Name_____

DECISION-MAKING
ACTIVITY SHEET 2

How Interesting!

Do you really know how much you'll pay for an item you purchase on credit? The cost can vary depending on what type of credit you used and how you pay it back! You pay interest to a credit card company when you charge purchases on a credit card or to a bank when you borrow money via a loan.

Interest payments on credit card purchases or bank loans will most often be calculated as an annual percentage of the original amount loaned—for instance, paying 12% interest on $100 on a credit card. To find out the dollar amount of the interest you'd owe after one year, multiply the original amount of money ($100) by the interest rate (in this case, 12%, which is 0.12 when converted to a decimal for easier multiplying).

$100 x 0.12 = $12.00   After the interest payment, you would owe $112.00

Directions: Calculate the amount of annual interest:

1. **$200** on a credit card that charges **12%** interest

2. A **$500** loan that charges **3%**

3. A **$1,200** loan that charges **7.5%**

4. A **$7,500** loan that charges **6.8%**

Now Try This: A borrower paid **$66** on a **$600** loan. What was the interest rate?

Answer Key: (1) $24. (2) $15. (3) $90. (4) $510. Now Try This: 11% ($66 ÷ $600 = 0.11 or 11%).