

Consumer Ed Note #3

_____, ____--____
Consumer Education—Period 2 5 8

Date: _____, 20____

Down Payment: The amount of your own money you pay upfront for the vehicle. It is recommended that you make a 10% to 20% down payment. The larger the down payment you are able to make, the less principle you will need to borrow.

How to Calculate a Down Payment

- Identify the down payment amount (20%) and move the decimal point over two spaces: 20% = 0.20
- Multiply the price of the car by the percentage of the down payment: \$12,000 x 0.20 = \$2,600

Interest: The fee lenders charge for the use of their money. The interest rate is also known as the Annual Percentage Rate (APR). Interest is influenced by the interest rate, length of the loan, and amount of the down payment. The lower the interest rate, the less it costs to borrow money to purchase a vehicle. The longer the length of the loan, the more it costs to borrow money.

Total amount of the loan
- Original cost of the car
= Cost of the loan (interest amount)

Places to Get a Car Loan

- **Bank:** A commercial bank usually charges a higher interest rate than other sources.
- **Car dealer:** Car dealers offer financing. Many times they are able to offer a lower interest rate than other sources.
- **Credit union:** A credit union provides loans to its members. The interest rate varies, but, in general, the rate is lower than commercial banks and higher than the car dealers.

SECTION 1

Directions: Use the examples given to compute the down payment required to purchase the following vehicles:

1. Compute the amount of a 20% down payment for the following vehicles:

<u>Vehicle</u>	<u>Price</u>	<u>Down Payment</u>
Truck	\$18,000	_____
Sedan	\$23,000	_____
Coupe	\$33,500	_____

2. Compute the amount of a 15% down payment for the following vehicles:

<u>Vehicle</u>	<u>Price</u>	<u>Down Payment</u>
Truck	\$18,000	_____
Sedan	\$23,000	_____
Coupe	\$33,500	_____

SECTION 2

Directions: Access the website MSN Autos and locate the Payment Calculator on the main page in a green text box. Use the Payment Calculator to complete the calculations outlined