

Car Loan Calculator Answer Key

Name: _____ Date: _____

Directions: Suppose you decide to borrow \$20,000 to purchase a used car and you want to compare the total cost of two different loan options. To help you make an informed choice, go to <https://www.bankrate.com/calculators/auto/auto-loan-calculator.aspx> and respond to these questions:

Interest Rate 5% for 60 months

What is the total principal paid? **\$20,000**

What is the total interest paid? **\$2,625**

What is the total amount paid for the vehicle? **\$22,645**

What is the monthly payment? **\$377**

Interest Rate 5% for 48 months

What is the total principal paid? **\$20,000**

What is the total interest paid? **\$2,108**

What is the total amount paid for the vehicle? **\$21,108**

What is the monthly payment? **\$461**

Comparison

What is the difference in the total amount paid? **\$1,537**

What is the difference in the monthly payment? **\$84**

Car Loan Calculator

Which option is best?

The answer depends on your perspective. One consideration is whether or not you are able (or want) to make the higher monthly payments. If so, you can save some interest and have fewer payments to make. However, if you want or need lower monthly payments, you have more available funds each month for other expenses while paying off the loan.