

Prepayment Penalty Policy Explanation

Date: [Insert Date]

Dear [Recipient's Name],

We hope this letter finds you well. We would like to take this opportunity to explain our prepayment penalty policy, which may apply to your loan agreement.

A prepayment penalty is a fee imposed on the borrower if the loan is paid off before the agreed-upon term. This policy is intended to protect lenders from the loss of interest income due to early repayment.

Details of the Prepayment Penalty:

- Amount: [Insert Penalty Amount or Percentage]
- Applicable Period: [Insert Timeframe]
- Exceptions: [List any exceptions, if applicable]

If you have any questions regarding this policy or how it may affect your loan, please do not hesitate to contact us at [Insert Contact Information].

Thank you for your attention to this matter.

Sincerely,

[Your Name]

[Your Title]

[Your Company]