Question	1	2	3	4	5	6

Description

Section 5.4 - Amortized Loans

Instructions

Please work all homework questions and clearly label / place your answers in the
boxes (or parenthesis) provided. If you have questions, please feel free to email me at
Joshua.Patterson@tamuc.edu

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1.   Question Details   JModd7 5.4.001.CMI. [1639656]

The following loan is a simple interest amortized loan with monthly payments. (Round your answers to the nearest cent.)

$5000, $9\frac{1}{2}$%, 4 years

(a) Find the monthly payment.

$ [_____]

(b) Find the total interest.

$ [_____]

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2.   Question Details   JModd7 5.4.007.CMI. [1639337]

Wade Ellis buys a new car for $16,583.33. He puts 10% down and obtains a simple interest amortized loan for the rest at
$11\frac{1}{2}$% interest for four years. (Round your answers to the nearest cent.)

(a) Find his monthly payment.

$ [_____]

(b) Find the total interest.

$ [_____]

(c) Prepare an amortization schedule for the first two months of the loan.

Payment Number	Principal Portion	Interest Portion	Total Payment	Balance
0				$ [_____]
1	$ [_____]	$ [_____]	$ [_____]	$ [_____]
2	$ [_____]	$ [_____]	$ [_____]	$ [_____]

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3.   Question Details   JModd7 5.4.010. [1639450]

Shirley Trembley bought a house for $181,600. She put 20% down and obtains a simple interest amortized loan for the rest
at $6\frac{3}{8}$% for thirty years. (Round your answers to the nearest cent.)

(a) Find her monthly payment.

$ [_____]

(b) Find the total interest.

$ [_____]

(c) Prepare an amortization schedule for the first two months of the loan.

Payment Number	Principal Portion	Interest Portion	Total Payment	Balance
0				$ ____
1	$ ____	$ ____	$ ____	$ ____
2	$ ____	$ ____	$ ____	$ ____

(d) Most lenders will approve a home loan only if the total of all the borrower's monthly payments, including the home loan payment, is no more than 38% of the borrower's monthly income. How much must Shirley make to qualify for the loan?

$ ____ per month

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4.   Question Details   JModd7 5.4.011. [1639310]

Dennis Lamenti wants to buy a new car that costs $15,861.26. He has two possible loans in mind. One loan is through the car dealer; it is a four-year add-on interest loan at $7\frac{3}{4}\%$ and requires a down payment of $1,000. The second is through his bank; it is a four-year simple interest amortized loan at $7\frac{3}{4}\%$ and requires a down payment of $1,000. (Round your answers to the nearest cent.)

(a) Find the monthly payment for each loan.

dealer $ ____

bank $ ____

(b) Find the total interest paid for each loan.

dealer $ ____

bank $ ____

(c) Which loan should Dennis choose? Why?

    ⊙   Dennis should choose the car dealer loan since the interest is less.

    ⊙   Dennis should choose the bank loan since the interest is less.

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5.   Question Details   JModd7 5.4.015. [1639537]

Investigate the effect of the interest rate on home loans by finding the monthly payment and the total interest for a thirty-year simple interest amortized loan of $150,000 at the following rates. (Round your answers to the nearest cent.)

(a)   6%

payment $ ____

total interest $ ____

(b)   7%

payment $ ____

total interest $ ____

(c)   8%

payment $ ____

total interest $ ____

(d)   9%

payment $ ____

total interest $ ____

(e)   10%

payment $ ____

total interest $ [_____]

(f)   11%
payment $ [_____]
total interest $ [_____]

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6.   Question Details   JModd7 5.4.017. [1639344]

Some lenders offer loans with biweekly payments rather than monthly payments. Investigate the effect of this on home loans by finding the payment and total interest on a thirty-year simple interest amortized loan of $150,000 at 13% interest. (Round your answers to the nearest cent.)

(a) if payments are made monthly
payment $ [_____]
total interest $ [_____]

(b) if payments are made biweekly
payment $ [_____]
total interest $ [_____]

Assignment Details