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** | 1650 | 1249 | 1820 | 1433 |
| **Total interest** | 47944 | 74789 | 68390 | 108026 |
| **Total cost** | 197944 | 224789 | 218390 | 258026 |
| **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** | 42815 | 65168 | 59670 | 91073 |
| **Total cost** | 192815 | 215168 | 209670 | 241073 |
| **Interest saved** | 5129 | 9621 | 8720 | 16953 |
| **New length of loan** | 9 | 13 | 8 | 12 |

The longer the loan the more interest that will be paid for example the 5.79% loan with monthly payments will cost an extra $26,845 of interest in total. The shorter loan period will be beneficial to the business because the loan will paid off in a shorter time meaning that cash will be available to be spent in other areas of the business before the longer term loan is paid off. However it will put extra pressure on cash flow as the payments will be $401 more 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 $20,446 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 $16,953 and the loan will be paid off in 12 years. The 15 year loan will be paid off earlier because by paying fortnightly there will be some months where there will be extra payments made as there will be 3 fortnights in that month. However this will create pressure on cash flow in those months because of the extra payment.