

Business & Personal Finance

Auto Loans

Name: _____

1. Find an advertisement for a car that you would like to purchase. Remember to look at different options. For the cars you consider, use "Edmunds Car Buying Guide "or "Kelly Blue Book " to learn how the advertised prices compare with market prices generally for cars of the same make, year, and model. *You may find specific vehicles and pricing using area Craigslist postings for used cars too.*
2. Once you have found the automobile of your choice and have determined the amount you will be spending on the car, you need to calculate the monthly payment. The "Amortization Calculator" at: <http://www.bretwhissel.net/amortization/amortize.html> to calculating the monthly payments according to the amount of borrowed principal.
3. Calculate the monthly payment for your car for each options below.

Choices	Annual Interest Rate	Number of Years. NOTE: All payments are MONTHLY, 12 per year, 6 per half-year.	Down Payment. NOTE: The online calculator above calls the down payment or final payment a "balloon payment" because these are calculated the same whether this payment is made when the car is purchased or at the end of the finance period
Loan I	8%	5	0% purchase price
Loan II	9.75%	3	5% purchase price
Loan III	10.25%	4.5	10% purchase price
Loan IV	18%	2.5	15% purchase price
Loan V	22.25%	4	20% purchase price

The down payment is calculated by multiplying the purchase price by the percentage in the Down Payment column. For example, a 5% down payment on a \$6,000 car is calculated as:

$$\$6,000 * .05 = \$300 \text{ down payment}$$

4. Provide a word processed summary of your project (Google Docs or MS Word). Tell what you think your best loan option would be, and explain why. Also, discuss what situations might make you decide not to take each of the following:
 - A. The lowest interest rate
 - B. The smallest monthly payment
 - C. The shortest repayment time (fewest monthly payments)
5. As part of your written summary, include what you have learned from this project (2 or three sentence generalization is appropriate). Please save this short write-up and please be sure your name is clearly on it at the top. We will print these when everyone has theirs complete and saved so that I can evaluate and put in the gradebook.

Car Choice (Year, Make, Model):

Purchase Price:

Loan I (8% API, 5 years w/monthly payments, 0% down)

Regular Payment:

Interest-only payment:

Total Repaid:

Total Interest Paid:

Periodic interest rate:

Total interest as % of Principal:

Loan II (9.75% API, 3 years w/monthly payments, 5% down)

Regular Payment:

Interest-only payment:

Total Repaid:

Total Interest Paid:

Periodic interest rate:

Total interest as % of Principal:

Loan III (10.25% API, 4.5 years w/monthly payments, 10% down)

Regular Payment:

Interest-only payment:

Total Repaid:

Total Interest Paid:

Periodic interest rate:

Total interest as % of Principal:

Loan IV (18% API, 2.5 years w/monthly payments, 15% down)

Regular Payment:

Interest-only payment:

Total Repaid:

Total Interest Paid:

Periodic interest rate:

Total interest as % of Principal:

Loan V (22.25% API, 4 years w/monthly payments, 20% down)

Regular Payment:

Interest-only payment:

Total Repaid:

Total Interest Paid:

Periodic interest rate:

Total interest as % of Principal: