
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.

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For an updated copy of this booklet, check out the Reference Materials page of our website:
http://www.cuanswers.com/client_reference.php
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- 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:

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