Unit 8 L 3 Simple Interest Installment Loans

OBJ: Figure the monthly payment, Total amount repaid, and the Finance charge on an installment loan.

APR. Annual Percentage rate is an index showing the relative cost of borrowing the money.

Important Formulas

Monthly Payment = $\dfrac{\text{Amount of Loan}}{\$100}$ **X** Monthly Payment for $100 Loan [Chart p. 799]

Total Amount Repaid = Monthly Payment X Number of Payments

Finance Charge = Total Amount Repaid – Amount Financed *Amt Borrowed*

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Look at chart at the bottom of page 799

Monthly Payment on a Simple Interest Installment Loan of $100

Term in Months	Annual Percentage Rate										
	8.00%	9.00%	10.00%	11.00%	12.00%	13.00%	14.00%	15.00%	16.00%	17.00%	18.00%
6	17.06	17.11	17.16	17.21	17.25	17.30	17.35	17.40	17.45	17.50	17.55
12	8.70	8.75	8.79	8.84	8.88	8.93	8.98	9.03	9.07	9.12	9.17
18	5.91	5.96	6.01	6.05	6.10	6.14	6.19	6.24	6.29	6.33	6.38
24	4.52	4.57	4.61	4.66	4.71	4.75	4.80	4.85	4.90	4.94	4.99
30	3.69	3.73	3.78	3.83	3.87	3.92	3.97	4.02	4.07	4.11	4.16
36	3.13	3.18	3.23	3.27	3.32	3.37	3.42	3.47	3.52	3.57	3.62
42	2.74	2.78	2.83	2.88	2.93	2.98	3.03	3.07	3.12	3.18	3.23
48	2.44	2.49	2.54	2.58	2.63	2.68	2.73	2.78	2.83	2.89	2.94
54	2.21	2.26	2.31	2.36	2.41	2.46	2.51	2.56	2.61	2.66	2.72
60	2.03	2.08	2.12	2.17	2.22	2.28	2.33	2.38	2.43	2.49	2.54

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OBJ: Figure the monthly payment, Total amount repaid, and the Finance charge on an installment loan.

Example 1: P. 291 #1 Find the monthly payment, total amount repaid, and the finance charge for $1600.00 installment loan at 10% for 24 months.

On chart p. 799 look up 24 months at 10%

Monthly Payment = $1600 ÷ 100 X $ 4.61 = $73.76

[keep on calc]

Total Repaid = $73.76 X 24 months = $1,770.24

[keep on calc]

Finance Charge = $1,770.24 — $1600.00 = $170.24

OBJ: Figure the monthly payment, Total amount repaid, and the Finance charge on an installment loan.

Example 2: Andrew Green gets an istallment loan for $3,200.00 The loan is for 12 months at an APR of 10%. What is his monthly payment? What will be the total that Andrew has to repay?   What will the finance charge be?

$$\frac{3200}{100} \times \frac{8.79}{\text{table}} = \boxed{\$281.28} \rightarrow \text{Monthly Payment}$$

$$\$281.28 \times 12 = \boxed{\$3,375.36} \quad \text{Total Amt repaid}$$

$$\$3,375.36 - 3200 = \boxed{\$175.36} \quad \text{Finance Charge}$$

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Example 3: Installment loan for some remodeling of $7,000.00. Plan of 24 months with an APR of 10%. What are the monthly payments? What is the amount of the finance charge?

$$\$7000 \div 100 \times \frac{4.61}{table} = \boxed{\$322.70} \ \text{Monthly Payment}$$

$$\$322.70 \times 24 = \$7,744.80$$

$$\$7,744.80 - \$7,000 = \boxed{\$744.80}$$
$$\text{Finance charge}$$

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Example 4: Lisa Reed buys a new car for $19,000.00. She makes a down payment of 25% and gets an installment loan to finance the rest. The loan is for 36 months at an APR of 8 percent. What is the finance charge?

Down Payment $19,000 × 25 % = $4,750.00

Amount Financed $19,000 - 4750 = $14,250   Amt Loan

Monthly Payment $14,250 ÷ 100 × $\frac{3.13}{Table}$ = $446.03

Total Repaid $446.03 × 36 = $16,057.08

Finance Charge $16,057.08 - 14,250 = $1,807.08