Building the Schedule

Build a loan's amortization schedule by hand and see what rate actually costs.

Name: _____ Date: _____

OBJECTIVE
Build the first few rows of an amortization table for two loan scenarios and compare the total cost of borrowing.

1. Two scenarios, same amount

Both scenarios borrow $20,000 for 5 years (60 months). The monthly payment is given.

	Scenario A	Scenario B
Principal	$20,000	$20,000
Annual rate	6%	10%
Term	5 years	5 years
Monthly payment (given)	$386.66	$425.00

2. Fill in months 2–3 — Scenario A (6%)

Monthly interest = beginning balance × (6% ÷ 12). Principal paid = payment − interest. Round to the nearest cent. Month 1 is worked for you.

Month	Beginning balance	Interest	Principal paid	Ending balance
1 (example)	$20,000.00	$100.00	$286.66	$19,713.34
2	_____	_____	_____	_____
3	_____	_____	_____	_____

3. Now Scenario B (10%)

Same steps, using Scenario B's 10% rate and $425.00 payment.

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Month	Beginning balance	Interest	Principal paid	Ending balance
1	$20,000.00	_____	_____	_____
2	_____	_____	_____	_____

4. The full picture

Over the full 5 years, Scenario A pays about $3,199.60 in total interest. Scenario B pays about $5,500.00. Same amount borrowed, same term — what's the only thing that changed, and what did it cost?

5. Discuss

DISCUSS

A friend is offered the same $20,000 at 6%, but over 3 years instead of 5. Without doing the math: would the monthly payment be higher or lower than Scenario A? Would total interest paid be higher or lower? Explain your reasoning.

STANDARD NOTE

SSEPF4d/e: builds on the amortization introduced on the SSEPF4 worksheet. NJ 9.1.12.CDM.8 and VA EPF.13j both name building and comparing amortization schedules across rate and time as the deeper skill.