

Section 1.12/1.3 Additional Problems

1. Deandra owes \$1,000 now and \$1,500 two years from now. She agrees to make a single payment of \$2,478.57 one year from now. What is the effective interest rate?
2. You are going to repay your student loan with payments of \$1,000 per year for 20 years at an effective annual interest rate of 2.5%. You ask if you can defer payments for 2 years. If the loan officer agrees, how much do you save by deferring for 2 years?