

NAME: _____

Finance
Quiz 3
“Borrowing”

1. How much money do you save by paying for this rebuilt engine in cash?

Buying On Time: \$250 down, \$65 / month for 12 months
Cash Price: \$950

Save \$ _____

NOTE - Use your loan payment table to answer questions 2 and 3.

2. Fill in the blanks:

Loan Amount: \$22,000
Interest Rate: 7.5%
Term: 10 years
Monthly Payment: \$ _____
Total Amount Paid; \$ _____
Total Amount of Interest Paid: \$ _____

3. Fill in the blanks to decide which loan is cheaper.

Choice A

Loan Amount: \$6,000
Interest Rate: 8%
Term: 5 years
Monthly Payment: \$ _____
Total Amount Paid; \$ _____
Total Amount of Interest Paid: \$ _____

Choice B

Loan Amount: \$7,000
Interest Rate: 7%
Term: 4 years
Monthly Payment: \$ _____
Total Amount Paid; \$ _____
Total Amount of Interest Paid: \$ _____

The cheaper loan is Choice _____

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4. Read the following amortization table to answer the following questions:

Loan Amount: **\$40,000**
 Monthly Payment: **\$304.76**

Interest Rate: **7.85%**

Length of Loan: **25 yrs**

Pmt No.	Pmt Date	Beginning Balance	Interest	Principal	Ending Balance
1	9/94	40,000.00	261.67	43.10	39,956.90
2	10/94	39,956.90	261.38	43.38	39,913.53
3	11/94	39,913.53	261.10	43.66	39,869.87
4	12/94	39,869.87	260.82	43.95	39,825.92
5	1/95	39,825.92	260.53	44.23	39,781.68
6	2/95	39,781.68	260.24	44.52	39,737.16

295	3/19	1,787.43	11.69	293.07	1,494.36
296	4/19	1,494.36	9.78	294.99	1,199.37
297	5/19	1,199.37	7.85	296.92	902.45
298	6/19	902.45	5.90	298.86	603.60
299	7/19	603.60	3.95	300.81	302.78
300	8/19	302.78	1.98	302.78	0.00

- a) How much of your first month's payment is interest? \$ _____
 How much is principle? \$ _____
- b) By the last payment, how much is interest? \$ _____
 How much is principle? \$ _____
- c) After 6 months, you have made payments totaling \$ _____. Of that amount,
 \$ _____ goes toward principle, and \$ _____ is interest. The balance you owe at the
 end of six months is \$ _____

5. Create the first two lines of an amortization schedule:

Loan Amount: \$12,000
 Interest Rate: 8%
 Length of Loan: 4 years
 Monthly Payment: \$ _____

Payment #	Beginning Balance	Interest	Principle	Ending Balance
1	\$12,000	\$	\$	\$
2	\$	\$	\$	\$

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6. Use the partial amortization table listed below to find the amounts you will have to pay for the *first, second, and third* months for this loan if you use the full extra principle payment strategy. Also find the *amount of interest saved* by using this strategy.

Amount Borrowed: \$60,000

Interest Rate: 8.5%

Length of Loan: 25 years

Monthly Payment: \$483.14

Pmt No.	Pmt Date	Beginning Balance	Interest	Principal	Ending Balance
1	10/95	60,000.00	425.00	58.14	59,941.86
2	11/95	59,941.86	424.59	58.55	59,883.32
3	12/95	59,883.32	424.17	58.96	59,824.35
4	1/96	59,824.35	423.76	59.38	59,764.97
5	2/96	59,764.97	423.34	59.80	59,705.17
6	3/96	59,705.17	422.91	60.22	59,644.95

a) Amount to pay for the first month: \$_____

b) Amount to pay for the second month; \$_____

c) Amount to pay for the third month: \$_____

d) Interest saved up to this point by using the full extra principle payment strategy: \$_____