



HOW MUCH CAN I AFFORD?

The interest rate on a car loan is normally computed on a **flat rate** basis. Under the Hire Purchase Act 1967, the term charges or interest rate should not exceed 10% p.a. Term charges are calculated on the principal amount financed over the entire hire purchase tenure.

Let us see an example of how this is applied.

Car price	= RM50,000
Down payment @ 10%	= RM5,000
HP loan amount	= RM45,000
HP rate (flat rate)	= 5% p.a.
Loan tenure	= 5 years (60 months)

Computation:

Total interest charged

$$\begin{aligned} &= \text{Loan amount} \times \text{Rate} \times \text{Years} \\ &= \text{RM}45,000 \times 5\% \times 5 \\ &= \text{RM}11,250 \end{aligned}$$

Total loan + Interest

$$\begin{aligned} &= \text{RM}45,000 + \text{RM}11,250 \\ &= \text{RM}56,250 \end{aligned}$$

Monthly instalment

$$\begin{aligned} &= \text{RM}56,250 \div 60 \text{ months} \\ &= \text{RM}938 \end{aligned}$$



Refer to Hire Purchase Comparison Table in Appendix 2.2

