

# BL 6.02 Interest Rate Activity

Directions: Complete the task below using the Internet and the Excel spreadsheet provided.

## Part 1: Find your new car!

Research online to find your new car! Add all the features you want and tell me about it below (include make, model, features, etc.)

## Part 2: Finance it!

Use the interest rates and terms below to calculate your monthly payment on the Excel spreadsheet provided. Record your answers below.

Loan Type	36 mos APR as low as*	48 AND 60 mos APR as low as*	72 mos APR as low as*
<a href="#">New Vehicle</a>	3.95%	4.25%	5.25%
<a href="#">Used Vehicle (Dealer)</a>	4.45%	4.90%	5.95%
<a href="#">Refinancing</a>	4.34%	4.34%	4.34%

		Example:	Terms #1	Terms #2	Terms #3	Terms #4
<b>Interest Rate</b>	rate	7%				
<b>Principal Value</b>	pv	250000				
<i>Future Value</i>	fv	0	0	0	0	0
<i>Type</i>	type	1	1	1	1	1
<b>Number of Payments (months)</b>	nper	180				
<i>Payment Amount</i>	pmt	(\$2,234.04)				
<i>Total Amount Paid at End</i>	total	(\$402,126.98)				

Now, choose ONE of the interest rates and calculate the payment and total amount paid at the end for each of the following terms: 36, 48, 60 and 72 months.

		Example:	Terms #1	Terms #2	Terms #3	Terms #4
<b>Interest Rate</b>	rate	7%				
<b>Principal Value</b>	pv	250000				
<i>Future Value</i>	fv	0	0	0	0	0
<i>Type</i>	type	1	1	1	1	1
<b>Number of Payments (months)</b>	nper	180				
<i>Payment Amount</i>	pmt	(\$2,234.04)				
<i>Total Amount Paid at End</i>	total	(\$402,126.98)				

**Next, think about these questions:**

- Which loan (rate & term) is the best deal in the long run?
  
- When the auto salesman “goes to check with his/her manager” and comes back with a lower payment, what has really probably happened?
  
  
  
  
  
  
  
  
  
  
- Is it better to have a lower interest rate or a lower number of payments to save money? Explain your answer. (I am looking for evidence of critical thinking here!)
  
  
  
  
  
  
  
  
  
  
- As a business owner selling cars, do you want to sell lower rate loans or longer term loans? Explain your answer. (I am looking for evidence of critical thinking here!)
  
  
  
  
  
  
  
  
  
  
- What have you learned from this activity that you did not know/found surprising?