Unit 3 Discussion

Student’s Name

Institution

Date

Customer Loan Situation

A microfinance company called Juric provides loans to its customers at affordable rate. It gives an average of $5,000 to $25,000 short and long term loan to its customers. The interest rate for the company is 7.5% per year for any loan less than $10,000 and 6% for any credit, which is above $15, 000. A customer took a loan worth $ 30,000, which was to be paid after 3 years. What is the interest rate paid for the loan? What is the total amount the customer is expected to pay after the end of 3 years of the loan period?

The total amount to be paid = principle amount X interest rate X time.

In this case the amount is $ 20000, interest rate is 6% and the time is 3 years

Interest of the loan = %20000 X 6%

 = $1200

Total interest = 1200 X 3

 = 3600

Total amount to be paid after three years = interest + Principle

 $ 20000+ $ 3600

 = $ 23600

Monthly payment = $ 23600 divide by 36 months

 = $ 655.60

However, the customer is expected to pay $23600 after 3 years. In this case it means that the company will get an interest of $3600 and the payment will be done monthly at the monthly rate of $ 655.60. And therefore, it means that the longer it takes to pay off the loan the high interest a client is likely to pay.