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| NGPF_LG.png | NGPF Activity Bank*Types of Credit* |

CALCULATE: Using a Mortgage Calculator

**PART A:**

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: Push “Show Amortization Schedule” 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.

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| **TREMAINE:** * **Wants a one bedroom townhouse in a trendy new development downtown; average cost is $145,000**
* **Is preapproved for a 4.38% interest rate on a 30-year fixed mortgage**
* **Has saved $30,000 for a down payment**
1. What will Tremaine’s monthly payment be?

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1. How much total interest will he pay over the course of the mortgage?

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1. If Tremaine waited until he had $50,000 saved for a down payment,
	1. What will his monthly payment be?

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* 1. How much total interest will he pay over the course of the mortgage?

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* 1. How much money did he save by paying an extra $20,000 upfront?

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| **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 3.89% interest rate on a 30-year fixed mortgage**
* **Needs her monthly payment to be less than $400**
1. Rounded to the nearest $500, what’s the most expensive house Carlin could buy?

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1. How much total interest will she pay over the course of the mortgage for this house?

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1. What month and year does Carlin pay off her house?

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1. If Carlin could add just $50 to each monthly payment, how much money would she save on interest?

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1. What month and year does Carlin pay off her house if she makes the higher monthly payment?

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1. What are some strategies Carlin could use to make sure she has an extra $50/month for her mortgage?

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1. If Carlin can afford $450 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.

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| **BRYCE:** * **Has a high paying job and has determined he could afford up to $2800 per month**
* **Wants a sweet home to reward all his hard work; his dream home costs $550,000**
* **Has been sloppy in the past with his bill pay, leading to a credit score of 650, so the best rate he can get is 4.69% 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?

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1. How much would Bryce’s down payment need to be if he wanted to get his monthly payments down to $2,500 or slightly under?

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* 1. Using this strategy, how much total interest would he pay over the course of the loan?

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1. 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 worried 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:

Screen Shot 2016-01-12 at 12.01.07 PM.png1. If Bryce could raise his credit score into the 660-679 range and keep the $75,000 down payment, could he afford his dream house?

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* 1. Using this strategy, how much total interest would he pay over the course of the loan?

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1. What do you think Bryce should do?

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**PART B:**

**Link to my house** (use [www.realtor.ca](http://www.realtor.ca)) [www.realtor.com](http://www.realtor.com) (for USA), search for any house/cottage in USA/Canada (do not forget to do currency conversion if the house is from USA):

**Price** (list price of the property):

**DownPayment:** $50,000 (this is fixed, do not change)

**Figure out the monthly Payment and Total Interest over time for the following scenarios:**

1. **For 25 years, 2.44 interest:**
2. **For 30 years, 2.44 interest:**
3. **For 25 years, 1.59 interest:**