

Repayment of a loan can occur in many ways. The most common way to repay a loan is with monthly payments. This type of loan is called an **installment loan**. A detailed discussion of installment loans occurs in Section 6.2.

Another way to repay a loan is with a single payment at the end of the term of the loan. Common terms for such loans are 30 days, 60 days, 90 days, 6 months, 1 year, and 18 months.



**EXAMPLE 2** Finding the Due Date and Total Amount Due

You are moving from Dallas to Pittsburgh. You plan to sell your home in Dallas and use the money as a down payment on a home in Pittsburgh. Your moving date occurs before your Dallas home sells, so you decide to obtain a 90-day note from a Pittsburgh bank for \$10,000.00. The loan takes place on June 5, and the costs include \$244.27 for interest and \$84.00 in other charges. (a) When is the note due? (b) How much is due at the end of 90 days?

**SOLUTION**

JUNE							JULY							AUGUST							SEPTEMBER						
Su	M	Tu	W	Th	F	Sa	M	Tu	W	Th	F	Sa	Su	M	Tu	W	Th	F	Sa	Su	M	Tu	W	Th	F	Sa	
	1	2	3	4	5	6			1	2	3	4							1								
7	8	9	10	11	12	13	6	7	8	9	10	11	2	3	4	5	6	7	8	7	8	9	10	11	12	13	
14	15	16	17	18	19	20	13	14	15	16	17	18	9	10	11	12	13	14	15	14	15	16	17	18	19	20	
21	22	23	24	25	26	27	20	21	22	23	24	25	16	17	18	19	20	21	22	21	22	23	24	25	26	27	
28	29	30					27	28	29	30	31		23	24	25	26	27	28	29	28	29	30					
													30	31													

a. The loan occurs on June 5 and is due 90 days from that date.

25 days	Days remaining in June
31 days	Days in July
31 days	Days in August
+ 3 days	Days in September
<u>90 days</u>	

So the note is due on September 3.

b. The total amount due is

10,000.00	Loan proceeds
244.27	Interest
+ 84.00	Other charges
<u>\$10,328.27.</u>	Total amount due

**✓ Checkpoint**

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On March 17, you obtain a 120-day note for \$5000. The costs include \$250.00 for interest and \$77.95 in other charges. When is the note due? How much is due at the end of 120 days?