

Using a Credit Calculator to Figure a Car Payment

We are going to use an auto loan calculator to compare how much we pay in interest and the length of the payments. You will look for an auto payment calculator on the Internet. Although there are many others, you can use www.bankrate.com/creditcards or <http://www.autoloancalculator.com/>.

You will create the following chart comparing interest rates and lengths of loans. Let's pretend you are purchasing a new car, and you are going to borrow \$25,000.00 for it. We will compare loans for four years, five years and six years. Since we know that people with higher credit scores get lower interest rates, we will compare three percent interest with five percent interest. Complete the following chart, and then answer the questions below.

Loan Amount	Length of Loan	Rate of Interest	Payment	Interest Paid
\$25,000.00	four years	3%		
\$25,000.00	five years	3%		
\$25,000.00	six years	3%		
\$25,000.00	four years	5%		
\$25,000.00	five years	5%		
\$25,000.00	six years	5%		

How much can you save in interest by buying a car on a:

Four-year loan at three percent interest versus a five-year loan? _____

Four-year loan at three percent interest versus a six-year loan? _____

If you can save so much in interest by using a four-year loan, why would someone want to buy on a six-year loan?

Now let's compare the payment of the three percent interest rate versus the five percent interest rate. Are your payments on the five percent loan higher or lower than the three percent loan?

How much more in interest will you pay on the six-year loan at five percent than the six-year loan at three percent?

Write a paragraph about what you can conclude from this lesson.

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