

Area – Consumer and Family Resources

Problem – Analyzing Which Car Loan Is Best

Standards

SD FACS Standard

FCS 7.1.8

Apply consumer information for acquiring and maintaining transportation to meet the needs of individuals and family members

FCS 7.2.1

Examine how individuals and societies make choices to satisfy needs and wants with limited resources.

SD Mathematics Standards

Math 9-12.N.2.1

Add, subtract, multiply, and divide real numbers including integral exponents.

Math 9-12 N.3.1

(Analysis) Use estimation strategies in problem situations to predict results and to check the reasonableness of results.

Math 9-12 S.1.1

Draw conclusions from a set of data.

Problem

Shelly Hammon has decided to finance \$17,376.00 for her new car purchase. The loan company showed her several different options. She could finance from 2 years up to 60 months or 5 years. The annual percentage rate offered was 9%. Shelly's budget allows about \$500 a month for a car payment.

Using a loan and amortization calculator from the internet, indicate how much Shelly's monthly payments would be for a 2, 3, 4, and 5 year loan.

Calculate how much Shelly will pay in interest for a 2, 3, 4, and 5 year loan.

Total the cost of the original loan amount plus the interest for a final total cost of the vehicle.

Indicate on the chart by circling the best loan for Shelly. Give reasons for your decision.

Some suggested web sites are:

<http://www.bankrate.com/brm/calculators/autos.asp>

<http://financenter.usatoday.com/money/calculate/us-eng/auto05.fcs>

Term of Loan	Monthly Payments	Amount Paid in Interest for Length of Loan	Total Cost of Vehicle With Interest
2 years			
3 years			
4 years			
5 years			
Using complete sentences, give reasons for your loan choice.			

What will you need?

Internet access

Calculator

How will you be evaluated?

Accuracy of calculations

All parts of problem complete