| NGPF_LG.png | **NGPF Activity Bank** ***Types of Credit*** [Spanish version](https://docs.google.com/document/d/1AZ6liQMhwM25BgTNV32mZ5kcE-qxMVw7KrzDf-D3WU4/edit#heading=h.s4hvik98d7hk) |
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CALCULATE: Using a Mortgage Calculator

The individuals in the following scenarios are currently independent adults, looking to buy a home. Each of them, fortunately, took a personal finance class in high school and learned the value of doing some preliminary work on a mortgage calculator before determining their price range. Use the [Bankrate.com Mortgage Calculator](http://www.bankrate.com/calculators/mortgages/mortgage-calculator.aspx) for this activity. \*Hint: Click the Amortization tab on the calculator screen to see more details about each loan.

**Note:** When answering questions about how much monthly payments will be, include the cost of insurance and taxes.

**TREMAINE:**

* **Wants a one bedroom apartment in a trendy new development downtown; average cost is $145,000**
* **Is preapproved for a 6.33% interest rate on a 30-year fixed mortgage**
* **Has saved $15,000 for a down payment**

1. What will Tremaine’s monthly payment be?
2. How much total interest will he pay over the course of the mortgage? (Hint: Click on the Amortization tab)
3. If Tremaine waited until he had $30,000 saved for a down payment,
   1. What will his monthly payment be?
   2. How much total interest will he pay over the course of the mortgage?
   3. How much money will he save by paying an extra $15,000 upfront?

**CARLIN:**

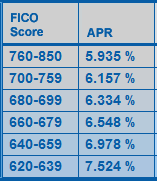
* **Has been renting a two-bedroom apartment with her husband and 3 kids; wants to move into a three-bedroom home instead**
* **Took her five years, but she has saved $20,000 for a down payment**
* **Homes in her small town are typically selling for $75,000 to $95,000**
* **Is preapproved for a 6.98% interest rate on a 30-year fixed mortgage**
* **Needs her monthly payment to be less than $550**

1. Rounded to the nearest $500, what’s the most expensive house Carlin could buy?
2. How much total interest will she pay over the course of the mortgage for this house?
3. What month and year does Carlin pay off her house?
4. If Carlin could add just $50 to each monthly payment, how much money would she save on interest?
5. What month and year does Carlin pay off her house if she makes the higher monthly payment?
6. What are some strategies Carlin could use to make sure she has an extra $50/month for her mortgage?
7. If Carlin can afford $550 per month, she could have just bought a more expensive house. Do you think she should pay off an expensive house in 30 years? Or, should she pay off a cheaper house in less time with less interest? Explain why you feel that way.

**BRYCE:**

* **Has a high paying job and has determined he could afford up to $3,300 per month**
* **Wants a luxurious home; his dream home costs $550,000**
* **Has been sloppy in the past with his bill pay, leading to a credit score of 670, so the best rate he can get is 6.55% for 30 years fixed**
* **Is willing to contribute $75,000 to his down payment**

1. How much, per month, is Bryce short on the mortgage payments for his dream home?
2. How much would Bryce’s down payment need to be if he wanted to get his monthly payments down to $3,300 or slightly under?
   1. Using this strategy, how much total interest would he pay over the course of the loan?
3. Unfortunately, Bryce doesn’t have enough money to allocate towards such a huge down payment, so he decides to put in his original $75,000 down payment. Besides, Bryce is concerned his credit score is a bigger problem, so he asks the bank how improving his score would impact his loan application. They provide this chart:



1. If Bryce could raise his credit score to 760 and keep the $75,000 down payment, could he afford his dream house?
   1. Using this strategy, how much total interest would he pay over the course of the loan?
2. What do you think Bryce should do?