

## Settlement Loss Calculation

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Our settlement loss calculation is based off the Safe Harbour Formula found in the CCCFA. The calculation has been adjusted slightly to account for variable final payments.

### Variables required for the formula to work:

- Account Maintenance Fee after adjusting for your Account Maintenance Fee frequency.
- **P** = Your regular payment less Account Maintenance Fee.
- **Pf** = Your final payment less Account Maintenance Fee.
- **f** = Your regular payment frequency (weekly = 52, fortnightly= 26, monthly=12)
- **i** = Applicable Interest Rate on offer.
- **n** = The number of payments yet to be made.
- **d** = The number of days from last payment and up to the settlement expiry date.

The formula will return the loan outstanding amount - VFP (value of forgone payments).

$$VFP = P \times \frac{(1 - v)^{n-1}}{\frac{i}{f}} + \frac{Pf}{1 + \left(\frac{i}{f}\right)^n} \times (1 + i)^{\frac{n}{365}}$$

This VFP number will be compared to the current unpaid balance of the loan (Unpaid Balance less VFP).

If the difference is greater than 0, then a loss fee will be charged. If the difference is less than 0, then there is no loss, hence no loss fee.

If your loan interest rate is 10% p.a. and the applicable interest rate at repayment is 8% p.a., the calculation may result in a charge.

If your loan interest rate is 10% p.a. and the applicable interest rate at repayment is 12% p.a., no settlement loss fee will apply.