

Chapter 3  
Consumer Credit

Section 3-2

**LOANS**

**Objective:**  
**Compute**

**Compute**

**Compute**  
**Example 1**

What is the monthly payment for a \$4,000 two-year loan with an APR of 4%?

(Table is on back of notes)

Monthly payment from a table =

**Example 1 – Now You Try It!**

Juan is borrowing \$41,000 for 5 years at an APR of 3%. What is the monthly payment?

**Example 2**

What is the total interest you will have to pay for a \$4,000, two-year car loan with an APR of 4%?

a) Find the monthly payment

b) Find the total payments

Total monthly payments =

c) Find the total Interest paid

Total interest =

**Steps to Find the Interest Paid  
(Total Finance Fees)  
With NO Down Payment**

**a) Determine the monthly payment.**

- It is given to you
- Use a table:  $\text{table \#} \cdot \frac{\text{amount borrowed}}{1,000}$
- Use a formula: 
$$M = \frac{P \left( \frac{r}{12} \right) \left( 1 + \frac{r}{12} \right)^{12t}}{\left( 1 + \frac{r}{12} \right)^{12t} - 1}$$

M = monthly payment  
P = Principal  
r = annual interest rate (converted)  
t = length of loan in years

**b) Find the total monthly payments.**

**total monthly payments =**  
monthly payment x # of years x 12

**c) Find the total interest.**

**total interest =**  
total monthly payments – original principal

**Example 4**

Mark bought a new car. The total amount he needs to borrow is \$28,716. He plans on taking out a 4-year loan at an APR of 3.12%.

What is the monthly payment?

M =

P =

r =

t =

**Example 4 – Now You Try It!**

Find the monthly payment for a \$1,000, one-year loan at an APR of 2.5%.

M =

P =

r =

t =

**Example 5**

Natasha needs to borrow \$400 until her next paycheck to purchase a wedding gift. She goes to Friendly Fred's Payday Loans Store which lends her the \$400 for 3 weeks. Fred charges her \$70 interest for the 3 weeks. What is the APR for this loan?

$$\text{Payday APR \%} = \left( \frac{\text{Loan Interest}}{\text{Loan Amount}} \right) \div \left( \frac{\text{Loan Length in Days}}{365} \right) \times 100$$

**Example 5 – Now You Try It!**

Harrison's Loan Stars loaned Nicole \$900 that she needed for an unexpected car repair. She must repay the loan in 30 days. The interest is \$100. What is the APR for this loan, to the nearest percent?

**Assignment 3-2**

Read Pages 157 to 161

Do Page 162: # 2-7, 9-12, 14, 15, 17, 18c-h

**Monthly Payment per \$1,000 of Loan**

Interest Rate (APR)	2-Year Loan	3-Year Loan	4-Year Loan	5-Year Loan
1%	\$42.10	\$28.21	\$21.26	\$17.09
2%	\$42.54	\$28.64	\$21.70	\$17.53
3%	\$42.98	\$29.08	\$22.13	\$17.97
4%	\$43.42	\$29.52	\$22.58	\$18.42
5%	\$43.87	\$29.97	\$23.03	\$18.87
6%	\$44.32	\$30.42	\$23.49	\$19.33
7%	\$44.77	\$30.88	\$23.95	\$19.80