



## **BNBL LOAN INTEREST CALCULATION METHOD**

### **1. What interest calculation method is used by BNBL?**

Interest is calculated based on the principal outstanding amount as of date.

Method of calculation: Simple interest

Rule : Reducing Balance

Formula : Principal outstanding as of date \* no of days \* rate of interest  
/ 365 or 366 for leap year

### **2. How is the payment adjusted when the clients makes a deposit in the loan account?**

Any repayment made to the loan account is adjusted in the following liquidation order:-

#### **Scenario 1. For regular loan account**

Any payment made to a regular loan account, assuming that the payment is made on the schedule date of the loan.

1. Interest due as of schedule date
2. Principal due as of schedule date (schedule portion of principal amount)

#### **Scenario 2. For prepayment of regular loan account**

Any lump sum payment or payment made before the schedule date to a regular loan account.

1. Interest due as of payment date
2. Remaining amount will be adjusted to principal balance.

#### **Scenario 3. For overdue loan account**

If both principal and interest are overdue

1. **Lfee** :-penalty on interest overdue

**Calculation:** - interest overdue amount \* rate of penalty\* no. of overdue days/365

2. **Lfee1**:- penalty on principal overdue

**Calculation:**-principal overdue amount \* rate of penalty \* no. of overdue days/365

3. **Interest1**:- interest on principal overdue

**Calculation:** Principal overdue amount \* normal rate of interest \* no. of Overdue days/365

4. **Interest overdue**:-interest accrued and due as on schedule date and unpaid after the schedule date

5. **Principal overdue**:-principal due as on schedule date and unpaid after the schedule date

6. After liquidation of the above overdue amount, still if there some amount left it should be adjusted to the interest as of date.

### 3. How and when is late fee applied?

#### **Scenario 1: If the loan account is regular**

No late fees will be applied or charged to regular loan account

#### **Scenario 2: Prepayment to a loan account**

**Case 1.** Any payment made to loan account before the schedule date of the loan account is considered as prepayment.

If the client deposits a monthly installment before the schedule date and if he/she does not settle the interest due on schedule date, late fee of 5% will be charged on the interest overdue till it is fully settled. However, the client will be given the benefit of prepayment, the extra payment made will be adjusted towards the principal outstanding, therefore interest will be charged on the reduced principal amount.

Eg

Loan amount = 100,000.00

Interest Rate = 10% p.a

EMI (Installment) = 975

Schedule date = 31.01.09

Loan term = 20 years

Late fee rate = 5%

Sanction date = 01.01.09

Based on the example, if a client deposits on 25.01.09 a sum of Nu. 975.00 as a payment towards his loan account, interest amount of Nu. 684.93 (interest for 25 days) will be adjusted and the remaining amount of Nu. 290.07 will be adjusted to principal. However, if the client does not update his interest of Nu. 163.91(interest for 6 days) on 31.01.09, late fee of 5% will be charged on Nu. 163.91 from 01.02.09 till the interest due is fully settled.

**Case 2.** Any lump sum payment (i.e. payment more than the installment) made to loan account on or before schedule date of loan is also considered as prepayment.

For a lump sum payment made towards the loan account, interest as of payment date will be settled and balance amount will be adjusted towards the principal outstanding amount. The late fee will be charged on the interest due which has not been settled.

The system does not automatically consider lump sum or multiple installments made as installments for future due dates. In such cases, clients are requested to inform the Bank in writing either for reduction in duration (EMI remaining the same) or the EMI(duration remaining the same).The Bank in accordance with the RMA regulations can allow this for three times in the life of the loan with each request having a time gap of two years.

#### **Scenario 3: For overdue Loan account.**

For clients who do not deposit their monthly installment on the schedule date, late fee of 5% will be charged on the due principal and interest amount from the day it was due (note that late fee will not be charged on the outstanding loan amount)

Loan amount = 100,000.00

Interest rate = 10%

EMI = Nu. 975.00

Schedule date =31.01.09

Term period = 20 years

late fee rate = 5%

Sanction date =01.01.09

In this case if the client does not deposit Nu. 975.00 on 31.01.09 the loan account will show an overdue of Nu. 975.00 From 01.02.09. Therefore, late fee of 5% will be charged on Nu. 975.00 till the overdue amount is fully settled.