



Let's Buy a Car

You may not be old enough now to drive a car, but let's pretend that you are 18 years old. You really need a car to drive to work, but you do not have enough money to pay for it completely. You will need to get a loan. Let's see how getting a loan works for someone with good credit and someone with bad credit.

1. Everyone is going to buy the same car.
2. Every student has good credit, but the presenter has bad credit.

\$10,000 Car – 3 Year Loan			
Students	790 Credit Score	3.5% APR	\$293 per month
Presenter	550 Credit Score	17% APR	\$357 per month

Questions

1. How much money do the students save per month by having good credit?

$$\frac{\text{Monthly Payment for Presenter}}{\text{Monthly Payment for Students}} = \text{Saved per Month}$$

2. How much money do the students save per year by having good credit?

$$\frac{\text{Saved Per Month}}{\text{Months Per Year}} = \text{Saved per Year}$$

3. How much money do the students save total?

$$\frac{\text{Saved Per Year}}{\text{Years For Loan}} = \text{Total Saved}$$

4. Why is it better to have good credit?