Section 1
Understanding Loans

Complete the sentences using the words in the box below:

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

1. _____ is the price you pay for borrowing money.

2. The _____ is the amount of money you borrow.

3. The _____ 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 _____ 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 _____ .

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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
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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?

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?

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.

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?

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?

Section 4
Discussion Questions

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