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# Loan Interest Calculation: 360/365 Daily Interest

For Credit Union Business Lending

## INTRODUCTION

Recently there has been a new focus for credit unions on business lending. It is popular in the marketplace for business loans to be calculated using a 360/365 daily interest instead of the standard 365-day method. CU\*BASE allows this special calculation so that CU\*Answers credit unions are able to compete with today's business lenders.

Simply put, this is a calculation that acts like a 365-day simple daily calculation but looks like a 360-day calculation where each month has only 30 days. Like the simple 365-day interest calc. type, this method calculates interest accruals every day using a daily *per diem* interest amount. But instead of using 365 or 366 days when figuring the daily interest amount, the rate is always divided by 360 days.

*NOTE: See the booklet, "CU\*BASE Mortgage Products: 360-Day Interest Calculation" for details on the separate 360-day calculation used exclusively for mortgage loans, which uses a more complex calculation structure and has specific requirements for automated processing.*

Other than the difference in how accruals are calculated, the servicing of these loans is exactly the same as normal 365-day type loans, making it easy to incorporate these new loan types into your credit union's loan portfolio.

**Revision date: November 20, 2009**

For an updated copy of this booklet, check out the Reference Materials page of our website:  
[http://www.cuanswers.com/client\\_reference.php](http://www.cuanswers.com/client_reference.php)  
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# SETTING UP THE LOAN CATEGORY

## MNCNFB #1 "Loan Category Configuration" Screen 1

Session 2 CU\*BASE GOLD - Loan Category Definition

### Loan Category Definition

Category code 26 Corp ID 01 CU\*ANSUERS TEST CREDIT UNION

**General Information**

Full description VARIABLE RATE INSTALLMENT LNS  
Abbreviated description VR INSTALLMENT  
Process type E CONSUMER LOAN/CLOSED END

Account type range Low 771 High 779  
Interest rates Low 5.000 High 10.000

Interest calculation type 4 = 360 / 365  
Payment calculation type Principal and Interest  
Next payment date/delinq control P = Single Payment Per Period

Use review date for disbursements  
 Allow teller disbursements  
 Warn teller if different payment amount  
 Include delq fine in partial pay  
 Allow payment protection  
 Allow account nickname

AFT payment date control default  
 AFT delinquency control default  
 Use note # control  
 Allow stock to secure loan  
 Use the lease residual in payoff  
 Restrict approving loan officer from disbursing same loan

Student loan after-payout category

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For complete details, please refer to CU\*BASE GOLD Online Help (click [Learn About This Feature](#) while working on this screen.

## Interest Calculation Type

There are four different interest calculation types for CU\*BASE loan products:

- 0 365** - The standard daily interest calculation using a 365 or 366-day year. Not for mortgage-type loans. Interest is accrued each day using a *per diem* calculated as follows:

$$\text{Rate} \div 365 \text{ or } 366 \times \text{Loan Balance} = \text{Per diem}$$

- 2 None** - Does not accrue interest.

- 3 360/post** - Interest is based on twelve 30-day months, calculated once each month on the 20th for the current month (i.e., interest is paid in arrears).

See the booklet, "CU\*BASE Mortgage Products: 360-Day Interest Calculation" for details on how this calculation works.

- 4 360/365** - The standard daily interest calculation using a 360-day year (30-day month). Not for mortgage-type loans. Interest is accrued each day using a *per diem* calculated as follows:

$$\text{Rate} \div 360 \times \text{Loan Balance} = \text{Per diem}$$