

CREDIT AND BORROWING

Comparing Loan Offers

Detailed practice, calculation, decision-making, and assessment

GRADES 9-12	TIME 2 x 42 min	GROUPING I / pairs / whole	PRODUCT Loan comparison recommendation
YOUR CHALLENGE Compare three fictional \$3,000 loan offers. Look beyond the monthly payment by calculating fees, total repaid, and the effect of the loan length.			

A Smaller Payment Can Cost More Overall

A loan provides money now that must be repaid later. The cost depends on the rate, fees, number of payments, and other rules. APR is designed to help compare yearly borrowing cost because it includes the interest rate and certain lender fees.

Term	Student-friendly meaning
Principal	The amount borrowed.
Interest	The cost paid for using borrowed money.
APR	A yearly percentage that includes the interest rate and certain fees.
Finance charge	The total dollar cost of credit shown for the activity.
Loan term	The length of time allowed for repayment.
Total repaid	All payments added together.
CLASSROOM MODEL These are simplified fictional offers. Use the disclosed dollar amounts and formulas in the packet; real lenders use contract-specific calculations.	

Part 1 - Read the Offers

Offer	Amount	Interest rate	APR	Upfront fee	Term	Monthly payment
A	\$3,000	12.0%	12.0%	\$0	24 months	\$155.00
B	\$3,000	9.0%	13.2%	\$150	24 months	\$153.75
C	\$3,000	11.0%	11.0%	\$0	36 months	\$110.83

Which offer has the lowest rate? Lowest APR? Lowest monthly payment? Explain why those answers are not all the same.

Part 2 - Calculate the Total Cost

Use monthly payment x number of payments = total repaid. Then use total repaid - \$3,000 = dollar cost of borrowing. The listed monthly payments already reflect the fee structure for this fictional activity.

Offer	Monthly payment	Number of payments	Total repaid	Dollar cost above \$3,000	Rank by total cost
A	\$155.00	24			
B	\$153.75	24			
C	\$110.83	36			

Show all three multiplication calculations. Round to the nearest cent.

Part 3 - Test the Budget Fit

Kai can safely pay up to \$160 per month and wants the debt finished as soon as reasonably possible. Kai also expects one month with only \$125 available for a loan payment.

Offer	Fits normal \$160 limit?	Months in debt	Problem in \$125 month	Possible response to verify	Remaining risk
A					
B					
C					

Which offer fits Kai’s normal budget? Which handles the \$125 month without a shortage? What contract information is still needed before deciding?

Part 4 - Compare Changed Offers

Change	Likely effect on monthly payment	Likely effect on total cost	Question to ask
Term grows from 24 to 36 months			
APR falls but fee rises			
Late fee is added			
No penalty for early payoff			
Automatic-payment discount ends			
Optional product is added to amount borrowed			

Explain why comparing only the monthly payment can lead to a poor decision.

Part 5 - Make the Loan Recommendation

Decision check	Evidence
Amount borrowed	
APR	
Fees	
Monthly payment	
Number of payments	
Total repaid	
Dollar borrowing cost	
Budget fit	
Late-payment rules to verify	
Early-payoff rules to verify	
Recommended offer	

Write a 150-200 word recommendation for Kai. Include all three total-repayment amounts, one budget concern, one tradeoff, and two contract facts Kai should verify.