

**LESSON  
8.3****Installment Loans—Monthly Payment & Finance Charge**

Vocab:

Annual Percentage Rate- APR

The % of interest you pay on a loan  
for 1 year.

AIR

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**EXAMPLE 1**

Blake and Jacqueline Toepfer are purchasing a \$1,399.99 side-by-side refrigerator with an installment loan that has an APR of 12%. The store financing requires a 10% down payment and 12 monthly payments. What is the finance charge?

$$\begin{aligned}
 &0.10(1399.99) \\
 &\quad \$140 \text{ down} \\
 &1399.99 - 140 \\
 &\quad \$1259.99 \text{ financed} \\
 &A13 \rightarrow 8.88 \\
 &\left(\frac{1259.99}{100}\right)(8.88) = \$111.89 \text{ per month} \\
 &12(111.89) = \$1342.68 \\
 &\quad -1259.99 \\
 &\quad \hline
 &\quad \boxed{\$82.69}
 \end{aligned}$$

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Complete the problem. Check your answer in the back of the book.

1. Ingrid Nilsen purchased a \$4,000 gazebo for her garden. The down payment is 20%, and the installment loan has an APR of 10% for 36 months. Find the (a) down payment, (b) amount financed, (c) monthly payment, (d) total amount repaid, and (e) finance charge.

$$a) 0.20(4000) = \$800$$

$$b) 4000 - 800 = \$3200$$

$$c) A13 \rightarrow 3.23 \left( \frac{3200}{100} \right) = \$103.36 \text{ per month.}$$

$$d) 36(103.36) = \$3720.96$$

$$e) \begin{array}{r} -3200 \\ \hline \$520.96 \end{array}$$

**LESSON 8.3**

For Problems 3–6, use the *Monthly Payment on an Installment Loan of \$100* table on page A13 to solve the following.

	Purpose	APR	Term (Months)	Table Value	Amount Financed	Monthly Payment	Total Repaid	Finance Charge
3.	Skis	10%	6	a. \$	\$1,000	b. \$	c. \$	d. \$

a) A13 → 17.16

b)  $\left(\frac{1000}{100}\right)(17.16) = \$171.60$

c)  $6(171.60) = \$1029.60$

d) 
$$\begin{array}{r} 1029.60 \\ -1000 \\ \hline \$29.60 \end{array}$$