Name: ___________________________________ **Date:** ______________________

In July of 2002, the same institution published an advertisement for a home equity loan with a rate as low as 6.65%. Below is their example.

Example for $15,000 loan:

Term	**A.P.R.**	**Monthly Payment**
5 years	6.65%	$ 338.31
10 years	6.80%	222.11
15 years	6.95%	138.30

Also, there would be no payment until January 2003. No mention was made about interest during those 6 months. There would be no closing costs.

1. Using the present value formula, figure the payments for all 3 loans. Do your figures match theirs?

2. If they don't match, list some reasons why they might not.

3. How does the interim 6-month period affect the loan?

4. Since it wasn't mentioned in the ad, do you suppose you get that money for free for 6 months? Why or why not?

5. How many payments do you think you're expected to make?

6. What questions would you ask if you were going to the bank to consider this loan?