

## 6.1 Introduction to Lending

- ▶ Read promissory notes and find due dates.
- ▶ Find the cost of credit for a loan.
- ▶ Find the annual percentage rate for a loan.

### Study Tip

Promissory notes are sometimes simply called *notes*. A note that indicates the term of a loan is a *time note*. Notes differ from IOUs in that they contain a specific promise to pay, rather than simply acknowledging that a debt exists. A promissory note is evidence of a loan, but it is not a loan contract, which contains all the terms and conditions of the loan agreement.

### Promissory Notes

At the time you obtain a loan, you are expected to sign a **promissory note** in which you promise to repay the loan. The **term** of a loan is the period of time in which you repay the loan. The amount actually received in a loan is called the **loan proceeds**, and the total amount the borrower must repay the lender is called the total payment, or **total amount due**.

#### EXAMPLE 1 Reading a Promissory Note

Find (a) the term of the loan and (b) the total amount due.

No. <u>2786</u>	<u>Boise, Idaho, May 10, 20</u> <u>11</u>	\$ <u>1240.00</u>
<u>Ninety days</u> after date, the undersigned (jointly and severally if more than one) promise(s) to pay to the order of <u>The Lending Bank</u>		
		<u>One thousand two hundred forty and no/100</u> Dollars
Payable at <u>The Lending Bank, Boise, Idaho</u>		
<i>Each and every party to this instrument, either as maker, endorser, surety, or otherwise, hereby waives demand, notice, protest, and all other demands and notices and assents to any extension of the time of payment or any other indulgence, to any substitution, exchange, or release of collateral and/or to the release of any other party.</i>		
Address <u>174 Maple Avenue</u>	Signed <u>Jane Doe</u>	
<u>Boise, Idaho</u>	_____	

### SOLUTION

a. The term is 90 days.


b. The total amount due is \$1240.

**Term** → Ninety days

**Total amount due** → \$ 1240.00

**Total amount due** → One thousand two hundred forty and no/100 Dollars

Payable at The Lending Bank, Boise, Idaho



 **Checkpoint**

Help at [Math.andYOU.com](http://Math.andYOU.com)

Promissory notes are negotiable. What does this mean?