Teacher Answer Key

Case Study

1. She traded total cost for monthly comfort. The payment dropped from $365 to $232, which was easier every month, but stretching the same 6% loan over five years cost her an extra $780 in interest.

2. She could have compared the total cost of each loan rather than only the monthly payment, saved a larger down payment to borrow less than $12,000, or chosen a cheaper car so the three-year payment fit her budget.

Multiple Choice

1. A

2. D

3. B

Matching

1-D, 2-E, 3-B, 4-C, 5-A

Fill-in-the-Blank

1) Variable, 2) Total, 3) Lower

Short Answer (Sample Responses)

Q1: Longer repayment terms lower monthly payments but increase the total cost of the loan due to more interest accruing over time.

Q2: Shopping around helps borrowers find the best interest rates and terms, reducing the total cost of the loan.

Q3: Making extra payments toward the principal and choosing shorter repayment terms are effective ways to lower borrowing costs.