

4-3 Loan Calculations Quiz

1. What is the total interest on a 30-year 5% loan with a principal of \$200,000? (Solve using the monthly payment formula)
2. Justin is considering taking out a \$10,000 loan. He went to two different banks. Normal Financing offered him an 8-year loan with an interest rate of 8.6%. Second Best Lending offered him a 5-year loan with an interest rate of 10%. Which loan will have the lower interest over the lifetime of the loan?
3. Claude wants to borrow \$25,000 to purchase a car. All he can afford to pay per month is \$300. The bank is offering a 5.9% loan. What would the length of his loan need to be so that he can stay within his budget? Round to the nearest hundredth of a year.
4. Regarding question 3, what impact would an increase in the monthly payment of \$50 have on the length of Claude's loan?

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