

$$I = P \cdot r \cdot t$$

I = Interest Paid or Earned in \$

P = Principal in \$

r = Interest Rate in %

t = Time in Years

Word Problems: Simple Interest

1. A bank is offering 2.5% simple interest on a savings account. If you deposit \$5000, how much interest will you earn in one year? **125**
2. To buy a car, Jessica borrowed \$15,000 for 3 years at an annual simple interest rate of 9%. How much interest will she pay if she pays the entire loan off at the end of the third year? What is the total amount that she will repay? **19,050**
3. Nancy invested \$6000 in a bond at a yearly rate of 3%. She earned \$450 in interest. How long was the money invested? **2.5**
4. Mr. Johnson borrowed \$8000 for 4 years to make home improvements. If he repaid a total of \$10,320, at what interest rate did he borrow the money? **7.25%**