



CONSUMER ALERT: BI-WEEKLY LOAN PAYMENTS

When you buy a home with a mortgage or take out a loan to purchase a car, your payments are due monthly by default. In an effort to pay down loans quicker and pay less in interest over the loan's lifetime, some borrowers choose to make bi-weekly payments instead.

When a borrower pays a loan on a bi-weekly schedule instead of the typical monthly schedule, the borrower pays half of the monthly bill twice a month. As a result of using a consistent bi-weekly payment schedule, over the course of one year the borrower makes 26 bi-weekly loan payments, equaling 13 total loan payments instead of 12. When the additional payments are applied to the loan's principal balance, the borrower may be able to pay off their loan ahead of schedule.

Some lenders will offer to make bi-weekly loan payments on your behalf. When lenders don't offer a biweekly payment option, some borrowers turn to third-party services that do. For a fee and pursuant to a contract, the third-party service provider makes bi-weekly payments on the borrower's behalf. While such a service is not itself problematic, in some cases the fees associated with the service outpace the borrower's potential savings.

For example, fees might include an enrollment fee, and/or fees twice monthly when the service provider makes the payment on behalf of the borrower. The borrower's savings might only exceed the costs of the third party's program if the borrower uses the third party's services for the life of the loan. A borrower should review a contract's terms and confirm they understand the document before agreeing to it.

As a borrower, there are multiple ways to achieve the goal of repaying your loan early without a third-party service provider.

1. Send bi-weekly payments directly to your lender.
2. Divide your monthly payment by 12 and add that amount to your payment every month.
3. Make an extra payment once a year.

With any of these do-it-yourself methods, confirm that your lender or loan servicer applies the extra payment to the loan's principal. And, regardless of whether you repay your loan early on your own or use a third-party service provider, first check your loan terms to confirm that you won't be subject to a prepayment penalty by repaying the loan early.

If you have questions or concerns regarding this writing or a bi-weekly payment plan, or wish to file a complaint about a bi-weekly payment services provider, contact the Division of Financial Institutions' Office of Consumer Affairs at 614-644-6508 or webdfi-oca@com.ohio.gov.

The Division attempts to resolve consumer complaints through informal mediation however, it is important to understand we cannot act as an advocate for either party, nor can we guarantee any certain resolution to a complaint.