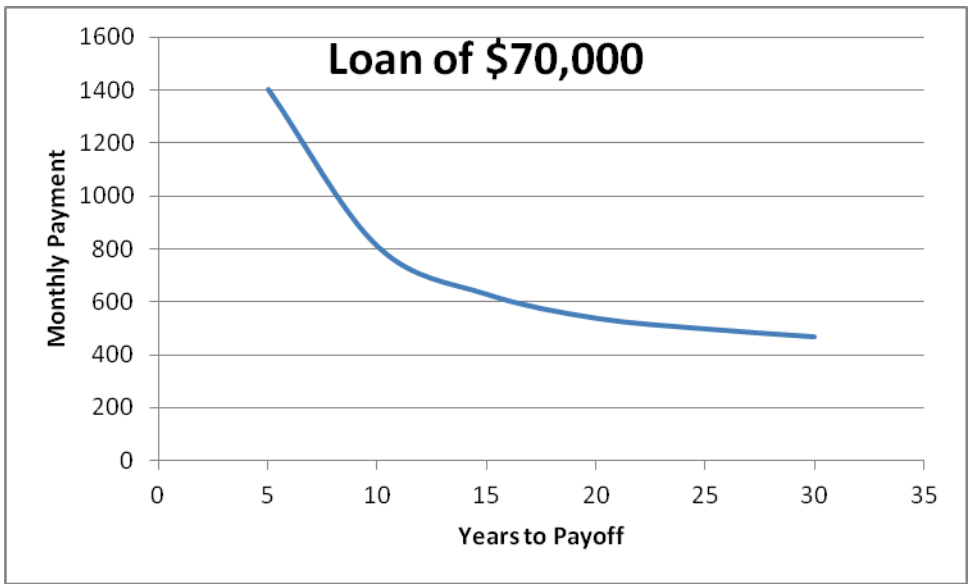
***College Debt* Check for Understanding** **Name: _____**

Date: _____

Below is a graph showing years to payoff a $70,000 loan, versus the monthly payment.



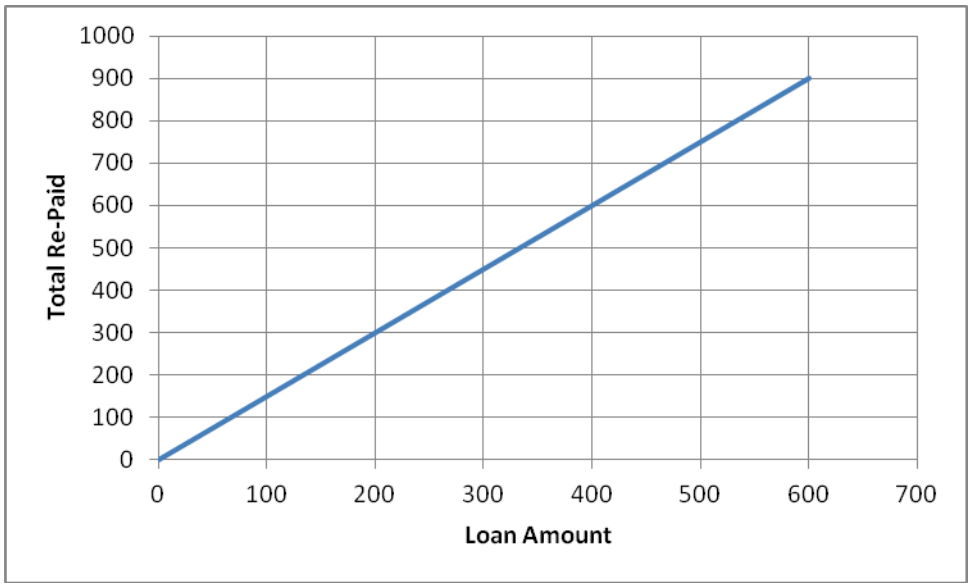
Answer the following questions about the monthly payments for a $70,000 loan:

1. What is the monthly payment for the loan if it is paid off in 5 years?
    a. $70,000
    b. About $1400
    c. It is not possible to tell from the graph
2. What happens to the monthly payments as the number of years to pay it off increases?
    a. They get larger.
    b. They vary unpredictably.
    c. The difference between them gets smaller.
    d. They decrease and then start to increase again.
3. How much less is the monthly payment for 30 years compared to 10 years?
4. Why would it take most people 20 years or more to pay off a large loan like this one?

(over)

5. How much less is the monthly payment for 30 years compared to 25 years?

The graph below shows the total amount you would have to re-pay for 20-year loans of varying amounts.



6. What is the slope of the line in the graph above?
7. What does that slope tell you about the relationship between the loan amount and the total re-paid?
8. What variables would be involved in comparing the cost of paying back a debt such as a loan?
9. What data might be graphed to illustrate costs related to loan debt?

***College Debt* Check for Understanding Answers:**

1. a
2. c
3. Approximately $350
4. Answers may vary but that's when the monthly payment becomes more reasonable.
5. Approximately $30.
6. 1.5
7. The amount re-paid is 1.5 times the amount of the loan.
8. Amount of the loan, interest rate, time taken to pay it off, monthly payments.
9. Years to payoff vs. total amount re-paid; Years to payoff vs. monthly payment.