Home Sweet Mortgage

LESSON 16: STUDENT ACTIVITY SHEET 2

It's time to find your dream home—but don't forget, you will need a way to pay for it too. Let's look into what an ideal home in your area costs and explore the differences in payment amounts across a variety of mortgages.

Imagine that you would like to purchase a $275,000 home. Using 20% as a down payment (or $55,000), determine the monthly mortgage payment for your dream home using the loan terms below. Hint: Read the Loan Calculator tip at right for a tool that will help you make the calculations.

A. 15-year mortgage term with a 3% interest rate

Total Amount Paid Over Loan Term: ______________________________

Minimum Monthly Payment: ____________________________________

B. 20-year mortgage term with a 6% interest rate

Total Amount Paid Over Loan Term: ______________________________

Minimum Monthly Payment: ____________________________________

C. 30-year mortgage term with a 5% interest rate

Total Amount Paid Over Loan Term: ______________________________

Minimum Monthly Payment: ____________________________________

Which mortgage would you choose and why?

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STUDENT TIPS

Check out these websites to get a feel for the prices of homes you like in your area:

- Homes.com
- Trulia.com
- Zillow.com

Loan Calculator:
To calculate your mortgage payments, use the Practical Money Skills How Much Will Your Loan Really Cost calculator at practicalmoneyskills.com/HS23. Remember that mortgage term is the amount of time it will take to pay off the mortgage, and the interest rate is the amount the bank will charge for loaning you the money.

Buy It or Pass?

LESSON 16: STUDENT ACTIVITY SHEET 3

Scenario 1:

You find a house that's smaller than you want, but it's in a good neighborhood. It's pretty old and there's lots of repair work needed. The house is $120,000 and you'll put 20% down. The bank offers a 7% interest rate for a 15-year mortgage and you currently make $2,000 per month, with other monthly expenses averaging $1,200. The repair work will cost $10,000.

Do you buy it or pass?

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Why?

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Scenario 2:

You have a job, but recently heard that your position may be cut. You can only make a down payment of 10% on your mortgage. Since you're not putting 20% down, you have to pay Private Mortgage Insurance (PMI) that protects the bank in case you can't make payments. The bank offers you a 6% interest rate on a 30-year mortgage of $450,000.

Do you buy it or pass?

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Why?

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Scenario 3:

You've always wanted to own a condo in the city and finally found one that matches your budget. You have good credit and will put 20% down on the $450,000 home price. The bank offers a 4% interest rate on a 15-year mortgage. You make $10,000 a month.

Do you buy it or pass?

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Why?

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