

Ch. 8 Section 1

INTEREST & LOANS

1) Principal:

amount of \$ start with/borrow
(pay back)

2) Interest: ☹️

amount of \$ paid for the
use of someone else's \$.

FORMULA (simple interest):

$$I = P \times R \times T \quad \leftarrow \text{years}$$

3) Single Payment Loan:

loan repaid in ONE payment
after a certain period of time.

* less common

* usually for small \$

4) Maturity Value:

total amount you have to repay

Formula:

Principal + Interest

5) Term (of a loan):

amount of time you
have to repay

6) Some people take loans from family members instead of from banks or institutions. How might these loans be different?

- no interest / low interest
- no late fees
- no credit check

ADD:

■ Name some things that you might take out a loan for

- pawn shop
- repairs
- purchase: dirt bikes, electronics

EXAMPLES:

■ Anita's bank granted her a single payment loan of \$7,200 for 91 days at 12% ordinary interest. What is the maturity value of the loan?

* STEP 1: Find the interest

$$I = 7200 \times 0.12 \times \frac{91}{365} = \$215.41$$

* STEP 2: Find the maturity value

$$7200 + 215.41 = \$7415.41$$

Complete the examples on the back of the notes

a) Interest = \$19.73
Maturity Value = \$619.73

b) $I = \$310.96$
 $m = \$3810.96$

c) $I = \$80$
 $m = \$880$

d) \$800
\$2800

e) \$78.38
\$1028.38

f) \$393.75
\$7893.75