

Real Life Challenge

Name _____

Give Me Credit!

From credit cards to installment loans, consumers have a wealth of resources for money. Using credit responsibly is a must for every consumer. Abuse of credit can lead to money problems and bankruptcy. Before you apply for a credit card or bank loan, you should know the hidden costs of borrowing money.

Part A: Installment Loans

To borrow money, a bank will charge you interest. The lower the interest rate, the lower the amount you will have to pay.

To calculate the total value of a loan, follow the steps shown to the right.

Follow the same procedure to calculate the
 (a) total interest,
 (b) total loan amount, and
 (c) monthly payment for each situation.

Amount of \$ Borrowed	\$ 1000
Interest Rate	x 12%
Interest for 1 year	<input type="text"/>
Number of years	x 2
Total Interest	<input type="text"/>
Amount of \$ Borrowed	\$ 1000
Total Interest	+ <input type="text"/>
Total Amount To Pay	<input type="text"/>
# of Months of Loan	÷ 24
Monthly Payment	<input type="text"/>

\$400 at 11%
for 1 year

Total Interest
<input type="text"/>
Loan Amount
<input type="text"/>
Monthly Payment
<input type="text"/>

\$1,500 for
3 years at 12%

Total Interest
<input type="text"/>
Loan Amount
<input type="text"/>
Monthly Payment
<input type="text"/>

\$2,000 at
9.5% for 2 years

Total Interest
<input type="text"/>
Loan Amount
<input type="text"/>
Monthly Payment
<input type="text"/>

Cal wants to buy a new car and plans to finance the purchase through a local bank. If he pays the loan off in 5 years (60 months) and the interest rate is 10%, how much will his monthly payment cost?

Part B: Credit Cards

(1) Survey newspapers, magazines, and junk mail to find 3 different credit card offers. Complete the table using the information provided by the companies.

Card →	1)	2)	3)
Interest Rate (regular)			
Credit Limit			
Annual Fee			
Cash Advance Fee			
Late Payment Fee			
Rewards			
Other info:			

(2) Out of the three choices, which card would be the best deal? Explain your answer.