Example 6

Natalie is financing the purchase of a new van. She has saved money for the down payment. The table below shows the details of the purchase:

Price of the new van	\$43 000
Trade-in value	\$5600
Tax	\$4862
Down payment	\$4500
Monthly payment	\$872.30
Term	48 months

a) Calculate the total amount borrowed.

TOTAL Amount Borrowed = Price of the van − Trade-in value + Tax − down payment

= 43000 − 5600 + 4862 − 4500

Amount Borrowed from Bank $\boxed{= \$\ 37\ 762}$

b) Calculate the total monthly payments paid over the term of the loan.

Total amount paid = monthly payment × 12 months × # of years

= 872.30 × 12 × 4 years

TOTAL Amount Paid to Bank $\boxed{= \$\ 41\ 870.40}$

c) Calculate the finance charge (interest). (1 mark)

Interest Paid = Amount Paid to Bank − Amount Borrowed

= 41 870.40 − 37 762

Total Interest paid $\boxed{= \$\ 4\ 108.40}$