

# Loan Cost Comparison Worksheet

**Instructions:** This worksheet walks you through realistic borrowing scenarios to help you understand and calculate the true cost of different loans. Fill in the calculations for each scenario and answer the analysis questions to develop your borrowing decision-making skills.

## Scenario 1: Auto Loan Options

### Scenario Background

Jordan needs a reliable car for commuting to their new job. After researching, Jordan has found a used car for \$15,000 and a new car for \$25,000. Jordan has \$3,000 saved for a down payment and is considering the following loan options:

Option	Used Car Loan	New Car Loan
Vehicle Price	\$15,000	\$25,000
Down Payment	\$3,000	\$3,000
Loan Amount	\$12,000	\$22,000
Interest Rate	6.5%	4.9%
Loan Term	4 years	5 years

### Your Calculations

Calculation	Used Car Loan	New Car Loan
Monthly Payment		
Total of All Payments		
Total Interest Paid		

Total Cost (Price + Interest)		
Monthly Insurance Estimate	\$100	\$150
Monthly Total (Payment + Insurance)		

## Analysis Questions

1. Which option has the higher monthly payment? By how much?

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2. Which option has the higher total cost when including interest? By how much?

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3. How much more is spent on insurance over the life of the loan for the new car compared to the used car?

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4. If Jordan expects to keep the car for 7 years, which option makes more financial sense? Why?

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5. What other factors besides cost should Jordan consider when making this decision?

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## Scenario 2: Education Financing

### Scenario Background

Taylor is planning to attend college and needs to choose between different student loan options to cover \$20,000 in expenses. Here are the options:

Option	Federal Subsidized Loan	Federal Unsubsidized Loan	Private Student Loan
Loan Amount	\$20,000	\$20,000	\$20,000
Interest Rate	4.5%	5.0%	7.5%

Loan Term	10 years	10 years	10 years
Interest During School	Government pays	Accrues (est. \$3,000)	Accrues (est. \$4,500)
Repayment Begins	After graduation	After graduation	After graduation

## Your Calculations

Calculation	Federal Subsidized	Federal Unsubsidized	Private Loan
Principal at Repayment Start	\$20,000	\$23,000 (inc. accrued interest)	\$24,500 (inc. accrued interest)
Monthly Payment			
Total of All Payments			
Total Interest Paid			
Total Cost (Principal + Interest)			

## Analysis Questions

- How much more will Taylor pay in total for the private loan compared to the subsidized federal loan?

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- Which loan option provides the best value? Why?

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- What is the impact of interest accruing during school? How much does this add to the total cost?

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- If Taylor could pay the interest during school on the unsubsidized loan, how would this affect the total cost?

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- Besides interest rates, what other factors should Taylor consider when choosing a student loan?

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## Scenario 3: Credit Card vs. Personal Loan

### Scenario Background

Alex needs to cover \$5,000 in emergency home repairs and is considering two options: using an existing credit card or taking out a personal loan. Here are the details:

Option	Credit Card	Personal Loan
Amount	\$5,000	\$5,000
Interest Rate	18.99% APR	10.5% APR
Minimum Payment	2% of balance (\$25 min)	Fixed payment
Term	Variable (with min. payments)	3 years (36 months)
Fees	None (existing card)	\$150 origination fee

### Your Calculations

Calculation	Credit Card (min. payments)	Credit Card (\$200/month)	Personal Loan
Monthly Payment	Starts at \$100, decreases	\$200 fixed	
Time to Pay Off			36 months
Total of All Payments			
Total Interest Paid			

Total Fees	\$0	\$0	\$150
Total Cost (Amount + Interest + Fees)			

## Analysis Questions

1. How long would it take to pay off the credit card making only minimum payments?

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2. How much can Alex save by paying \$200/month on the credit card instead of making minimum payments?

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3. Which option has the lowest total cost when including fees and interest? By how much?

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4. If Alex needs to minimize monthly payments right now due to budget constraints, which option is better?

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5. What are the pros and cons of each option beyond just the cost?

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## Decision-Making Framework

Based on your analysis of these scenarios, develop a framework for evaluating loan options:

### Key Factors to Consider When Comparing Loans

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_
6. \_\_\_\_\_
7. \_\_\_\_\_
8. \_\_\_\_\_

## My Personal Loan Evaluation Process

When evaluating loan options, I will follow these steps:

1. \_\_\_\_\_
  2. \_\_\_\_\_
  3. \_\_\_\_\_
  4. \_\_\_\_\_
  5. \_\_\_\_\_
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**Remember:** The true cost of borrowing includes more than just the principal amount. Always calculate the total interest paid and consider all fees and terms when comparing loan options.