

Name: _____

Date: _____

Activity 2: Total Cost of Payday Loans.

Use the equation for calculating the total cost of a payday loan to solve the problems below. Be sure to show your work.

Total cost = Loan amount + finance charge(1 + Number of rollovers or renewals)

$$T = L + F(1+R)$$

1. Laura takes out a payday loan to pay for her son's emergency room bill of \$400. The payday lender charges her \$60 for every two weeks. She has to rollover the loan 5 times before she can finally pay it off. What was the total cost of her loan?
2. Sarina needs a new set of tires to pass inspection. The bill is \$350. She needs her car to get to work and doesn't have enough money to cover the bill. She takes out a payday loan that will cost her \$15 for every \$100 she borrows for two weeks. She pays off the bill after four weeks. What is the total cost of her loan?
3. Rico complained to his brother that he had to rollover a payday loan seven times before finally saving enough money to pay it off. In the end it cost him \$450. What finance charge was Rico paying the payday lender every two weeks if he originally wanted to borrow \$250?