CALCULATE: The Cost of Auto Loans

Hudson got a raise and is looking to upgrade his car. Help him avoid expensive pitfalls!

Part I: Choosing an Offer

Volkswagen Jetta

Year:
2025

Trim:
SE (Most Popular)

Price:
$26,200 MSRP

Offer A: Finance for 5.5% APR For 36 months Up to $1,500 Cash Allowance	*Offer B:* Finance for 7.2% APR For 60 months Up to $500 Cash Allowance

1. Hudson has saved $2,500 for a down payment and is looking at a new Volkswagen Jetta. If he subtracts the cash allowance from the cost, how much of a loan would he need for…
   a. Offer A:

   b. Offer B:

2. Use the Loan Amortization Calculator to complete the table with the costs of each offer.
    a. Enter the loan amount, interest rate and loan term. Then, click **Calculate**.
    b. To start a new calculation, click **Show Calculator** and update the inputs.

	Offer A	**Offer B**
Interest Rate	5.5%	7.2%
Term	36 mo (3 years)	60 mo (5 years)
Down payment	$2,500	$2,500
Special Offers	$1,500 cash	$500 cash
Monthly Payment		
Total Interest		
Total Cost of Loan = principal + total interest		

5. How much MORE will Hudson pay in total with Offer B?

6. Which offer do you think Hudson should go for? Explain.

Part II: The Fine Print

Hudson heads to the dealership to take advantage of Offer B, but it's not what he expected.

7. The dealership tells Hudson the offer was only for "well-qualified buyers". Because of his credit history, he's only eligible for an 11.4% interest rate and $400 cash offer.
    a. How much of a loan does Hudson now need?

b. Complete the table for his new offer using the Loan Amortization Calculator.

	Offer C
Interest Rate	11.4%
Term	60 mo (5 years)
Down payment	$2,500
Special Offers	$400 cash
Monthly Payment	
Total Interest	
Total Cost of Loan = principal + total interest	

Part III: Reflection

8. What did Hudson learn about auto financing?

9. Hudson desperately wants a Volkswagen Jetta, but the monthly payment with the dealership's offer is above his monthly budget. What could he do?