INTEREST

There are two types of interest calculating methods common to our business. For both types, it is important to remember that interest is paid in arrears. Common thought is that when a payment is made, you are paying for the month ahead. This is incorrect.

DAILY INTEREST

This is calculated according to the actual number of days between payments. If the calculated interest is greater than the Principal and Interest amount of the payment, the excess interest becomes accrued interest (which is interest that is unpaid but still owing) and the account balance is not charged. If the current year is a leap year, then substitute 366 for the 365 in the calculation formula.

This formula is: Current principal balance x Interest rate ÷ 365 (= your per diem or daily interest amount) x number of days = interest total for this payment. To obtain the number of days in this formula count the actual number of days from the date of the last payment to the date of the payment you are calculating.

PERIODIC INTEREST

This is calculated according to a set number of days between payments. If more than one payment is received at a time, the interest is calculated on the first payment and the new balance is figured. Then using the new balance, the interest on the second payment is calculated, and its balance is computed. Regardless of whether the client pays 2 days early or 2 months late, exactly one month's interest will be charged to the regular payment. This process continues until all received payments have been calculated. The number of days in the calendar year is not relevant with periodic interest.

This formula is: Current principal balance x Interest rate ÷ 360 (= your per diem or daily interest) x 30 = interest total for payment.

AUTHORIZATION

I authorize Mills Escrow Company to calculate interest as *DAILY ____/PERIODIC____ in reference to the account of ________________________,
Account Number __________________ PAYOR(s)

*Initial One ONLY

____ ______________________
LENDER DATE