

Payment allocation examples

The examples below are representative of a student in school. Loans 1, 3, and 4 represent an interest-only repayment option. Loan 2 represents a fixed \$25 repayment option.

Borrower's current loans

| Loan ID | Current Balance | Current Principal | Interest Rate | Unpaid Interest | Current Amount Due | Past Due Amount | Unpaid Fees | Total Amount Due |
|---------|-----------------|-------------------|---------------|-----------------|--------------------|-----------------|-------------|------------------|
| Loan 1 | \$10,000.00 | \$10,000.00 | 8.25% | \$69.00 | \$69.00 | \$0.00 | \$0.00 | \$69.00 |
| Loan 2 | \$8,700.00 | \$8,500.00 | 8.00% | \$200.00 | \$25.00 | \$25.00 | \$1.25 | \$51.25 |
| Loan 3 | \$5,500.00 | \$5,500.00 | 8.00% | \$37.00 | \$37.00 | \$0.00 | \$0.00 | \$37.00 |
| Loan 4 | \$6,800.00 | \$6,800.00 | 7.75% | \$44.00 | \$44.00 | \$0.00 | \$0.00 | \$44.00 |
| Total | \$31,000.00 | \$30,800.00 | | | \$175.00 | \$25.00 | \$1.25 | \$201.25 |

If the Borrower makes a payment of \$175, it will be allocated and applied as follows:

Payment allocation

| Loan ID | Current Balance | Interest Rate | Past Due Amount | Current Amount Due | Payment Amount Applied | Unpaid Amount |
|---------------|-------------------|---------------|-----------------|--------------------|------------------------|----------------|
| Loan 1 | \$10,000.00 | 8.25% | \$0.00 | \$69.00 | \$44.00 | \$25.00 |
| Loan 2 | \$8,700.00 | 8.00% | \$25.00 | \$25.00 | \$50.00 | \$0.00 |
| Loan 3 | \$5,500.00 | 8.00% | \$0.00 | \$37.00 | \$37.00 | \$0.00 |
| Loan 4 | \$6,800.00 | 7.75% | \$0.00 | \$44.00 | \$44.00 | \$0.00 |
| Total | \$31,000.00 | | \$25.00 | \$175.00 | \$175.00 | \$25.00 |

Payment allocation:

The underpayment of \$175 was first allocated to **Loan 2** to cover the Past Due Amount of \$25.00.

Next, we allocated from lowest to highest Current Amount Due:

- \$25.00 to **Loan 2**
- \$37.00 to **Loan 3**
- \$44.00 to **Loan 4**

Last, we allocated the remaining \$44.00 to **Loan 1**, resulting in an underpayment.

Application continued on following page

Payment application

| Loan ID | Unpaid Fees | Unpaid Interest | Current Principal |
|-----------------|---------------|-----------------|-------------------|
| Loan 1 | \$0.00 | \$69.00 | \$10,000.00 |
| Amounts applied | \$0.00 | \$(44.00) | \$(0.00) |
| Total | \$0.00 | \$25.00 | \$10,000.00 |
| Loan 2 | \$1.25 | \$200.00 | \$8,500.00 |
| Amounts applied | \$(1.25) | \$(48.75) | \$(0.00) |
| Total | \$0.00 | \$151.25 | \$8,500.00 |
| Loan 3 | \$0.00 | \$37.00 | \$5,500.00 |
| Amounts applied | \$0.00 | \$(37.00) | \$(0.00) |
| Total | \$0.00 | \$0.00 | \$5,500.00 |
| Loan 4 | \$0.00 | \$44.00 | \$6,800.00 |
| Amounts applied | \$0.00 | \$(44.00) | \$(0.00) |
| Total | \$0.00 | \$0.00 | \$6,800.00 |
| Total | \$0.00 | \$176.25 | \$30,800.00 |

Payment application:

\$44.00 of the \$175 payment was allocated to **Loan 1**. Since there were no Unpaid Fees, the \$44.00 was applied to Unpaid Interest, resulting in \$25.00 remaining unpaid.

\$50.00 of the \$175 payment was allocated to **Loan 2**. \$1.25 was first applied to Unpaid Fees and the remaining \$48.75 was applied to Unpaid Interest, resulting in \$151.25 remaining unpaid.

\$37.00 of the \$175 payment was allocated to **Loan 3**. Since there were no Unpaid Fees, the \$37.00 was applied to the Unpaid Interest.

\$44.00 of the \$175 payment was allocated to **Loan 4**. Since there were no Unpaid Fees, the \$44.00 was applied to the Unpaid Interest.