



***DOMESTIC BANKS AND FINANCIAL INSTITUTIONS ACT***

DBFIA Practice Direction No. 5

***DISCLOSURE OF INTEREST AND OTHER CHARGES ON CONSUMER LOANS***

**Commencement and Authority**

This Practice Direction is made in exercise of the powers conferred on the Central Bank of Belize (the CBB) by Section 9 of the Domestic Banks and Financial Institutions Act, 2012, and shall come into effect on 1 January 2014.

**Summary**

The CBB, being satisfied that it is necessary in the public interest for the protection of borrowers, hereby requires that banks shall provide full disclosure of its treatment of interest and other charges on loans. This Practice Direction prescribes requirements for the treatment of interest and other charges on loans in accordance with the methodology specified herein.

**Application**

This Practice Direction applies to credit agreements other than those entered into

- (a) for business purposes of a borrower; or
- (b) with a borrower that is not a natural person.

## Definitions

1. **Borrower** includes a person to whom a loan is proposed to be made.
2. **Finance charge** includes interest, fees, service charges, discounts, and such other charges incidental to the extension of credit.
3. **Principal** means the amount of money borrowed and outstanding at any time, but does not include any portion of the cost of borrowing.

## REQUIREMENTS

### A. Requirements for the disclosure of interest and other charges on loans

1. Banks shall furnish to each person to whom credit is extended, prior to the consummation of the transaction, a clear written statement setting forth, to the extent applicable, the following information:
  - a. the total amount to be financed;
  - b. the finance charge expressed in terms of Belize dollars;
  - c. the net proceeds of the loan;
  - d. the percentage that the finance charges bear to the total amount to be financed expressed as a simple annual rate or an effective annual interest rate (EIR). Simple annual rate is the uniform percentage which represents the ratio between the finance charges and the amount to be financed under the assumption that the loan is payable in one (1) year with single payment upon maturity and there are no upfront deductions to principal. For loans with terms different from the above assumptions, the EIR shall be calculated and disclosed to the borrower as the relevant true cost of the loan comparable to the concept of simple annual rate.

Prior to the consummation of the transaction, banks are required to furnish each borrower with a copy of a disclosure statement (**see Annex 1, 1A and 1B for add-on interest method loans and Annex 2, 2A and 2B for remaining balance method loans**). Also, banks shall post in conspicuous places in their principal place of business and branches, the information as contained in the disclosure statement (**see Annexes**). The posters shall include an explicit notification that the disclosure statement is a required attachment to the loan contract and the customer has a right to demand a copy of such disclosure.

## **B. PREPAYMENT OF LOANS**

1. Banks that impose a prepayment penalty on a borrower must disclose the terms of the prepayment penalty including the amount of, or the formula for calculating, the prepayment penalty in the loan agreement.

## **C. ADVERTISING**

1. A bank that advertises a loan involving a fixed amount of credit in an advertisement that makes a representation of the interest rate, or the amount of any payment or of any non-interest charge, in relation to the loan must disclose the EIR and the term of the loan. The EIR must be provided at least as prominently as the representation and in the same manner, whether visually or aurally, or both.
2. If the EIR or the term of the loan is not the same for all loans to which the advertisement relates, the disclosure must be based on an example of a loan that fairly depicts all those loans and is identified as a representative example of them.

**Format of Disclosure Statement on Consumer Loans – Add-On Interest Method  
(Charges are netted from loan proceeds)**

Name of Bank: ABC Bank Limited  
 Name of Borrower: John Doe  
 Address: 10 Central American Blvd,  
 Belize City, Belize

1. Loan Amount			\$10,000.00
2. Contractual Interest Rate	8.5%		
3. Term	2 years		
4. Total Interest Charges			\$1,700.00
5. Other Bank Charges <sup>1</sup>			\$1,000.00
Documentation			-
Mandatory Insurance		\$400.00	
Others (Specify) – Bill of Sale		\$400.00	
– Loan Fee		\$200.00	
6. Total Finance Charges (Item 4 & 5)			\$2,700.00
7. Net Loan Proceeds (Item 1 less Item 5)			\$9,000.00
8. Schedule of Payments			
Single payment due on	28/12/13	\$487.50	
9. Effective Interest Rate	26.562%		
10. Conditional Charges that may be imposed (if applicable)			
Late Charge	\$30.00		
Others (Specify)	-		

Certified Correct:

\_\_\_\_\_  
 (Signature of Authorized Representative Over Printed Name)

\_\_\_\_\_  
 Position

I ACKNOWLEDGE RECEIPT OF A COPY OF THIS STATEMENT PRIOR TO THE CONSUMMATION OF THE CREDIT TRANSACTION.

\_\_\_\_\_  
 (Signature of Borrower Over Printed Name)

\_\_\_\_\_  
 Date

**Notes:**

<sup>1</sup>Itemize all charges.

**Work Paper for Annex 1**  
**Effective Interest Rate for Add-On Interest Method**  
**(Charges are netted from loan proceeds)**

Item 4. Total Interest: \$1,700

- Principal \$10,000 x 8.5% = \$850 interest per year
  - \$850 x 2 = \$1,700 interest for 2 years

Item 8. Schedule of Payment: \$487.50

- Principal \$10,000 + Interest \$1,700 = \$11,700
  - \$11,700 ÷ 24 months = \$487.50 per month

Item 9. Effective Interest Rate: 26.562%

- Item 6. Total Finance Charge: \$2,700
  - Item 4. Interest + Item 5. Other Bank Charges \$1,700 + \$ 1,000 = \$2,700
- Item 7. Net Loan proceeds: (Item 1 – Item 5) \$10,000 - \$1,000 = \$9,000
- Item 8. Monthly Payment: \$487.50
- This information is entered in the amortization software to generate the effective interest rate as illustrated by **diagrams 1 and 2** below.

**Diagram 1**

Loan Calculator

Leave one field blank (other than the date), and then click the Calculate button.

First Payment Date: 12/28/2013

Loan Amount: 9,000.00

Interest Rate: %

Loan Length: 2 Years

Payment Frequency: Monthly

Payment Amount (P+): 487.50

Balloon Amount: 0.00

Buttons: Compare Loans, Extra Payments, Import, Clear All, Calculate

Interest Calculated: On date payment is due

Total Interest: Last Payment Date:

Buttons: Cancel, Help, Report, < Back

**Diagram 2**

Loan Calculator

Leave one field blank (other than the date), and then click the Calculate button.

First Payment Date: 12/28/2013

Loan Amount: 9,000.00

Interest Rate: 26.562 %

Loan Length: 2 Years

Payment Frequency: Monthly

Payment Amount (P+): 487.50

Balloon Amount: 0.00

Buttons: Compare Loans, Extra Payments, Import, Clear All, Calculate

Interest Calculated: Total Interest: 2,699.99

On date payment is due Last Payment Date: 11/30/2015

Buttons: Cancel, Help, Report, < Back

**Format of Disclosure Statement on Consumer Loans – Add-On Interest Method  
(Charges are added to loan principal)**

Name of Bank: ABC Bank Limited  
 Name of Borrower: John Doe  
 Address: 10 Central American Blvd,  
 Belize City, Belize

1. Loan Amount			\$11,000.00
2. Contractual Interest Rate	8.5%		
3. Term	2 years		
4. Total Interest Charges			\$1,870.00
5. Other Bank Charges <sup>1</sup>			\$1,000.00
Documentation		-	
Mandatory Insurance		\$400.00	
Others (Specify) – Bill of Sale		\$400.00	
– Loan Fee		\$200.00	
6. Total Finance Charges (Item 4 & 5)			\$2,870.00
7. Net Loan Proceeds (Item 1 less Item 5)			\$10,000.00
8. Schedule of Payments			
Single payment due on	28/12/13	\$536.25	
9. Effective Interest Rate	25.500%		
10. Conditional Charges that may be imposed (if applicable)			
Late Charge	\$30.00		
Others (Specify)	-		

Certified Correct:

\_\_\_\_\_  
 (Signature of Authorized Representative Over Printed Name)

\_\_\_\_\_  
 Position

I ACKNOWLEDGE RECEIPT OF A COPY OF THIS STATEMENT PRIOR TO THE CONSUMMATION OF THE CREDIT TRANSACTION.

\_\_\_\_\_  
 (Signature of Borrower Over Printed Name)

\_\_\_\_\_  
 Date

**Notes:**

<sup>1</sup>Itemize all charges.

**Work Paper for Annex 1A**  
**Effective Interest Rate for Add-On Interest Method**  
**(Charges are added to loan principal)**

Item 4. Total Interest: \$1,870

- Principal \$11,000 x 8.5% = \$935 interest per year
  - \$935 x 2 = \$1,870 interest for 2 years

Item 8. Schedule of Payment: \$536.25

- Principal \$11,000 + Interest \$1,870 = \$12,870
  - \$12,870 ÷ 24 months = \$536.25 per month

Item 9. Effective Interest Rate: 25.500%

- Item 6. Total Finance Charge: \$2,870
  - Item 4. Interest + Item 5. Other Bank Charges \$1,870 + \$1,000 = \$2,870
- Item 7. Net Loan proceeds: (Item 1 – Item 5) \$11,000 - \$1,000 = \$10,000
- Item 8. Monthly Payment: \$536.25
- This information is entered in the amortization software to generate the effective interest rate as illustrated by **diagrams 1 and 2** below.

**Diagram 1**

Loan Calculator

Leave one field blank (other than the date), and then click the Calculate button.

First Payment Date: 12/28/2013

Loan Amount: 10,000.00

Interest Rate: %

Loan Length: 2 Years

Payment Frequency: Monthly

Payment Amount (P+): 536.25

Balloon Amount: 0.00

Compare Loans

Extra Payments

Import Clear All

Calculate

Interest Calculated: On date payment is due

Total Interest: Last Payment Date:

Cancel Help Report < Back

**Diagram 2**

Loan Calculator

Leave one field blank (other than the date), and then click the Calculate button.

First Payment Date: 12/28/2013

Loan Amount: 10,000.00

Interest Rate: 25.500 %

Loan Length: 2 Years

Payment Frequency: Monthly

Payment Amount (P+): 536.25

Balloon Amount: 0.00

Compare Loans

Extra Payments

Import Clear All

Calculate

Interest Calculated: In date payment is due

Total Interest: 2,870.01

Last Payment Date: 11/30/2015

Cancel Help Report < Back

**Format of Disclosure Statement on Consumer Loans - Add-On Interest Method  
(Charges held in escrow and paid monthly)**

Name of Bank: ABC Bank Limited  
 Name of Borrower: John Doe  
 Address: 10 Central American Blvd,  
 Belize City, Belize

1. Loan Amount			\$10,000.00
2. Contractual Interest Rate	8.5%		
3. Term	2 years		
4. Total Interest Charges			\$1,700.00
5. Other Bank Charges <sup>1</sup>			\$1,000.00
Documentation			-
Mandatory Insurance		\$400.00	
Others (Specify) – Bill of Sale		\$400.00	
– Loan Fee		\$200.00	
6. Total Finance Charges (Item 4 & 5)			\$2,700.00
7. Net Loan Proceeds			\$10,000.00
8. Schedule of Payments			
Single payment due on	28/12/13	\$529.17	
9. Effective Interest Rate	24.062%		
10. Conditional Charges that may be imposed (if applicable)			
Late Charge	\$30.00		
Others (Specify)	-		

Certified Correct:

\_\_\_\_\_  
 (Signature of Authorized Representative Over Printed Name)

\_\_\_\_\_  
 Position

I ACKNOWLEDGE RECEIPT OF A COPY OF THIS STATEMENT PRIOR TO THE CONSUMMATION OF THE CREDIT TRANSACTION.

\_\_\_\_\_  
 (Signature of Borrower Over Printed Name)

\_\_\_\_\_  
 Date

**Notes:**

<sup>1</sup>Itemize all charges.



**Work Paper for Annex 1B**  
**Effective Interest Rate for Add-On Interest Method**  
**(Charges held in escrow and paid monthly)**

Item 4. Total Interest: \$1,700

- Principal \$10,000 x 8.5% = \$850 interest per year
  - \$850 x 2 = \$1,700 interest for 2 years

Item 8. Schedule of Payment: \$529.17

- Principal \$10,000 + Interest \$1,700 = \$11,700
  - \$11,700 ÷ 24 months = \$487.50 per month
  - Item 5: Other Bank Charges \$1,000 ÷ 24 months = \$41.67 per month
  - \$487.50 + \$41.67 = \$529.17 per month

Item 9. Effective Interest Rate: 24.062%

- Item 6. Total Finance Charge: \$2,700
  - Item 4. Interest + Item 5. Other Bank Charges \$1,700 + \$1,000 = \$2,700
- Item 7. Net Loan proceeds: \$10,000
- Item 8. Monthly Payment: \$529.17
- This information is entered in the amortization software to generate the effective interest rate as illustrated by **diagrams 1 and 2** below.

**Diagram 1**

Loan Calculator

Leave one field blank (other than the date), and then click the Calculate button.

First Payment Date: 12/28/2013

Loan Amount: 10,000.00

Interest Rate: %

Loan Length: 2 Years

Payment Frequency: Monthly

Payment Amount (P+I): 529.17

Balloon Amount: 0.00

Buttons: Import, Clear All, Calculate

Compare Loans

Extra Payments

Interest Calculated: Total Interest: 1,700.00

On date payment is due Last Payment Date:

Buttons: Cancel, Help, Report, < Back

**Diagram 2**

Loan Calculator

Leave one field blank (other than the date), and then click the Calculate button.

First Payment Date: 12/28/2013

Loan Amount: 10,000.00

Interest Rate: 24.062 %

Loan Length: 2 Years

Payment Frequency: Monthly

Payment Amount (P+I): 529.17

Balloon Amount: 0.00

Buttons: Import, Clear All, Calculate

Compare Loans

Extra Payments

Interest Calculated: Total Interest: 2,700.07

On date payment is due Last Payment Date: 11/30/2015

Buttons: Cancel, Help, Report, < Back

**Format of Disclosure Statement on Consumer Loans – Remaining Balance Method  
(Charges are netted from loan proceeds)**

Name of Bank: ABC Bank Limited  
 Name of Borrower: John Doe  
 Address: 10 Central American Blvd,  
 Belize City, Belize

1. Loan Amount			\$10,000.00
2. Contractual Interest Rate	8.5%		
3. Term	2 years		
4. Total Interest Charges			\$909.37
5. Other Bank Charges <sup>1</sup>			\$1,000.00
Documentation			-
Mandatory Insurance		\$400.00	
Others (Specify) – Bill of Sale		\$400.00	
– Loan Fee		\$200.00	
6. Total Finance Charges (Item 4 & 5)			\$1,909.37
7. Net Loan Proceeds (Item 1 less Item5)			\$9,000.00
8. Schedule of Payments <sup>2</sup>			
Single payment due on	28/12/13	\$454.56	
9. Effective Interest Rate	19.187%		
10. Conditional Charges that may be imposed (if applicable)			
Late Charge	\$30.00		
Others (Specify)	-		

Certified Correct:

\_\_\_\_\_  
 (Signature of Authorized Representative Over Printed Name)

\_\_\_\_\_  
 Position

I ACKNOWLEDGE RECEIPT OF A COPY OF THIS STATEMENT PRIOR TO THE CONSUMMATION OF THE CREDIT TRANSACTION.

\_\_\_\_\_  
 (Signature of Borrower Over Printed Name)

\_\_\_\_\_  
 Date

**Notes:**

<sup>1</sup>Itemize all charges.

<sup>2</sup>For remaining balance loans, provide borrower with an amortization schedule.

## Work Paper for Annex 2

### Effective Interest Rate for Remaining Balance Method (Charges are netted from loan proceeds)

Item 4. Total Interest: \$909.37 (See **Diagram 1**)

- Principal \$10,000 x 8.5% = \$909.37 for 24 month period

**Diagram 1**

Leave one field blank (other than the date), and then click the Calculate button.

First Payment Date: 12/28/2013  
Loan Amount: 10,000.00  
Interest Rate: 8.5 %  
Loan Length: 2 Years  
Payment Frequency: Monthly  
Payment Amount (P+I): 454.56  
Balloon Amount: 0.00

Import Clear All Calculate

Compare Loans  
Extra Payments

Interest Calculated: On date payment is due  
Total Interest: 909.37  
Last Payment Date: 11/30/2015

Cancel Help Report < Back

Item 8. Schedule of Payment: \$454.56

- Principal \$10,000 + Interest \$909.37 = \$10,909.37
  - \$10,909.37 (Principal + Interest) ÷ 24 months = \$454.56 per month

Item 9. Effective Interest Rate: 19.187%

- Item 6. Total Finance Charge: \$1,909.37
  - Item 4. Interest + Item 5. Other Bank Charges \$909.37 + \$1,000 = \$1,909.37
- Item 7. Net Loan proceeds: (Item 1 – Item 5) \$10,000 - \$1,000 = \$9,000
- Item 8. Monthly Payment: \$454.56
- This information is entered in the amortization software to generate the effective interest rate as illustrated by **Diagrams 2 and 3** on next page.

**Diagram 2**

Loan Calculator

▶ Leave one field blank (other than the date), and then click the Calculate button.


First Payment Date:	12/28/2013
Loan Amount:	9,000.00
Interest Rate:	%
Loan Length:	2 Years
Payment Frequency:	Monthly
Payment Amount (P+):	454.56
Balloon Amount:	0.00

Import Clear All

Calculate

Compare Loans

Extra Payments



Interest Calculated:                      Total Interest:  
On date payment is due                      Last Payment Date:

Cancel    Help    Report    < Back

**Diagram 3**

Loan Calculator

▶ Leave one field blank (other than the date), and then click the Calculate button.


First Payment Date:	12/28/2013
Loan Amount:	9,000.00
Interest Rate:	19.187 %
Loan Length:	2 Years
Payment Frequency:	Monthly
Payment Amount (P+):	454.56
Balloon Amount:	0.00

Import Clear All

Calculate

Compare Loans

Extra Payments



Interest Calculated:                      Total Interest: 1,909.44  
On date payment is due                      Last Payment Date: 11/30/2015

Cancel    Help    Report    < Back

**Format of Disclosure Statement on Consumer Loans – Remaining Balance Method  
(Charges are added to loan principal)**

Name of Bank: ABC Bank Limited  
 Name of Borrower: John Doe  
 Address: 10 Central American Blvd,  
 Belize City, Belize

1. Loan Amount			\$11,000.00
2. Contractual Interest Rate	8.5%		
3. Term	2 years		
4. Total Interest Charges			\$1,000.32
5. Other Bank Charges <sup>1</sup>			\$1,000.00
Documentation		-	
Mandatory Insurance		\$400.00	
Others (Specify) – Bill of Sale		\$400.00	
– Loan Fee		\$200.00	
6. Total Finance Charges (Item 4 & 5)			\$2,000.32
7. Net Loan Proceeds (Item 1 – Item 5)			\$10,000.00
8. Schedule of Payments <sup>2</sup>			
Single payment due on	28/12/13	\$500.01	
9. Effective Interest Rate	18.187%		
10. Conditional Charges that may be imposed (if applicable)			
Late Charge	\$30.00		
Others (Specify)	-		

Certified Correct:

\_\_\_\_\_  
 (Signature of Authorized Representative Over Printed Name)

\_\_\_\_\_  
 Position

I ACKNOWLEDGE RECEIPT OF A COPY OF THIS STATEMENT PRIOR TO THE CONSUMMATION OF THE CREDIT TRANSACTION.

\_\_\_\_\_  
 (Signature of Borrower Over Printed Name)

\_\_\_\_\_  
 Date

**Notes:**

<sup>1</sup>Itemize all charges.

<sup>2</sup>For remaining balance loans, provide borrower with an amortization schedule.

## Work Paper for Annex 2A

### Effective Interest Rate for Remaining Balance Method (Charges are added to loan principal)

Item 4. Total Interest: \$1,000.32 (See **Diagram 1**)

- Principal \$11,000 x 8.5% = \$1,000.32 for 24 month period

**Diagram 1**

Loan Calculator

Leave one field blank (other than the date), and then click the Calculate button.

First Payment Date: 12/28/2013  
Loan Amount: 11,000.00  
Interest Rate: 8.5%  
Loan Length: 2 Years  
Payment Frequency: Monthly  
Payment Amount (P+I): 500.01  
Balloon Amount: 0.00

Import Clear All Calculate

Compare Loans  
Extra Payments

Interest Calculated: In date payment is due  
Total Interest: 1,000.32  
Last Payment Date: 11/30/2015

Cancel Help Report < Back

Item 8. Schedule of Payment: \$500.01

- Principal \$11,000 + Interest \$1,000.32 = \$12,000.32
  - \$12,000.32 (Principal + Interest) ÷ 24 months = \$500.01 per month

Item 9. Effective Interest Rate: 18.187%

- Item 6. Total Finance Charge: \$2,000.32
  - Item 4. Interest + Item 5. Other Bank Charges \$1,000.32 + \$1,000 = \$2,000.32
- Item 7. Net Loan proceeds: (Item 1 – Item 5) \$11,000 - \$1,000 = \$10,000
- Item 8. Monthly Payment: \$500.01
- This information is entered in the amortization software to generate the effective interest rate as illustrated by **Diagrams 2 and 3** on the next page.

**Diagram 2**


Loan Calculator

Leave one field blank (other than the date), and then click the Calculate button.

First Payment Date: 12/28/2013  
Loan Amount: 10,000.00  
Interest Rate: %  
Loan Length: 2 Years  
Payment Frequency: Monthly  
Payment Amount (P+): 500.01  
Balloon Amount: 0.00

Compare Loans  
Extra Payments

Import Clear All  
Calculate



Interest Calculated: On date payment is due  
Total Interest: Last Payment Date:

Cancel Help Report < Back

**Diagram 3**


Loan Calculator

Leave one field blank (other than the date), and then click the Calculate button.

First Payment Date: 12/28/2013  
Loan Amount: 10,000.00  
Interest Rate: 18.187 %  
Loan Length: 2 Years  
Payment Frequency: Monthly  
Payment Amount (P+): 500.01  
Balloon Amount: 0.00

Compare Loans  
Extra Payments

Import Clear All  
Calculate



Interest Calculated: Total Interest: 2,000.24  
On date payment is due Last Payment Date: 11/30/2015

Cancel Help Report < Back

**Format of Disclosure Statement on Consumer Loans – Remaining Balance Method  
(Charges held in escrow and paid monthly)**

Name of Bank: ABC Bank Limited  
 Name of Borrower: John Doe  
 Address: 10 Central American Blvd,  
 Belize City, Belize

1. Loan Amount			\$10,000.00
2. Contractual Interest Rate	8.5%		
3. Term	2 years		
4. Total Interest Charges			\$909.37
5. Other Bank Charges <sup>1</sup>			\$1,000.00
Documentation			-
Mandatory Insurance		\$400.00	
Others (Specify) – Bill of Sale – Loan Fee		\$400.00 \$200.00	
6. Total Finance Charges (Item 4 & 5)			\$1,909.37
7. Net Loan Proceeds			\$10,000.00
8. Schedule of Payments <sup>2</sup>			
Single payment due on	28/12/13	\$496.23	
9. Effective Interest Rate	17.375%		
10. Conditional Charges that may be imposed (if applicable)			
Late Charge	\$30.00		
Others (Specify)	-		

Certified Correct:

\_\_\_\_\_  
 (Signature of Authorized Representative Over Printed Name)

\_\_\_\_\_  
 Position

I ACKNOWLEDGE RECEIPT OF A COPY OF THIS STATEMENT PRIOR TO THE CONSUMMATION OF THE CREDIT TRANSACTION.

\_\_\_\_\_  
 (Signature of Borrower Over Printed Name)

\_\_\_\_\_  
 Date

**Notes:**

<sup>1</sup>Itemize all charges.

<sup>2</sup>For remaining balance loans, provide borrower with an amortization schedule.



## Work Paper for Annex 2B

### Effective Interest Rate for Remaining Balance Method (Charges held in escrow and paid monthly)

Item 4. Total Interest: \$909.37 (See **Diagram 1**)

- Principal \$10,000 x 8.5% = \$909.37 for 24 month period

**Diagram 1**

Leave one field blank (other than the date), and then click the Calculate button.

First Payment Date:	12/28/2013
Loan Amount:	10,000.00
Interest Rate:	8.5 %
Loan Length:	2 Years
Payment Frequency:	Monthly
Payment Amount (P+I):	454.56
Balloon Amount:	0.00

Import Clear All Calculate

Compare Loans Extra Payments

Interest Calculated: On date payment is due Total Interest: 909.37 Last Payment Date: 11/30/2015

Cancel Help Report < Back

Item 8. Schedule of Payment: \$496.23

- Principal \$10,000 + Interest \$909.37 = \$10,909.37
  - $\$10,909.37 \div 24 \text{ months} = \$454.56 \text{ per month}$
  - Item 5: Other Bank Charges  $\$1,000 \div 24 \text{ months} = \$41.67 \text{ per month}$
  - $\$454.56 + \$41.67 = \$496.23 \text{ per month}$

Item 9. Effective Interest Rate: 17.375%

- Item 6. Total Finance Charge: \$1,909.37
  - Item 4. Interest + Item 5. Other Bank Charges  $\$909.37 + \$1,000 = \$1,909.37$
- Item 7. Net Loan proceeds: \$10,000
- Item 8. Monthly Payment: \$496.23
- This information is entered in the amortization software to generate the effective interest rate as illustrated by **Diagrams 2 and 3** on next page.

**Diagram 2**

Loan Calculator

▶ Leave one field blank (other than the date), and then click the Calculate button.

First Payment Date: 12/28/2013

Loan Amount: 10,000.00

Interest Rate: %

Loan Length: 2 Years

Payment Frequency: Monthly

Payment Amount (P+I): 496.23


Balloon Amount: 0.00

Import Clear All

Calculate

Compare Loans

Extra Payments



Interest Calculated: On date payment is due

Total Interest: Last Payment Date:

Cancel Help Report < Back

**Diagram 3**

Loan Calculator

▶ Leave one field blank (other than the date), and then click the Calculate button.

First Payment Date: 12/28/2013

Loan Amount: 10,000.00

Interest Rate: 17.375 %

Loan Length: 2 Years

Payment Frequency: Monthly

Payment Amount (P+I): 496.23


Balloon Amount: 0.00

Import Clear All

Calculate

Compare Loans

Extra Payments



Interest Calculated: On date payment is due

Total Interest: 1,909.53

Last Payment Date: 11/30/2015

Cancel Help Report < Back