
Early Pay Off of Loan

Posted by LK311 - 2008/07/01 07:57

I have a situation: Client wants to pay off a substantial loan early. Problem: there is a substantial prepayment penalty. The standard trick: was to pay the loan down to an insubstantial amount, and call the bank to waive the prepayment penalty, or have them assess the penalty on the small amount. Worked for a few years. The problem is that the documents with regard to this loan are unclear. The bank may tax the prepayment penalty on the loss of the value of the interest stream. Any thoughts on a way around? Any thoughts on if I can force their hand to reamortize the remainder balance if I do pay the loan down? The plan still works if I can get them to reamortize the new lower amount, the loan will not be technically paid of then and we can continue to make the smaller payments.

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Re:Early Pay Off of Loan

Posted by abr41 - 2008/07/16 12:26

I called the loan provider and negotiated new terms. Which company are you dealing with. Nelnet and Stafford are easy to deal with (at least for me).

I would also try consolidating the loans and making the new company which is handling the consolidation pay the fees.

Hope that helps a bit.

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