Section 1
Understanding Loans

Complete the sentences using the words in the box below:

loan, repayment timeline, principal, Annual Percentage Rate, interest,

1. Interest is the price you pay for borrowing money.
2. The principal is the amount of money you borrow.
3. The Annual Percentage Rate shows how much interest you pay on the money you borrow each year, and it also includes any extra fees or charges linked to the loan.
4. The longer the length of the loan the more we pay back in interest over the life of the loan.
5. To calculate the interest you'll need to pay on a loan, you need to think about the principal, the interest rate the bank or credit union is offering you and the repayment timeline .

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Section 2
Worked Examples

Worked Example: Aoife's Loan

Aoife needs a loan for €5,000. She wants to look at the different options available so she can make the best decision. Aoife has found the following loan option. A bank is offering an APR of 4.2% with the choice to repay the loan over four or five years. How much would Aoife have to pay back on each option, if each loan is repayable in equal monthly instalments?

Solution: 4 years

	APR	Interest Calculations	Interest
Year 1	4.2%	€5,000 x 0.042	€210
Year 2	4.2%	(€5,000 - €1,250) = €3,750 x 0.042	€157.50
Year 3	4.2%	(€3,750 - €1,250) = €2,500 x 0.042	€105
Year 4	4.2%	(€2,500 - €1,250) = €1,250 x 0.042	€52.50
Total Interest			€525
Total Repayment			€5,525

Section 2
Worked Examples

Worked Example: Aoife's Loan

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Solution: 5 years

	APR	Interest Calculations	Interest
Year 1	4.2%	€5,000 x 0.042	€210
Year 2	4.2%	€4,000 x 0.042	€168
Year 3	4.2%	€3,000 x 0.042	€126
Year 4	4.2%	€2,000 x 0.042	€84
Year 5	4.2%	€1,000 x 0.042	€42
Total Interest			€630
Total Repayment			€5,630

Section 3
Applying Your Skills

Q1. Jamie is choosing between two loans:

Loan	APR	Term	Interest Paid
A	5%	3 years	€450
B	5%	6 years	€900

(i) Why might Jamie choose Loan B?
(ii) What are the consequences for choosing Loan B in terms of total repayments?

Jamie might choose Loan B because the repayments would be spread out over a longer time (6 years instead of 3). This usually means lower monthly repayments.

The main consequence is that Loan B costs more overall. Jamie will pay €900 in interest on Loan B, compared to €450 on Loan A. Even though the interest rate is the same, the longer loan term means Jamie pays interest for more years, resulting in higher total repayments.

Section 3
Applying Your Skills

Q2. Musa is training to become an airline pilot. He needs a loan to pay for his training. After some research Musa has decided to get a loan for €6,000 over three years with and APR rate of 6%.

(i) How much interest will Musa pay over the duration of the loan?
(ii) What will his total repayments be?

	APR	Interest Calculations	Interest
Year 1	6%	€6,000 x 0.06	€360
Year 2	6%	(€6,000 €2,000) = €4,000 x 0.06	€240
Year 3	6%	(€4,000 - €2,000) = €2,00 x 0.06	€120
Total Interest			€720
Total Repayment			€6,720

Section 3
Applying Your Skills

Q3. Go to the ccpc.ie and use the loan comparison tool. Search for a €5,000 loan over 6 years.

Find:
(i) The lowest APR available
(ii) The total cost of that loan

Section 4
Discussion Questions

Use the CCPC online tool to explore current loan rates, then calculate a few example repayments based on different loan amounts and terms.

Open Answer

How could changes in income or unexpected expenses impact a person's ability to repay a loan?

What maths and CCPC money tools could someone use to help them plan for this?

If someone loses their job or has their working hours reduced, their income drops, which can affect their ability to repay a loan. Similarly, unexpected costs such as medical expenses or car repairs increase spending. Money that was originally meant for loan repayments may need to be used elsewhere, increasing the risk of missing repayments, falling into arrears, or paying additional fees or interest.

Planning ahead can help reduce these risks. Budgeting allows a person to examine their total income and expenses and to see where loan repayments fit comfortably within their monthly expenditure. Maths skills such as using percentages help with understanding interest rates, including how changes in rates or loan length affect total repayments. Estimation can be used to decide how much money could be set aside for emergencies, while calculations can help work out how long savings would last if income changed. Comparing different loan terms and repayment amounts also helps a person decide whether a shorter or longer loan is more affordable. The CCPC provides free online tools to support this, including a budget calculator, loan calculator, and savings calculator, which help people to plan, compare options, and make informed financial decisions.

Section 4
Discussion Questions

Loan adverts often focus on low weekly or monthly repayments. Why might this be misleading when considering the overall cost of the loan?

Low repayments do not always mean a cheaper loan. It's important to look at the total amount repaid, the APR, and the length of the loan, not just the weekly or monthly figure.

If you were redesigning a loan advertisement, what key mathematical details would you include to ensure it is clear and understandable?

- *Total amount borrowed*
- *Annual Percentage Rate*
- *Length of the loan*
- *Repayment amount and frequency*
- *Total amount repaid*
- *Total interest paid*