



Loans, Loans, Loans

LESSON 16: STUDENT ACTIVITY SHEET 1

In groups, review the scenario below and the profiles of each of the three friends.

Scenario:

Three friends are at the mall shopping for Joe’s birthday. Shaun, Rachel and Hayden all want to get him what he really wants, but there’s a snag in the plan when two of the three friends come up short on cash. After reading each of the friends’ stories below, decide who Shaun should loan his money to and why.

SHAUN (LENDER)

Shaun works after school and on weekends, so he usually has money in his wallet. He wants to get Joe a new portable game console, which he can easily afford. His friends are always borrowing money from him because they know he saves, and today is no different.

RACHEL (BORROWER)

Rachel sees the perfect gift for Joe, but she only has \$20 and the gift costs \$100. She tries to convince Shaun to loan her the money for the gift, explaining that she only needs \$80 because she can contribute \$20. She reminds Shaun that she has borrowed money from him before, and always pays debts back on time. As an added bonus, she tells Shaun he can borrow her car and her tablet in case she isn’t able to pay the money back right away.

HAYDEN (BORROWER)

Hayden wants to buy a new video game for Joe, but he doesn’t have the money right now. He borrows money from his friends all the time and has the reputation of being late in paying it back—sometimes he forgets entirely. He tries to convince Shaun to loan him \$100 for the gift.



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?



STUDENT TIPS

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

- Homes.com
- Trulia.com
- RealEstate.com

Loan Calculator:

To calculate your mortgage payments, use the Practical Money Skills How Much Will Your Loan Really Cost calculator at practicalmoneyskills.com/costofloan. 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 monthly expenses averaging \$1,200. The repair work will cost \$10,000.

Do you buy it or pass?

Why?



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?

Why?



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?

Why?
