

## **Section 2.6: Monthly Payment Calculations**

### **Part I: The Concept of a Monthly Payment**

When people borrow money to purchase a car, a house, student loans, business loans, people repay the loan in equal monthly installments called a monthly payment.

The formula to calculate the monthly payment to repay a loan is:

### **Part II: Examples**

1. Upon graduation from Radford, you have a \$45,000 debt. Find the monthly payment, total paid on the loan and interest paid on the loan for each option.

**Option #1:** A 4% interest rate and 5 years to repay the loan.

**Option #2:** A 5% interest rate and 10 years to repay the loan.