

Date: _____

Support your answer by showing your work.

1. Susan and David are able to afford monthly house payments of \$1000 (excluding additional fees such as property tax and escrow fees). What is the value of the house that they can afford if they can secure a 30-year 4.8% annual interest rate mortgage? What would be the unpaid loan balance after 10 years?
2. Jeff wishes to buy a \$30,000 sports car. If the loan company offers a 6% annual interest rate for 7 years, what would be his monthly payments? Assuming he made regular payments, how much interest would he have paid after 7 years?
3. A car dealership offers a special \$500 off a \$20,000 car if you make payments at the beginning of the month instead of the end of the month payments. If you can secure a 5-year 6% annual interest car loan, find out if it is worth it by comparing their monthly payments (assuming that you can afford either payment plan).