Loans as Annuities – Assigned Problems

1. Mario wants to purchase a new truck for $36,500. He will finance the truck at 3.9%/a compounded monthly. He will make monthly payments for the next 4 years to pay for the truck.
   a) Find the monthly payment amount.
   b) Find the total interest.
   c) Suppose Mario decides to take 5 years to pay for the loan. Calculate the new monthly payment.
   d) Find the total interest if Mario takes the 5 year loan.

2. Harry purchases furniture on a loan agreement. When he bought the furniture he paid for the sales tax in cash. He will make monthly payments of $75 to pay off the remainder (for 2 years). The interest rate is 9%/a compounded monthly. How much did the furniture cost?

3. Find the monthly payments on a mortgage of $215,000 at 2.85%/a compounded monthly over 20 years.

4. Text page 402 #8, and page 410 #10ab, 12a

ANSWERS

1. a) $822.50 b) $2980 c) $670.56   d) $3733.60

2. $1641.69

3. $1176.31