Math 1030 #10b
Loans, Credit Cards and Mortgages
Credit Cards

EX 1:

You have $4000 of credit card debt that you would like to pay off in the next 3 years. You will not make any additional charges on your card during that time. The APR on your card is 21%.

a) What will your monthly payments be?

$$PMT = \frac{P \cdot \left(\frac{APR}{n}\right)}{\left[1 - \left(1 + \frac{APR}{n}\right)^{(-nY)}\right]}$$

b) How much will you pay during those 3 years?

c) What is the overall percentage you paid in interest?

EX 2:

If you put $3000 on a credit card with 21% interest rate at age 20 and just make minimum payments of $60 each month, how much will you still owe at age 25 ?

$$\mathrm{PMT} = \frac{\mathrm{P} \cdot \left(\frac{\mathrm{APR}}{\mathrm{n}}\right)}{\left[1 - \left(1 + \frac{\mathrm{APR}}{\mathrm{n}}\right)^{(-\mathrm{nY})}\right]}$$