Lesson Master

USES Objective 1

In 1 and 2, to buy a motorboat, Mr. Spender borrows $13,000 at 7.75% interest to be paid back in 42 monthly installments.

1. Identify each.
   a. the term of the loan
   b. the principal of the loan
   c. the monthly interest rate

2. a. How much would the bank have made on the principal if it had not lent the borrower the $13,000 and instead invested it at the same monthly compound interest rate?
   b. How much will Mr. Spender’s monthly payment be?

3. Mrs. Charget took her family out to eat. She paid $m dollars for the meal with a charge card that requires 36 monthly payments at 15% interest. If Mrs. Charget pays only the minimum amount due, how much interest will she pay for her family’s supper?

In 4 and 5, Mort Gage borrows $300,000 to purchase a house. The loan is for a 30-year term at 6.4% interest.

4. What is Mr. Gage’s monthly payment?

5. If Mr. Gage makes an additional $100 payment each month, how many months would it take him to repay the loan?

In 6 and 7, Mr. Otto wishes to borrow $23,000 to buy a new car. His bank offers two loans, Loan A is for 36 months at 3.4% and Loan B is for 48 months at 3.9%.

6. How much smaller would Mr. Otto’s monthly payment be for Loan B?

7. How much more total interest would Mr. Otto pay for Loan B?