

MAT 142 Problem set

Unit: Finance

Topic: Amortization

Directions: Solve the following problems. Please show your work, show the correct formula and explain your reasoning.

1. Miss Crystal Palace just purchased – you guessed it – a crystal palace for \$650,000. She makes a 25% down payment and finances the balance with a mortgage at an interest rate of 5.6% for 15 years, making monthly payments.
 - a. What amount will she borrow?
 - b. Complete the amortization table for the first three payments. (Show all work!)

2. Hector wants to buy a new Dodge Charger. He is able to negotiate a price of \$21,500 for the color and options he wanted. He can secure a 48 month car loan at 6.8% if he can make a down payment of 20% of the price.
 - a. How much are his car payments?
 - b. At the end of 20 months, Hector gets a bonus from work, and he decides to pay off his car loan. How much does he owe after 20 months?