Homework 9

1. You just bought a new Jeep Wrangler and secured dealer financing for $26,500 over 60 months at an interest rate of 1.0% per month (which is extremely high, but maybe your credit was bad, or you had no previous credit). How much are your monthly car payments? Your answer should be accurate to the nearest penny.

2. After paying on your (Problem 1) car loan for 12 months, you find out that you can refinance the loan at your parents’ credit union with a 48-month loan at an interest rate of 0.75% per month. How much do you have to borrow from the credit union to pay off the balance remaining on the original loan you got from the dealer? State your answer to the nearest dollar.

3. What are your new monthly loan payments after refinancing (Problem 2) at your parent’s credit union? Your answer should be accurate to the nearest penny.

4. Fred and Ethel have found a house to purchase for $201,500. They will make a $22,000 down payment and finance the rest with a 30-year mortgage at 0.3% per month. What will be their monthly payment for principal and interest?

5. When they make their second loan payment, how much of that payment will go to paying interest and how much will go to paying down the principal?