

How to calculate bank loan interest rates in May

In order to be able to carry out procedures for bank loans, borrowers need to qualify for each bank's loan and complete the necessary borrowing procedures.

For more business investment or other big jobs, many people choose to borrow bank loans. There are many questions around this issue, such as what conditions are for loans, which bank loans, how much they are allowed to borrow, how to borrow them, or how interest is paid monthly. In this article, we will provide the information needed for readers to understand the rules, as well as the essentials when conducting bank loans.

In this article, we will take the example of a bank loan to buy a car.

1. Conditions for bank loans:

Being a Vietnamese citizen aged 18 and over to no more than 65 years of age at the time of loan closing and the guarantor is not over 70 years old at the time of signing the contract. However, if the old customer is high but good health and spirit, the bank is willing to exception the age for its customers.



1. Legal documents:

Must be clear, including:

1. Identity card.
2. Registration book.
3. Marriage certificate / single certificate.

Legal documents will be subject to bank regulations. Banks will stipulate that customers have household registration at the place where the bank's office is located, then they will receive the application.

In case the customer has multiple identity card numbers, depending on the type of application, the bank will require a certificate from the City Police to change the identity card number. However, for car loans, this requirement is not necessary. The bank will provide a confirmation form for customers to sign.



2. Record of revenue sources:

Customers must be able to repay the loan every month so the bank dares to lend you. Profiles of income proof will be very diverse because each person is a profession, no one is like anyone. We would like to introduce some of the following proofs of income for you.

Income from salary:

1. Labor contract.
2. Salary statement / Confirmation of the last 3 months.

Revenue from rental housing:

1. Certificates of land use rights.
2. Lease contract (if any).
3. Photo of rental housing.

Revenue from car rental:

1. Car.
2. Car rental contract (if any).
3. Photo of rental car.

Revenues from business households:

1. Business household registration paper.
2. Books to record the latest 03 months (if any).
3. Picture of the business establishment.

Revenues from enterprises:

1. Business registration certificate.
2. Most recent financial statements.
3. VAT declaration.

If you have real income, but there is no proof to prove it. Simply exchange with the bank staff. They will support you so you don't have to worry about this anymore.

2. How to calculate the amount of interest on bank loan interest:

1. Determining clearly the amount of money to borrow:

The bank gives you up to 80% of the value of the car.

Example: You have the need to get the maximum funding from your bank to buy a Honda City 604tr. Thus, the maximum amount of money that customers will receive will be based on the price of the vehicle on the MB = $80\% \times 604\text{tr} = 483.2$ million. The bank does not calculate odd numbers so the amount to be financed will be rounded down to 483tr (79.96%).



2. Determining the loan period:

The longer the loan, the less money you will pay for a car loan. So, depending on how much you are able to repay each month, tell the bank staff, they will calculate and tell you how long it will take to pay.

Example: You need to borrow Honda City 604tr . Your monthly income is VND 15 million. => You should borrow 72 months.

3. Determination of bank loan interest package:

The bank will have many different interest rate packages. Choose any interest package, please contact the specialist to receive advice.

For example: You need to borrow a Honda City, you want to pay before the maturity, ie if you win a lottery with a lot of money, you will settle the loan before the agreed time on the contract. The bank chooses you a fixed 8.8% annual interest rate package for the first 18 months; after 18 months, the bank loan interest rate is 10.5% / year. During the year, if you need to pay in advance, the penalty fee is only 1% and can be reduced for you.

4. First month's interest amount for the loan:

For simplicity, we will divide it into 2 parts in the debt repayment obligation.

Principal amount: equally divided by loan period

Example: You need to borrow 483tr in 72 months. Monthly fixed principal amount = VND 483,000,000 / 72 months = VND 6,708,333 / month.

This principal amount will be fixed until the end of the loan period.

Interest amount payable: equal to Debt balance x Loan interest rate / 12 months / 30 days x Actual number of days

For example: On March 15, 2016, customer disbursed the loan record to BUY CAR 483tr with the preferred interest rate package of 8.8% / year in the first 18 months.

The bank holds the statement on the 26th monthly.

Amount of interest payable in the first month (March 26, 2016) = VND 483,000,000 x 8.8% / 12 months / 30 days x 11 days = VND 1,298,733.



5. Payments for the following months for the loan:

The amount owed for the second month will be calculated by the difference of the principal balance minus the amount of the original debt paid in the first month.

Recipe:

1. Outstanding balance of the 2nd month = Original balance - Original balance paid in the first month
2. In the following months, the amount payable will be calculated as follows:
3. Outstanding balance of the nth month = (Principal balance) / (Loan period) + [Monthly loan balance (n-1) x Interest rate of bank loans]
4. With the outstanding balance of the month (n-1) is calculated as follows:
5. Debt balance for the first month (n-1) = Debt balance - [Balance of the original monthly loan x (n-1)]

For example:

On March 15, 2016, customers disbursed loan documents for cars 483tr - 72-month loan term with selected interest rate package of 8.8% / year in the first 18 months.

The bank holds the statement on the 26th monthly.

First month (on March 26, 2016)

1. Principal amount payable = VND 483,000,000 / 72 = VND 6,708,333
2. Amount of interest payable in the first month (March 26, 2016) = VND 483,000,000 x 8.8% / 12 months / 30 days x 11 days = VND 1,298,733
3. Total amount to be paid in the first month for the bank = 6,708,333 + 1,298,733 = 8.007,066 VND

Second month:

1. Original amount paid for the first month: VND 6,708,333
2. Outstanding balance of the 2nd month = 483,000,000 - 6,708,333 = VND 476,291,667
3. Interest amount payable for the 2nd month (April 26, 2016) = 476.291.667 x 8.8% / 12 months / 30 days x 31 days = 3.609.232 VND
4. Total repayment amount of the 2nd month for the bank = 6,708,333 + 3,609,232 = 10,317,565 VND.

The third month:

1. Original amount paid in the first and second month: VND 13,416,667
2. Outstanding balance of the 3rd month = 483,000,000 - 13,416,667 = VND 469,583,333
3. Interest amount payable for the 3rd month (on May 26, 2016) = 469,583,333 x 8.8% / 12 months / 30 days x 30 days = VND 3,443,611
4. Total debt payable of the 3rd month for the bank = 6,708,333 + 3,443,611 = VND 10,151,944

