

Handout #3: Your First Car! Let's Finance

Directions: Using the worksheet and the amortization formula found on Page 2, fill in the columns for at least 1 car of your choice. After completing the columns, prepare a 1-2 minute presentation explaining why your group chose the car, how much the monthly payments will be, and how much the entire loan will cost. Be sure to include how this will affect a monthly budget, as well as why the loan officer is such an important part of this process.

<u>Cost of Car</u>	<u>Down Payment</u> <u>10%</u>	<u>Interest Rate and</u> <u>Time</u>	<u>Monthly</u> <u>Payment</u>	<u>Total Loan</u> <u>Amount Paid</u>
Ford Focus (\$19,500)		7% Interest Rate 4 Year Term		
BMW (\$23,320)		6.7% Interest Rate 5 Year Term		
GMC Envoy (\$21,600)		5.4% Interest Rate 5 Year Term		
Chevrolet Malibu (\$18,250)		7.2% Interest Rate 5 Year Term		
Dodge Charger (\$22,230)		4.5% Interest Rate 6 Year Term		
Toyota Camry (\$17,180)		7.2% Interest Rate 4 Year Term		
Volkswagen Jetta (\$20,080)		5.3% Interest Rate 4 Year Term		

Amortization Formula: Use this to complete the worksheet:

$$P = a \div \{ [(1 + r)^n] - 1 \} \div [r(1 + r)^n]$$

Calculate your monthly payment (P) using your principal balance or total loan amount (a), periodic interest rate (r), which is your annual rate divided by the number of payment periods, and your total number of payment periods (n).

Presentation Questions To Consider:

Why did your group choose this car?

Are the monthly payments reasonable? Explain.

How will these payments affect a household monthly budget?

Why is the loan officer career so important for our daily lives and for the economy, as well?
