

Amortization Schedule

Handout available for download on the [YRRP website](http://www.yellowribbon.mil/cms/event-handout) at:
www.yellowribbon.mil/cms/event-handout

Loan Amount: \$5,000

Interest Rate: 3%

Total Payments: \$5,157.75

Total Interest Paid: \$157.75

A	B	C	D	E
Month	Payment Amount	Principal Amount	Interest Amount	Balance Owed
1	\$214.91	\$202.41	\$12.50	\$4797.59
2	\$214.91	\$202.92	\$11.99	\$4594.67
3	\$214.91	\$203.42	\$11.49	\$4391.25
4	\$214.91	\$203.93	\$10.98	\$4187.32
5	\$214.91	\$204.44	\$10.47	\$3982.88
6	\$214.91	\$204.95	\$9.96	\$3777.93
7	\$214.91	\$205.47	\$9.44	\$3572.46
8	\$214.91	\$205.98	\$8.93	\$3366.48
9	\$214.91	\$206.49	\$8.42	\$3159.99
10	\$214.91	\$207.01	\$7.90	\$2952.98
11	\$214.91	\$207.53	\$7.38	\$2745.45
12	\$214.91	\$208.05	\$6.86	\$2537.40
13	\$214.91	\$208.57	\$6.34	\$2328.83
14	\$214.91	\$209.09	\$5.82	\$2119.74
15	\$214.91	\$209.61	\$5.30	\$1910.13
16	\$214.91	\$210.13	\$4.78	\$1700.00
17	\$214.91	\$210.66	\$4.25	\$1489.34
18	\$214.91	\$211.19	\$3.72	\$1278.15
19	\$214.91	\$211.71	\$3.20	\$1066.44
20	\$214.91	\$212.24	\$2.67	\$854.20
21	\$214.91	\$212.77	\$2.14	\$641.43
22	\$214.91	\$213.31	\$1.60	\$428.12
23	\$214.91	\$213.84	\$1.07	\$214.28
24	\$214.91	\$214.28	\$0.54	\$0.00

Practice Problems for Credit Utilization and Debt-to-Income Ratio

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Credit Utilization Practice Problems

Credit utilization: The ratio of your total credit card limit and the amount of credit that is actually used. The ideal rate = 30% or lower

Example: Credit card limit = \$800. Current charges = \$200

Charges/credit limit = credit utilization rate

$$\$200/\$800 = 25\%$$

Directions: Compute the credit utilization for Cards 1-4 in the table below.

Card	A Current Charges	B Credit Limit	=	Credit Utilization Rate Column A / Column B	Ideal Maximum Charge (30% of credit limit)
1	\$800	\$1,500	=		\$450
2	\$60	\$2,500	=		\$750
3	\$150	\$3,000	=		\$900
4	\$200	\$1,000	=		\$300

You can use the chart below to calculate the credit utilization rate for your cards.

Card	A Current Charges	B Credit Limit	=	Credit Utilization Rate Column A / Column B	Ideal Maximum Charge (30% of credit limit)
1			=		
2			=		
3			=		
4			=		

Debt-to-Income Ratio Practice Problem

Debt-to-income ratio compares your monthly debt payments to your monthly gross pay. To calculate, divide the total of your monthly debt payments by your monthly gross pay.

Monthly debt payments/monthly gross pay = debt-to-income ratio

Example:

\$1,200 + \$200 monthly debt payments/\$6,000 gross pay
 $\$1,400/\$6,000 = 23\%$

Directions: Use the facts below to calculate the debt-to-income ratio.

The Facts:

Recurring Monthly Payments

\$100	Credit Card
\$900	Rent
\$500	Car payment
<hr/>	<hr/>
\$5,000	Gross Monthly Pay

Step 1: Total monthly payments. _____

Step 2: Determine the monthly gross pay. This is the pay before any taxes or deductions are subtracted by the employer. _____

Step 3: Divide the total monthly payments (Step 1) by the monthly gross pay (Step 2).

Annual Percentage Rate Illustration

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Table 1

Loan Amount: \$10,000

Advertised Interest Rate: 3%

Loan Period: 2 years (24 months)

Lender	Unadvertised required fee that is financed	APR	Monthly Payment Amount	Total Amount Repaid	Repaid Amount of Interest	Repaid Amount of Required Finance Fee
A	\$200.00	4.93%	\$438.41	\$10,521.80	\$321.80	\$200.00
B	\$400.00	6.84%	\$447.00	\$10,728.00	\$328.11	\$400.00

Table 2

Loan Amount: \$10,000

Advertised Interest Rate: 3%

Loan Period: 5 years (60 months)

Lender	Unadvertised required fee that is financed	APR	Monthly Payment Amount	Total Amount Repaid	Repaid Amount of Interest	Repaid Amount of Required Finance Fee
A	\$200.00	3.80%	\$183.28	\$10,996.84	\$796.84	\$200.00
B	\$400.00	4.60%	\$186.87	\$11,212.46	\$812.46	\$400.00

Car and Home Mortgage Loan Examples

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To simplify the impact of a loan's interest rate, this handout has excluded state sales tax, trade allowance, and lender fees that will increase finance charges.

Car Loan Examples

Amount financed or borrowed for a new car = \$20,000

Example 1: Impact of various interest rates on the interest paid.

Repayment Period	60 months (5 years)	48 months (4 years)	36 months (3 years)
Monthly payment amount	\$371.59	\$454.54	\$598.52
Loan interest rate	4.36%	4.33%	4.9%
Total	\$22,295.35	\$21,817.93	\$21,546.73
Total Interest Paid Finance Charge	\$2,295.32	\$1,817.93	\$1,546.73

Example 2: Impact of the same interest rate on various repayment periods.

Repayment Period	60 months (5 years)	48 months (4 years)	36 months (3 years)
Monthly payment amount	\$371.59	\$454.81	\$593.69
Loan interest rate	4.36%	4.36%	4.36%
Total	\$22,295.35	\$21,830.89	\$21,372.75
Total Interest Paid Finance Charge	\$2,295.32	\$1,830.89	\$1,372.75

Home Mortgage Example

Mortgage Amount: \$100,000 at 4.5%

Repayment Period	30 years	15 years
Monthly payment amount	\$506.69	\$764.99
Total	\$182,404.57	\$137,699
Total Interest Paid Finance Charge	\$82,404.57	\$36,699

Online Resources

Saving Resources

Blended Retirement System

- Additional information can be found on the [Military Compensation website](http://militarypay.defense.gov/BlendedRetirement) at <http://militarypay.defense.gov/BlendedRetirement>

Thrift Savings Plan (TSP)

These websites explain the Thrift Savings Plan (TSP) in detail.

- The [TSP website](http://www.tsp.gov/index.html) is available at www.tsp.gov/index.html
- Additional information can be found on the [DFAS website](http://www.dfas.mil/militarymembers/tspformilitary/tspac.html) at www.dfas.mil/militarymembers/tspformilitary/tspac.html

Savings Deposit Plan (SDP)

- Information on the SDP is available on the [DFAS website](http://www.dfas.mil/militarymembers/payentitlements/sdp.html) at www.dfas.mil/militarymembers/payentitlements/sdp.html

Yellow Ribbon Reintegration Program (YRRP): Suggested Online Resources

- The YRRP [Financial Resource Guide](http://www.yellowribbon.mil/cms/financial-resource-guide) is available at www.yellowribbon.mil/cms/financial-resource-guide

Borrowing Resources

Annual Credit Report Form

- The Annual Credit Report Form is available on [Annual Credit Report website](http://www.annualcreditreport.com/manualRequestForm.action) at www.annualcreditreport.com/manualRequestForm.action

Protect Your Credit Report: Add Active Duty Alerts

Placing an alert on your credit report can help prevent identity theft.

- A checklist for placing an alert on your credit report is available on the [Federal Trade Commission website](http://www.consumer.ftc.gov/articles/0273-active-duty-alerts) at www.consumer.ftc.gov/articles/0273-active-duty-alerts

Servicemembers Civil Relief Act (SCRA)

SCRA assists Services members with legal and financial issues that may arise during deployments. Visit the following websites for more information.

- The [SCRA website](https://scra.dmdc.osd.mil) at <https://scra.dmdc.osd.mil>