

"How Does My Simple Interest Loan Work?"



For all fixed-rate, fixed-term loans (like Signature Loans, Vehicle Loans and Fixed Term Home Equity Loans), Members 1st computes interest for each day you have a balance. Each time you make a payment, the daily interest is paid first, and the rest of the payment is applied to principal automatically. Any additional or "extra" payments work the same way, satisfying any daily interest accrued first, with the rest applied straight to principal.*

If you wish to make a "principal only" payment, simply pay the "extra" amount on the same day as your scheduled payment. Since your regular payment satisfies your interest, the entire amount will be applied as principal, reducing your loan balance. All payments, as well as the breakdown of principal and interest will always appear on your monthly statement.

(Some other financial institutions and most primary mortgages calculate interest on a monthly schedule. For these loans, you pay the entire interest due for the prior month regardless of which day of the month you pay).

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*Certain situations such as delinquency, default charges and late fees may also affect these calculations.