

Simple Interest

Given the principal (amount of money to be borrowed or invested), interest rate, and length of time, the amount of interest can be found using the formula

$$I = p \cdot r \cdot t$$

where

- I = interest (dollar amount)
- p = principal
- r = percentage rate of interest
- t = time period.

For example, find the amount of simple interest on a \$3800 loan at an annual rate of 5.5% for 5 years:

$$p = \$3800$$

$$r = 5.5\% = 0.055$$

$$t = 5 \text{ years}$$

$$I = (3800)(0.055)(5) = 1045.$$

The amount of interest is \$1045.