



Task-based Activity Cover Sheet

Task Title: Payday Loans or Cash Advances

Learner Name:	
Date Started:	Date Completed:
Successful Completion: Yes <input type="checkbox"/> No <input type="checkbox"/>	
Goal Path: Employment <input type="checkbox"/> Apprenticeship <input type="checkbox"/> Secondary School <input type="checkbox"/> Post-Secondary <input type="checkbox"/> Independence <input checked="" type="checkbox"/>	
Task Description: Learners will understand the true costs of payday loans and cash advances	
Competency: A: Find and Use Information C: Understand and Use Numbers	Task Group(s): A2: Interpret documents C1: Manage Money
Level Indicators: A2.1: Interpret very simple documents to locate specific details A2.2: Interpret simple documents to locate and connect information C1.1: Compare costs and make simple calculations C1.2: Make low-level inferences to calculate costs and expenses that may include rates such as taxes and discounts C1.3: Find, integrate and analyze numerical information to make multi-step calculations to compare cost options and prepare budgets	
Performance Descriptors: see chart on last page	
Materials Required: <ul style="list-style-type: none">• Pencil, eraser (calculator – instructor option)• Skill Building activities – Practice sheet for Interest Rates (feel free to modify) with Answer Sheet	



Task Title: Payday Loans or Cash Advances

Sometimes when people are running short on money due to sudden expenses they will get a payday loan or cash advance.

Learner Information and Tasks:

Look at "Cost of Borrowing."

Task 1: If a customer takes out a \$300 pay day loan for 14 days, how much will they have to pay back in total?

Task 2: A customer takes out a \$100 cash advance and will pay it back in 14 days. Calculate the total amount the customer would have to pay back.

Look at “How much will \$300 cost you for two weeks?”

Task 3: A customer takes out a \$300 pay day loan for 2 weeks. Calculate the difference between the interest cost for the pay day loan and the interest cost for a credit card that charges 23% daily interest.

Task 4: A customer takes out a \$400 pay day loan for 2 weeks. Calculate the interest they would pay at the end of the 2 weeks.

No document for this task set.

Task 5: A customer takes out a \$400 loan on a credit card for 2 weeks at an annual percentage rate of 29.9%. Calculate the interest they would pay at the end of the 2 weeks

Cost of Borrowing

Ontario Resident Agreement

How much will your loan cost you?

The Maximum Allowable Cost per \$100.00 Borrowed:
\$18.00.

Our Cost per \$100.00 Borrowed:
\$18.00.



[\(click to view license\)](#)

Example:

Your \$300.00 loan for 14 days.

Amount Advanced: **\$300.00**

Total Cost of Borrowing: **\$54.00**

Total To Repay: **\$354.00**

This information is required under the Payday Loans Act, 2008

How much will **\$300** cost you for **two weeks**?

If you borrow:	Payday loan (Assuming cost of borrowing is \$18 per \$100)*	Credit card (Assuming a daily interest rate at 23% apr for a cash advance)
One loan	\$54	\$2.65
Two loans	\$108	\$5.29
Four loans	\$216	\$10.59
Six loans	\$324	\$15.88



Task Title: Payday Loans or Cash Advances

Answer Key

Look at "Cost of Borrowing."

Task 1: If a customer takes out a \$300 pay day loan for 14 days, how much will they have to pay back in total?

A: **\$354**

Task 2: A customer takes out a \$100 cash advance and will pay it back in 14 days. Calculate the total amount the customer would have to pay back.

A: **$\$100 + \$18 = 118$**

Look at "How much will \$300 cost you for two weeks?"

Task 3: A customer takes out a \$300 pay day loan for 2 weeks. Calculate the difference between the interest cost for the pay day loan and the interest cost for a credit card that charges 23% daily interest.

A: **$54.00 - 2.65 = \$51.35$**

Task 4: A customer takes out a \$400 pay day loan for 2 weeks. Calculate the interest they would pay at the end of the 2 weeks.

A: **$4 \times 18 = \$72.00$**

No document for this task set:

Task 5: A customer takes out a \$400 loan on a credit card for 2 weeks at an annual percentage rate of 29.9%. Calculate the interest they would pay at the end of the 2 weeks.

A: **$400 \times 14 (.299 / 365) = \4.59**

Task Title: Payday Loans or Cash Advances

Performance Descriptors		Needs Work	Completes task with support from practitioner	Completes task independently
A2.1	<ul style="list-style-type: none"> scans to locate specific details 			
	<ul style="list-style-type: none"> interprets brief text and common symbols 			
	<ul style="list-style-type: none"> locates specific details in simple documents, such as labels and signs 			
A2.2	<ul style="list-style-type: none"> performs limited searches using one or two search criteria 			
	<ul style="list-style-type: none"> extracts information from tables and forms 			
C1.1	<ul style="list-style-type: none"> adds, subtracts, multiplies and divides whole numbers and decimals 			
	<ul style="list-style-type: none"> understands numerical order 			
	<ul style="list-style-type: none"> identifies and performs required operation 			
	<ul style="list-style-type: none"> follows apparent steps to reach solutions 			
	<ul style="list-style-type: none"> interprets and represents costs using monetary symbols and decimals 			
	<ul style="list-style-type: none"> rounds to the nearest dollar 			
	<ul style="list-style-type: none"> uses strategies to check accuracy (e.g. estimating, using a calculator, repeating a calculation, using the reverse operation) 			
C1.2	<ul style="list-style-type: none"> calculates using numbers expressed as whole numbers, fractions, decimals, percentages and integers 			
	<ul style="list-style-type: none"> calculates percentages 			

	<ul style="list-style-type: none"> chooses and performs required operation(s); may make inferences to identify required operation(s) 			
	<ul style="list-style-type: none"> selects appropriate steps to reach solutions 			
	<ul style="list-style-type: none"> represents costs and rates using monetary symbols, decimals and percentages 			
	<ul style="list-style-type: none"> uses strategies to check accuracy (e.g. estimating, using a calculator, repeating a calculation, using the reverse operation) 			
C1.3	<ul style="list-style-type: none"> calculates using numbers expressed as whole numbers, fractions, decimals, percentages and integers 			
	<ul style="list-style-type: none"> chooses and performs required operations; makes inferences to identify operations 			
	<ul style="list-style-type: none"> selects appropriate steps to reach solutions from among options 			
	<ul style="list-style-type: none"> uses strategies to check accuracy 			

This task: was successfully completed needs to be tried again

Learner Comments

Instructor (print)

Learner Signature

Practice Sheet for Interest Rates

The math of interest rates:

An interest rate expressed as a decimal is really taking that percent and dividing it by 100.

Or just moving the decimal 2 places to the left.

Example:

Interest rate of 12% = 0.12

Practice putting percentages in decimal points:

- Interest rate of 24.9% = _____
- Interest rate of 33.2% = _____
- Interest rate of 8% = _____

Now that you can put interest rates in a decimal format, we can start calculating simple interest rates. These rates are used to calculate basic interest like sales taxes. In Ontario we have the HST or Harmonized Sales Tax (HST) which is made up of 8% Ontario Value Added Tax (OVAT) and 5% Goods and Services Tax (GST). The total HST is 13%. Sometimes invoices show just the HST and others break down the OVAT and GST. The tax is the same either way. See below.

Cost of item purchased is \$8.00.

OVAT = $8 \times 8\% = 0.64$ or $(8 \times 8)/100$

GST = $8 \times 5\% = 0.40$ or $(8 \times 5)/100$

OVAT + GST = HST = $0.64 + 0.40 = 1.04$

HST = $8 \times 13\% = 1.04$ or $(8 \times 13)/100$

Total cost of item is $\$8.00 + \1.04 (HST) = $\$9.04$

Borrowing Costs:

Look at the Ministry of Government and Consumer Services Chart “How much will \$300 cost you for two weeks?”

The Credit card interest isn't just about multiplying \$300 by 23%...that doesn't work. There is a formula that helps. This is also based on the interest rate being “apr” which means annual percentage rate.

Amount of money borrowed X days in period (in that table it is two weeks or 14 days) X (the interest rate expressed as a decimal ÷ days in the year).

For the amount in the table it would look like this:

$$\mathbf{\$300 \times 14 \times (0.23 \div 365) = \$2.65 \text{ interest}}$$

If the payday loan for the same period costs \$54 in interest you can calculate the interest rate by:

The Payday Loan interest ÷ the credit card interest X credit card interest rate

$$\$54.00 \div \$2.65 \times 23 = 468.68\%$$

These calculations show you why payday loans are so much more expensive than using a credit card.

Credit card interest calculations:

Credit cards are cheaper for borrowing money. They are also cheaper than rent to own items.

Remember... **Amount of money borrowed X days in period (in that government table it is two weeks or 14 days) X (the interest rate expressed as a decimal ÷ days in the year)**

Example:

Borrowing \$500 for 3 months

Daily Interest Rate is 34.99% (high credit card rate)

$\$500 \times (\text{March to May} = 31 + 30 + 31 = 92) \times (.3499 \div 365) = \44.10

Practice calculating interest charges:

1. Borrowing \$1000 for 1 year

Daily interest rate is 19.9%

2. Borrowing \$750 for 3 weeks

Daily interest rate is 24%

3. Borrowing \$200 for 2 months (62 days)

Daily interest rate is 468%

Practice Sheet for Interest Rates – Answer Sheet

The math of interest rates:

An interest rate expressed as a decimal is really taking that percent and dividing it by 100.

Or just moving the decimal 2 places to the left.

Example:

Interest rate of 12% = 0.12

Practice putting percentages in decimal points:

- Interest rate of 24.9% = 0.249
- Interest rate of 33.2% = 0.332
- Interest rate of 8% = 0.08

Now that you can put interest rates in a decimal format, we can start calculating simple interest rates. These rates are used to calculate basic interest like sales taxes. In Ontario we have the HST or Harmonized Sales Tax (HST) which is made up of 8% Ontario Value Added Tax (OVAT) and 5% Goods and Services Tax (GST). The total HST is 13%. Sometimes invoices show just the HST and others break down the OVAT and GST. The tax is the same either way. See below.

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HST = $8 \times 13\% = 1.04$ or $(8 \times 13)/100$

Total cost of item is $\$8.00 + \1.04 (HST) = $\$9.04$

Borrowing Costs:

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Daily Interest Rate is 34.99% (high credit card rate)

$$\$500 \times (\text{March to May} = 31 + 30 + 31 = 92) \times (.3499 \div 365) = \$44.10$$

Practice calculating interest charges:

4. Borrowing \$1000 for 1 year

Daily interest rate is 19.9%

$$\text{A: } \$1000 \times 365 \times (.199 / 365) = \$199.00$$

5. Borrowing \$750 for 3 weeks

Daily interest rate is 24%

$$\text{A: } \$750 \times 21 \times (.24 / 365) = \$10.36$$

6. Borrowing \$200 for 2 months (62 days)

Daily interest rate is 468%

$$\text{A: } \$200 \times 62 \times (4.68 / 365) = \$159.00$$

Calculating credit card interest:

To calculate your interest charge, you need to know your current annual percentage rate, or APR, and your average daily balance.

Most credit cards accrue interest daily. Determine your average daily balance by summing your balance for each day of the period and then dividing by the number of days in the period, normally 30 days. In the next step, divide your APR by 365 to compute your periodic rate. Multiply your average daily balance by the periodic rate, and multiply the result by the number of days in the period. This is your interest charge for the period.

For example, if your average daily balance is \$2,000 and your APR is 24.9 percent, your monthly interest charge is \$40.93: $\$2,000 \times 30 \times (0.249 / 365)$