amount Applied To Principal	Unpaid Accrued Interest	Principal Balance
12/15/12							\$6,000.00
1/15/13	31	\$1,000.00	\$124.13	\$124.13	\$875.87	\$0.00	\$5,124.13
2/15/13	31**	No Payments Received	\$106.01	\$0.00	\$0.00	\$106.01	\$5,124.13
3/15/13	28**		\$95.75	\$0.00	\$0.00	\$201.76	\$5,124.13
4/15/13	31	\$173.86	\$106.01	\$173.86	\$0.00	\$133.91	\$5,124.13
5/15/13	30	\$173.86	\$102.59	\$173.86	\$0.00	\$62.64	\$5,124.13
6/15/13	31	\$173.86	\$106.01	\$168.65	\$5.21	\$0.00	\$5,118.92

Months with no principal reduction

When you make a large payment, it is important to understand the following:

- Although you may have prepaid your monthly obligation, interest is still accruing.
- In this example, since no payments are received in the 2nd and 3rd months, interest continues to accrue and the standard payment that is received in the 4th month is not enough to cover the outstanding interest that is due. This results in no reduction in the principal balance.
- If you continue to pay your standard payment on-time, you will not see a principal reduction again until the 6th month.

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** Reflects the number of days to demonstrate the amount of monthly interest that would be due.

The following is an example of six months of payments.*

Principal Balance	\$6,000
Annual Interest Rate	24.36%
Standard Monthly Payment Amount	\$173.86
Payment Due Date	15 th of each month
Year Count	365
Term	60 months

Large Payments

Payment Date	Number of Days Since Payment	Payment Amount	Amount of Monthly Interest Due	Amount Applied To Interest	Amount Applied To Principal	Unpaid Accrued Interest	Principal Balance
12/15/12							\$6,000.00
1/15/13	31	\$500.00	\$124.13	\$124.13	\$375.87	\$0.00	\$5,624.13
2/15/13	31	\$500.00	\$116.36	\$116.36	\$383.64	\$0.00	\$5,240.49
3/15/13	28	\$500.00	\$97.93	\$97.93	\$402.07	\$0.00	\$4,838.42
4/15/13	31	\$173.86	\$100.10	\$100.10	\$73.76	\$0.00	\$4,764.66
5/15/13	30	\$173.86	\$95.40	\$95.40	\$78.46	\$0.00	\$4,686.20
6/15/13	31	\$173.86	\$96.95	\$96.95	\$76.91	\$0.00	\$4,609.29

Principal balance consistently reduces

When you make a large payment, it is important to understand the following:

- Although you may have prepaid your monthly obligation, interest is still accruing.
- In this example, since payments are still received in the 2nd and 3rd months, the payments are sufficient to cover the amount of monthly interest that is due because payment is required each month according to the terms of the loan agreement. This results in steady principal balance reduction, even after the standard monthly payment amount is resumed beginning with the 4th month.

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The following is an example of six months of payments.*

Principal Balance	\$6,000
Annual Interest Rate	24.36%
Standard Monthly Payment Amount	\$173.86
Payment Due Date	15 th of each month
Year Count	365
Term	60 months

Consistently Late Payments

Payment Date	Number of Days Since Payment	Payment Amount	Amount of Monthly Interest Due	Amount Applied To Interest	Amount Applied To Principal	Unpaid Accrued Interest	Principal Balance
12/15/12							\$6,000.00
1/29/13	45	\$173.86	\$180.20	\$173.86	\$0.00	\$6.34	\$6,000.00
3/15/13	45	\$173.86	\$180.20	\$173.86	\$0.00	\$12.68	\$6,000.00
4/29/13	45	\$173.86	\$180.20	\$173.86	\$0.00	\$19.02	\$6,000.00
6/13/13	45	\$173.86	\$180.20	\$173.86	\$0.00	\$25.36	\$6,000.00
7/28/13	45	\$173.86	\$180.20	\$173.86	\$0.00	\$31.70	\$6,000.00
9/11/13	45	\$173.86	\$180.20	\$173.86	\$0.00	\$38.04	\$6,000.00

When you make payments that are consistently late, it is important to understand the following:

- In this example, you will notice that there is no principal reduction.
- Your standard payment amounts will not be enough to satisfy the interest that is due.
- Unpaid interest continues to accrue, making it difficult to get back on track.
- This type of payment pattern may have a negative impact on your credit and you may not pay off your account as scheduled.
- This type of payment pattern may also cost you additional interest charges and late fees (where applicable).

Increasing unpaid interest and no principal reduction

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The following is an example of six months of payments.*

Principal Balance	\$6,000
Annual Interest Rate	24.36%
Standard Monthly Payment Amount	\$173.86
Payment Due Date	15 th of each month
Year Count	365
Term	60 months

Occasional Late Payments

Payment Date	Number of Days Since Payment	Payment Amount	Amount of Monthly Interest Due	Amount Applied To Interest	Amount Applied To Principal	Unpaid Accrued Interest	Principal Balance
12/15/12							\$6,000.00
1/14/13	30	\$173.86	\$120.13	\$120.13	\$53.73	\$0.00	\$5,946.27
2/28/13	45	\$173.86	\$178.58	\$173.86	\$0.00	\$4.72	\$5,946.27
3/30/13	30	\$173.86	\$119.05	\$123.77	\$50.09	\$0.00	\$5,896.18
5/14/13	45	\$173.86	\$177.08	\$173.86	\$0.00	\$3.22	\$5,896.18
6/13/13	30	\$173.86	\$118.05	\$121.27	\$52.59	\$0.00	\$5,843.59
7/13/13	30	\$173.86	\$117.00	\$117.00	\$56.86	\$0.00	\$5,786.73

When you make payments that are occasionally late, it is important to understand the following:

- At times, the standard payment is not enough to satisfy the interest that is due.
- Unpaid interest continues to accrue and there is no principal reduction.
- This type of payment pattern may have a negative impact on your credit and you may not pay off your account as scheduled.
- This type of payment pattern may also cost you additional interest charges and late fees (where applicable).

Occasional months with accruing interest and no principal reduction

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Keep in Mind

Actual interest due is based on the number of days since your last payment. To avoid paying additional interest, you should regularly and consistently make your standard monthly payment amount on or before your payment due date.

If your payment is regularly received after your payment due date, a greater portion or all of your payment may be applied towards interest, and may delay the reduction of the principal balance of your loan.

If your payment does not cover all of the interest that is due at the time of payment, unpaid interest will continue to accrue and it may take longer to pay off your loan.

If you do not make your payment by your payment due date, you may also incur late charges (where applicable). Additional interest continues to accrue once you do not make your payment by your scheduled due date, even though an applicable late charge may be assessed at a later time, according to the terms of your loan agreement.

Periodically review your account(s) to see if your principal balance is reducing. A principal balance that is not reducing may be a sign that a majority or all of your payment is being applied towards interest.

You might consider enrolling in our automatic payment program, which debits payments from your designated bank account or credit union account on the scheduled date(s).

An extension of the final loan payment date, also known as a deferment, allows you to defer or postpone regularly scheduled payment(s) for a specified period of time, but interest continues to accrue during the period of the deferment.

A repeated pattern of irregular payments may result in your loan still having a sizeable balance even after the scheduled maturity date (the date when the last scheduled payment is due).

Should you have any questions regarding how interest is calculated on your account, please contact your local branch.