

CALCULATING INTEREST

Interest is added on to a loan every year in a percentage (%). This is called the Annual Percentage Rate or APR. The APR is different depending on the type of loan, usually between 3% and 18%. For the sake of this exercise, the APR is 10%. 10% in math is seen as .10, so to calculate interest to multiply (X) what you owe by the percentage rate.

Example: $\$2,000 \times .10 = \200

After a year, the loan will add \$200 in interest that is paid to the Credit Union as a "thank you" for giving you the loan.

TEST YOUR KNOWLEDGE!

The Annual Percentage Rate is 10% (.10), Calculate the Interest for 1 year.



$\$5,050 \times 10\% =$ _____

$\$7,900 \times 10\% =$ _____

$\$1,000 \times 10\% =$ _____

$\$20,000 \times 10\% =$ _____

$\$250,000 \times 10\% =$ _____

BONUS

You are buying a house for \$279,050.

The Annual Percentage Rate is 8% (.08), Calculate the Interest for 1 year.

$\$279,050 \times 8\% =$ _____



Answers
\$5,050 X 10% = \$505
\$7,900 X 10% = \$790
\$1,000 X 10% = \$100
\$20,000 X 10% = \$2,000
\$250,000 X 10% = \$25,000
BONUS \$279,050 X 8% = \$22,324