

Interest Paid in Advance — Same-Day Schedule Adjustment

Interest is paid in advance, meaning the borrower pays the predicted interest for the upcoming month based on the capital outstanding at the start of that month.

Interest accrues on a daily basis. If a capital disbursement or repayment occurs partway through the month, the interest already paid is corrected immediately by creating a new interest schedule entry dated the same day as the capital change. The original advance interest entry remains unchanged.

Example Summary

- No capital change → No adjustment
- Capital repayment → Same-day credit schedule entry
- Capital drawdown → Same-day debit schedule entry

Key Principle

Any mid-period change in capital results in a new interest schedule entry dated the same day as the capital change, ensuring interest accuracy without deferring adjustments.