Donna's New Car

Donna Hart graduated from South Suburban Community College with an associates degree in business and has begun her first full-time job. The office where she works is about twenty miles from her apartment. Since gas at times has cost as much as $3.29 a gallon, she has decided to trade in her old car for a new small hybrid. She's going to finance the car at her bank with a $15,500 car loan. The loan officer explained that she could take up to 72 months to repay the loan and that the finance charge would be based on an interest rate of .75% a month on the unpaid balance.

1. Complete the following chart to see what her total of payments and finance charge will be if she takes 3, 4, 5 or 6 years to repay the loan.

This times This = This

Term of the Loan	Monthly Payments	Total of Payments	Finance Charge
36 Months	$492.90		
48 Months	$385.65		
60 Months	$321.76		
72 Months	$279.40		

The total of payments equals the monthly payment multiplied by the number of payments.

The finance charge equals the total of payments minus the amount financed. ($15,500.00)

4. What is the advantage of using a short term loan rather than a longer term loan?

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5. What is the advantage of using a long term rather than a shorter term loan?

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6. Other than her bank, where else could Donna get the money to buy her new car?

_____
_____

Name: Period: