Student Activity 1

Work with your partner to answer the following questions.

Problem 1: Use an online loan calculator to fill in the blanks.
- Loan amount: $5,000   Monthly payment: _____
  Loan term: 2 years   Total Repayment: _____
  Interest rate: 6%   Interest paid: _____

- Loan amount: $5,000   Monthly payment: _____
  Loan term: 2 years   Total Repayment: _____
  Interest rate: 5%   Interest paid: _____

- Loan amount: $5,000   Monthly payment: _____
  Loan term: 3 years   Total Repayment: _____
  Interest rate: 6%   Interest paid: _____

Which of the plans above for the $5000 loan will cost the least in interest?

Problem 2: Marty is planning on taking out a loan for $1500 for 2 years. He wants to know how much more it will cost him in interest if he uses a credit card, at 20% interest, instead of borrowing from the bank at 8% interest.
Use an online loan calculator and determine the cost of using the credit card:

Use an online loan calculator and determine the cost of borrowing the money at the bank.

How much more will it cost him to put the $1500 on his credit card?

Problem 3: Janie has 3 options she is trying to decide on to finance her car. Her choices are:

a) finance with the car dealer for 12% interest for 3 years

b) finance with the car dealer for 12% interest for 5 years

c) finance with the bank for 6.5% interest for 3 years

Determine the monthly payment for each choice.

a)   b)   c)

Determine the total repayment for each choice.
a)   b)   c)

Which choice do you think she should take? Why

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8.12A Skills and Concepts Homework 1

1. What does APR stand for?

2. If you borrow $2,500 at 6% interest for 2 years, your monthly payment will be $110.80. How much interest will you have paid during these 2 years for the loan?

    If you had shopped around you could have gotten the loan for 5.5% interest rate instead of the 6%. You monthly payments would have been $110.24.   Would this savings a month be worth the time you would spend looking for a lower interest rate?

3. You have 3 options for a $4,000 loan.

    Option 1: 7% interest for 3 years   Monthly payment: $123.51

    Option 2:   6% interest for 2.5 years   Monthly payment: $143.92

    Option 3:   8% interest for 2 years   Monthly payment: $180.91

    Determine the repayment amount for each option.

    Which option requires the least amount of interest?

4. Which 2 things must you consider when trying to get a loan?

    What might affect your decision?

5. Sue can get a student loan for $12,000 for 10 years at an annual interest rate of 5% or borrow the same amount for 6 years at a rate of 4%.   Which do you think Sue should do?   Why?

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8.12A Skills and Concepts Homework 2

1. How does the term or length of a loan affect the repayment amount?

2. Complete the table below.

Loan Calculations					
Amount of Loan	Length of Loan	Annual Interest Rate	Monthly Payment	Total Repayment	Total Interest Paid
$4,000	3 yr	5%	$119.88		
$4,000	3 yr	6%	$121.69		
$4,000	3 yr	7%	$123.51		

How did the 1% increase in interest per year affect the total repayment amount?

3. Complete the table below.

Loan Calculations					
Amount of Loan	Length of Loan	Annual Interest Rate	Monthly Payment	Total Repayment	Total Interest Paid
$4,000	3 yr	5%	$119.88		
$4,000	2.5 yr	5%	$142.12		
$4,000	2 yr	5%	$175.49		

How did the 6 month decrease in loan length affect the total repayment amount?

4. Judy has a credit card balance of $7,500. She is determined to pay it off in 36 payments. The credit card company charges 19.8% annual interest. Using an online loan calculator, determine what monthly payment she needs to make to pay the credit card balance off in 36 months.

5. Jorge has a credit card balance of $13,000. His credit card company charges an annual interest rate of 20%. He gets an offer in the mail from a new card company for an interest rate of 15%. He can only afford to pay $250 a month. If he transfers his balance to the new card company, how much will he save? Use a credit card payoff calculator. Go to www.bankrate.com Click on Credit Cards in the choices at the top. Then on the middle left side, find Credit card payoff Calculator. Click on it and enter your information.