

Mortgage Loan, Personal Loan, EPF Loan & SME Loan

The direction stipulates that the penal rate must not exceed **2 percentage points (2%) per annum** over and above the regular, contractual interest rate on the specific local currency loan facility. This penalty is typically applied only to the portion of the installment that is in arrears.

(Refer circular Number 02 of 2017).

Example:

- **Monthly Loan Installment:** LKR 50,000
- **Regular Interest Rate:** 12% per year
- **Max Penalty Rate Allowed:** 2% per year
- **Days Late:** 15 days

Scenario A: The Penalty-Only Method - 2% is the only extra charge allowed

1. Identify the late amount: LKR 50,000
2. Apply the 2% penalty rate: 2% per year
3. Adjust for the 15 late days:

Penalty Calculation - $LKR\ 50,000 \times [2/100] \times [15\ \text{days} / 365\ \text{days}]$

pay an extra LKR 41.10 for being 15 days late