

Chapter 6 Review Exercises

Section 6.1

Payday Loans Payday loans are short-term loans that are typically due the next time you receive a paycheck. The tables show rates at two different payday loan companies. In Exercises 1–6, use the tables.

| You Receive | Fee | Write the Check For |
|-----------------|-----------------------|---------------------|
| Amount Financed | 14-day Finance Charge | Total of Payments |
| \$100.00 | \$17.65 | \$117.65 |
| \$150.00 | \$26.48 | \$176.48 |
| \$200.00 | \$35.30 | \$235.30 |
| \$255.00 | \$45.00 | \$300.00 |

| Term: 30 days | | |
|---------------|----------|-----------|
| Amount | Fees | Total |
| \$100 | \$18.62 | \$118.62 |
| \$200 | \$37.24 | \$237.24 |
| \$300 | \$55.86 | \$355.86 |
| \$400 | \$74.48 | \$474.48 |
| \$500 | \$93.10 | \$593.10 |
| \$600 | \$111.72 | \$711.72 |
| \$700 | \$130.34 | \$830.34 |
| \$800 | \$148.96 | \$948.96 |
| \$900 | \$167.58 | \$1067.58 |
| \$1000 | \$186.20 | \$1186.20 |

1. You obtain a 30-day payday loan on September 14. What is the due date?
2. You obtain a \$100 payday loan with a 14-day term. How much is due at the end of 14 days?
3. Complete the Truth in Lending disclosure for a \$255 payday loan with a 14-day term.

| | | |
|------------------|------------|----------------------------------|
| Loan Proceeds | \$ _____ | Annual Percentage Rate = _____ % |
| Other Charges | + \$ _____ | |
| Amount Financed | \$ _____ | Payable in <u>1</u> payment |
| Finance Charge | + \$ _____ | with a term of _____. |
| Total Amount Due | \$ _____ | |

4. Complete the Truth in Lending disclosure for a \$500 payday loan with a 30-day term.

| | | |
|------------------|------------|----------------------------------|
| Loan Proceeds | \$ _____ | Annual Percentage Rate = _____ % |
| Other Charges | + \$ _____ | |
| Amount Financed | \$ _____ | Payable in <u>1</u> payment |
| Finance Charge | + \$ _____ | with a term of _____. |
| Total Amount Due | \$ _____ | |

5. Find the APR for a \$200 payday loan with a term of (a) 14 days and (b) 30 days.
6. Does the APR for a 30-day loan change as the amount increases? Explain.

