



# PERSONAL LOANS

- Understanding Loan Interest

Member  
**FDIC**



# FREQUENTLY ASKED QUESTIONS

Concerning Daily Simple Interest Loan.\*

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## ● WHAT IS A SIMPLE INTEREST LOAN?

A simple Interest Loan is a personal secured or unsecured loan. Some examples include home improvement and personal loans. With a Simple Interest Loan, interest is calculated on the principal loan balance on a daily basis. In most cases, loan payments are applied first to the interest due for the period and the remaining payment is applied to the principal balance.

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## ● HOW IS INTEREST COMPUTED ON MY LOAN?

Interest is charged on a daily basis, according to the outstanding principal balance. The daily interest amount is equal to the annual interest rate divided by 365 days (366 days in a leap year).

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## ● HOW WILL MY MONTHLY LOAN PAYMENT BE APPLIED?

Since interest is calculated on a daily basis, the number of days between your payments will affect the amount that is first applied to interest, with the remainder being applied to principal to reduce your principal balance.

**For example, if you had a principal balance of \$10,000.00 and your interest rate was 5.00% the daily interest amount would be calculated as follows:  $\$10,000.00 \times 5.00\%$  divided by 365 days = \$1.37**

### LOAN PAYMENT SAMPLE

Days Between Payments	Total Payment	Interest	Principal
30 days	\$100.00	\$41.09	\$58.91
35 days	\$100.00	\$47.94	\$52.06
40 days	\$100.00	\$54.79	\$45.21

Sample above based on first loan payment.

In the above example, even an additional 10 days between payments will result in more interest being paid in the amount of \$13.70. This amount will increase significantly with the higher balance loans and longer term loans. Also, depending on your loan contract, payments made 10 or 15 days after your due date may result in an additional late charge. That is why it is prudent to make all loan payments on time. We recommend setting up

automatic deduction from your checking account or mailing your payments at least 5 days in advance of your due date to allow for mailing and processing in order to avoid late charges and additional interest.

## CALCULATING INTEREST OWED

Date of Last Payments	Date of Next Payment	Number of days interest owed
March 1, 2014	April 1, 2014	31
March 1, 2014	April 4, 20014	34

It is important to know that since your interest is calculated on a daily basis, late payments will result in additional interest (and if applicable, a late charge). Your paying habits now will affect your final loan payoff amount.



### ● WILL I RECEIVE AN AMORTIZATION SCHEDULE?

No. Since this is a Daily Simple Interest loan, the breakdown of your monthly loan payment will vary according to your payment habits. To view your loan history, log in to Online Banking at [thebeneficial.com](http://thebeneficial.com).



### ● HELPFUL TIPS:

1. Use Online Banking to monitor your loan and view your payment history.
2. The earlier you make your payments, the less interest you pay.
3. If you have extra cash, make a principal payment so you can pay off your loan sooner.



If you have questions or would like more information, feel free to ask a branch associate at any of Beneficial's offices, or call our Customer Contact Center at 888.742.5272.



[thebeneficial.com](http://thebeneficial.com) | 888.742.5272



\*All loan products subject to credit approval.