

In July of 2002, the same institution published an advertisement for a home equity loan with a rate as low as 6.65%. Below is their example.

Example for \$15,000 loan:

Term	A.P.R.	Monthly Payment
5 years	6.65%	\$ 338.31
10 years	6.80%	\$ 222.11
15 years	6.95%	\$ 138.30

Also, there would be no payment until January 2003. No mention was made about interest during those 6 months. There would be no closing costs.

1. Using the present value formula, figure the payments for all 3 loans. Do your figures match theirs? **NO**
2. If they don't match, list some reasons why they might not.  
**(other costs--insurance, fees, etc.)**
3. How does the interim 6-month period affect the loan?  
**(ad not clear--maybe "free", maybe not)**
4. Since it wasn't mentioned in the ad, do you suppose you get that money for free for 6 months? Why or why not?  
**(answers will vary)**
5. How many payments do you think you're expected to make?  
**(answers will vary)**
6. What questions would you ask if you were going to the bank to consider this loan?