

# Early Repayment Ratio ("Prepayment")

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This figure is considered as parameter while generating the [estimated cash flow plan](#).

Based on historical prepayment behaviour, this component predicts future prepayment rates as percentages. These percentages can be used by the [Cash Flow Generator](#) to insert expected early repayment cash flows in the cash flow plan.

If macroeconomic data are delivered (currently the market rate is supported), this is taken into account in an early repayment estimation, as the likelihood of early repayment is correlated with the market rate: the lower the market rate, the higher the probability that a lender will renegotiate their contract and thus will perform an early redemption.

Depending on the "Prepayment curve" parameter, the prepayment rate is either one figure or a curve:

- The Constant Prepayment Rate (CPR) is an expected prepayment rate, expressed as a percentage of annual prepayment of the remaining principal
- A prepayment curve produces multiple expected prepayment rates for one deal, each related to buckets of remaining time to maturity. This is because the likelihood of prepayment is usually lower at the start of a contract and increases as time progresses.