

Name: \_\_\_\_\_

Date: \_\_\_\_\_

Bank Loan:

- Amortization period
- To default is to
- Line of credit
- Overdraft protection

**Example** Joe takes out a loan for \$7800 at 4% interest for 5 years. What will their monthly payment be?

a. Calculate the total amount Joe will pay for the loan over the 4 years.

b. Calculate Joe's monthly payment.

**Example** Marie is buying a new snowmobile that costs \$11 500.00. They will take a loan from their bank at 4.75% for 4 years.

c. Calculate the total amount Marie will pay for the loan over the 4 years.

d. Calculate Marie's monthly payment.

1. Tim wants to buy a used car that costs \$3900.00. He can get a loan at 3.25% for 3 years from his bank.
  - a) What will his monthly payment be?
  
  
  
  
  
  
  
  
  
  
  - b) What is the total amount Tim will pay for the loan over the 3 years?
  
  
  
  
  
  
  
  
  
  
2. Alan wants to buy a customized mountain bike that costs \$3500. He has saved \$1200 toward the cost.
  - a) How much will Alan need to borrow from the bank to buy his bike?
  
  
  
  
  
  
  
  
  
  
  - b) Alan can get a loan at 5.5% for 2 years from his bank. What will his monthly payment be for this loan?
  
  
  
  
  
  
  
  
  
  
  - c) What is the total amount Alan will pay for the loan over the 2 years?
  
  
  
  
  
  
  
  
  
  
  - d) How much will Alan pay in total for his bike?

3. Bruce takes out a \$7300 loan and is offered two choices for repayment.

Option 1: 5.75% per year for 3 years

Option 2: 7.00% per year for 2 years

a) Calculate the monthly payment for each loan option.

b) What is the total cost for each loan option?

c) Which loan would you recommend Bruce choose? Explain your answer.