

Problem 12

A recent college graduate borrows \$150,000 at an interest rate of 6% to purchase a condominium. Anticipating steady salary increases, the buyer expects to make payments at a monthly rate of $800 + 10t$, where t is the number of months since the loan was made.

- (a) Assuming that this payment schedule can be maintained, when will the loan be fully paid?
- (b) Assuming the same payment schedule, how large a loan could be paid off in exactly 20 years?