

Simple Interest Loan Accelerated Payments



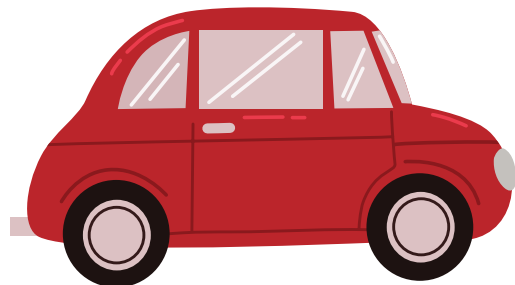
What is a simple interest loan?

"When borrowing money, the amount borrowed, called the principal plus the interest, which is what the lender charges for loaning the money, must be repaid."

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Example

AMANDA BORROWS \$6,000 TO BUY A CAR AT 18.5% SIMPLE INTEREST, TO BE PAID BACK OVER 5 YEARS.



Types of Payments	Monthly Payments	Biweekly Payments
Payment:	\$154.00	\$77.00
Total Interest Paid:	\$3,239.84	\$2,779.77
Principal Repaid:	\$6,000.00	\$6,000.00
Total P&I	\$9,239.84	\$8,779.77
Total Savings:	\$0.00	\$460.07



1 year = 12 months or 12 Payments
or
52 weeks or 26 payments

\$154 payment x 12 months = \$1,848.00

VS

\$77 payments x 26 = \$2,002

\$2,002 - \$1848 = \$154 extra a year
\$154 / 13 months = \$11.84 a month or **\$5.92** biweekly.

In essence, you are adding a 13th payment to your annual number of payments and splitting it up between 26 bi-weekly payments.

In this scenario, paying an extra **\$5.92** every two weeks will pay off your loan in 53 months instead of the current 60 months, and save **\$460.07** in loan interest in the process.