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

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%