Click on the following link: <https://tools.anz.co.nz/home-loans/repayments-calculator/>

**Question One**

Use the calculator from the link to complete the table. The amount you have borrowed is $150,000.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Interest rate** | **5.79% 10 year loan** | **5.79% 15 year loan** | **8% 10 year loan** | **8% 15 year loan** |
| **Minimum monthly repayment** |  |  |  |  |
| **Total interest** |  |  |  |  |
| **Total cost** |  |  |  |  |
| **Change to fortnightly payments** |  |  |  |  |
| **Minimum fortnightly repayment** | Change minimum fortnightly payments to $825 | Change minimum fortnightly payments to $625 | Change minimum fortnightly payments to $910 | Change minimum fortnightly payments to $717 |
| **Total interest** |  |  |  |  |
| **Total cost** |  |  |  |  |
| **Interest saved** |  |  |  |  |
| **New length of loan** |  |  |  |  |

The longer the loan the more (a) that will be paid for example the 5.79% loan with monthly payments will cost an extra $(b) of (c) in total. The shorter loan period will be beneficial to the business because the loan will paid off in a (d) time meaning that cash will be available to be spent in other areas of the business before the longer term loan is (e) off. However it will put (f) pressure on cash flow as the payments will be $(g) (h) each month meaning other areas of the business could be neglected as the cash isn’t available.

A 10 year loan that has an increase in interest from 5.79% to 8% will cost an extra $(i) in total. This could make some projects unaffordable.

By splitting a monthly payment on a 15 year loan at 8% into fortnightly payments you can save $(j) and the loan will be paid off in (k) years. The 15 year loan will be paid off earlier because by paying fortnightly there will be some months where there will be (l) payments made as there will be (m) fortnights in that month. However this will create pressure on cash flow in those months because of the (n) payment.