

Frequently Asked Questions

Question 1:

What is Monthly Reducing Rate (“MRR”)? How is interest accrued at MRR for Instalment Loan?

Answer:

- Monthly Reducing Rate (“MRR”) is one of the common method that banks and financial institutions use to calculate the interest payable monthly for an instalment loan.
- MRR is applied to the outstanding loan principal and such principal will be continuously reduced as the monthly instalments (consisting of interest and principal) are repaid. Based on the MRR and reducing loan principal, the amount of interest in the monthly instalments is computed and decreases over the course of the loan period.

*Our Company may quote equivalent Monthly Flat Rate in our marketing materials for easy reference. Any other kinds of interest rates may be used in subsequent quotes, offers and/ or loan agreements. Please refer to the terms and conditions as set out in the Loan Agreement of the specific product.

Example

- For example, a customer borrows \$100,000 for a tenor of 24 months at the MRR of 1.0862% and the monthly instalment is \$4,756.
- In the first month, the interest is equal to the principal balance of \$100,000 multiplied by 1.0862 percent, or \$1,086. In Month 1, the instalment payment of \$4,756 was allocated as: \$1,086 to interest and principal reduction of \$3,670.
- This means that at the beginning of Month 2, the loan balance is equal to \$100,000 minus the principal reduction of \$3,670, or \$96,330. Interest is computed based on \$96,330 multiplied by 1.0862 percent, or \$1,046. The principal reduction this time is equal to the instalment payment of \$4,756 minus interest of \$1,046, or \$3,710. Continuing this exercise through Month 24 results in total principal reduction of \$100,000 and total interest of \$14,144, the sum of which happens to equal \$114,144. This figure, \$114,144, is also equal to the sum of the 24 monthly instalment payments of \$4,756.

- Interest in each instalment* = Outstanding Principal x MRR

$$\begin{aligned} \text{- Interest of the 1}^{\text{st}} \text{ instalment} &= \$100,000 \times 1.0862\% \\ &= \$1,086 \end{aligned}$$

$$\begin{aligned} \text{- Interest of the 2}^{\text{nd}} \text{ instalment} &= (\$100,000 - \$3,670) \times 1.0862\% \\ &= \$96,330 \times 1.0862\% \\ &= \$1,046 \end{aligned}$$

$$\begin{aligned} \text{- Interest of the 3}^{\text{rd}} \text{ instalment} &= (\$100,000 - \$3,670 - \$3,710) \times 1.0862\% \\ &= \$92,620 \times 1.0862\% \\ &= \$1,006 \end{aligned}$$

*rounded to the nearest HK dollar

- Detailed breakdown of the principal and interest in each monthly instalment is as follows:

Loan Amount: \$100,000
Interest Rate (per month): 1.0862% (MRR)
Tenor (months): 24
Monthly Instalment: \$4,756

Instalment No.	Monthly Instalment	Interest	Principal	Outstanding Principal
1	4,756	1,086	3,670	96,330
2	4,756	1,046	3,710	92,620
3	4,756	1,006	3,750	88,870
4	4,756	965	3,791	85,079
5	4,756	924	3,832	81,247
6	4,756	883	3,873	77,374
7	4,756	840	3,916	73,458
8	4,756	798	3,958	69,500
9	4,756	755	4,001	65,499
10	4,756	711	4,045	61,454
11	4,756	668	4,088	57,366
12	4,756	623	4,133	53,233
13	4,756	578	4,178	49,055
14	4,756	533	4,223	44,832
15	4,756	487	4,269	40,563
16	4,756	441	4,315	36,248
17	4,756	394	4,362	31,886
18	4,756	346	4,410	27,476
19	4,756	298	4,458	23,018
20	4,756	250	4,506	18,512
21	4,756	201	4,555	13,957
22	4,756	152	4,604	9,353
23	4,756	102	4,654	4,699
24	4,756	57	4,699	0
Total	114,144	14,144	100,000	-

The above example is for reference only in case of normal repayment and does not apply to early settlement. The amounts are rounded to the nearest HK dollar.

Question 2:

Do I save interest by making early settlement of personal instalment loan?

Answer:

Any early settlement of the loan may be subject to (a) a rebate of future interest and charge (if applicable) that you would have otherwise paid if you had paid all of the instalments over the agreed period of loan; and (b) the “compensation” such as Early Settlement Charge and/or Commitment Fee charged by the Company for the costs which incur as a result of such act. Since these items are calculated on different bases as set out in the Personal Loan Agreement and/or Key Facts Statement (“KFS”), the rebate amount of future interest and charge may not necessarily be adequate to cover the compensation and hence the settlement figure may be greater than the total amount of remaining instalments and you may not be able to save money by making early settlement. For more details, please refer to the Personal Loan Agreement, KFS and/or check with our Company’s staff.

Example

Loan Amount:	\$100,000
Interest Rate (per month):	1.0862% (MRR)
Tenor (months):	24
Monthly Instalment:	\$4,756
Early Settlement Rate (per month):	1.5237% (MRR)
Commitment Fee:	5% on Loan Amount (within the first 12 instalments); 4% on Loan Amount (within the 13 th to 22 th instalments)

Sample Repayment Schedule

Instalment No.	Monthly Instalment	Interest	Principal	Outstanding Principal	Commitment Fee
1	4,756	1,524	3,232	96,768	5,000
2	4,756	1,474	3,282	93,486	5,000
3	4,756	1,424	3,332	90,154	5,000
4	4,756	1,374	3,382	86,772	5,000
5	4,756	1,322	3,434	83,338	5,000
6	4,756	1,270	3,486	79,852	5,000
7	4,756	1,217	3,539	76,313	5,000
8	4,756	1,163	3,593	72,720	5,000
9	4,756	1,108	3,648	69,072	5,000
10	4,756	1,052	3,704	65,368	5,000
11	4,756	996	3,760	61,608	5,000
12	4,756	220	4,536	57,072	5,000
13	4,756	-	4,756	52,316	4,000
14	4,756	-	4,756	47,560	4,000
15	4,756	-	4,756	42,804	4,000
16	4,756	-	4,756	38,048	4,000
17	4,756	-	4,756	33,292	4,000
18	4,756	-	4,756	28,536	4,000
19	4,756	-	4,756	23,780	4,000

20	4,756	-	4,756	19,024	4,000
21	4,756	-	4,756	14,268	4,000
22	4,756	-	4,756	9,512	4,000
23	4,756	-	4,756	4,756	0
24	4,756	-	4,756	0	0
Total	114,144	14,144	100,000	-	-

	Scenario 1	Scenario 2
Assumptions	You early repay the loan after repaying 6 monthly instalments	You early repay the loan after repaying 7 monthly instalments
Early Settlement Amount	<p>[(Outstanding Principal <u>or</u> 99% of the total sum of monthly instalments not due, whichever is lower)] + Commitment Fee</p> <p>= [(\$79,852) or (99% x 18 x \$4,756) whichever is lower] + \$5,000</p> <p>= [(\$79,852) or (\$84,752) whichever is lower] + \$5,000</p> <p>= \$79,852 + \$5,000</p> <p>= \$84,852</p>	<p>[(Outstanding Principal <u>or</u> 99% of the total sum of monthly instalments not due, whichever is lower)] + Commitment Fee</p> <p>= [(\$76,313) or (99% x 17 x \$4,756) whichever is lower] + \$5,000</p> <p>= [(\$76,313) or (\$80,043) whichever is lower] + \$5,000</p> <p>= \$76,313 + \$5,000</p> <p>= \$81,313</p>
Normal Settlement Amount	<p>Sum of monthly instalments not due (7th to 24th instalment)</p> <p>= 18 x \$4,756</p> <p>= \$85,608</p>	<p>Sum of monthly instalments not due (8th to 24th instalment)</p> <p>= 17 x \$4,756</p> <p>= \$80,852</p>
Results	<p>The Early Settlement Amount (\$84,852) is smaller than the Normal Settlement Amount (\$85,608).</p> <p>In other words, you will save interest in making early repayment in this Scenario.</p>	<p>The Early Settlement Amount (\$81,313) is greater than the Normal Settlement Amount (\$80,852).</p> <p>In other words, you will not save interest in making early repayment in this Scenario.</p>

The above example is for reference only in case of early settlement. The amounts are rounded to the nearest HK dollar.