Payday Loans? **Name** _____

Date _____

C. You haven't been saving your money. You desperately need $100. You decide to go to Payday Loans. Here's how Payday Loans works. You write a check for $116, and they give you $100 cash. In two weeks, they cash your check. You are charged 16% to use the $100 for two weeks. If you don't have that money in the bank in two weeks, they will hold the check another two weeks for an additional 16%. Every two weeks that you don't have the money for them to cash your check, they charge you an additional 16% simple interest.

1. Write a prediction as to whether this is reasonable? Explain your hypothesis.

2. A typical car loan rate is 5% for one year. What would you expect to pay for a $100 loan at the end of the year?

3. A typical credit card loan rate is 20% per year. What would you expect to pay for a $100 loan at the end of the year?

4. The Payday loan company's rate is 16% every two weeks. There are 26 two-week periods in a year. What *total percent* would this be in a year?

5. What would you expect to pay the Payday Loan Company for your $100 loan at the end of a year using simple interest?

6. What if you couldn't pay the Payday Loan Company for five years. What would you end up paying back for the $100 loan?