Analyzing Mortgage Rates

Name: Date:

**Instructions: Use the following information and this mortgage rate calculator** [**https://www.calculator.net/mortgage-calculator.html**](https://www.calculator.net/mortgage-calculator.html) **(uncheck the “include taxes and costs” box) to help you complete the chart below.**

Mortgage 1: Benny and Silvia Ramirez pay 20 percent down. It is a 30-year fixed-rate mortgage with an annual interest rate of seven percent.

Mortgage 2: James and Linda Snyder qualify for a special down payment of only five percent. Their mortgage is a 30-year fixed-rate with an annual interest rate of seven percent.

Mortgage 3: Seth and Avery Alexander qualify for a special program that lowers their fixed annual interest rate to six percent. They make a 20 percent down payment on their 30-year, fixed-rate mortgage.

Mortgage 4: Amari Botha knows that paying off a mortgage more quickly will save her money. She makes a down payment of 20 percent and her mortgage is for a fixed-rate of 5.5 percent. Because she will pay off the mortgage in 15 years, her annual interest rate is lower than she would have paid for a 30-year mortgage.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Mortgage 1 | Mortgage 2 | Mortgage 3 | Mortgage 4 |
| Home Price | $250,000 | $250,000 | $250,000 | $250,000 |
| Percentage down |  |  |  |  |
| Total down payment |  |  |  |  |
| Initial principal |  |  |  |  |
| Annual interest rate |  |  |  |  |
| Term |  |  |  |  |
| Monthly payment |  |  |  |  |
| Total interest paid |  |  |  |  |
| Total cost of loan |  |  |  |  |

1. As compared to Mortgage 1, what happens to the monthly payment and total payment for a loan with a smaller down payment?
2. As compared to Mortgage 1, what happens to the monthly payment and total payment for a loan with a lower annual interest rate?
3. What happens to the monthly payment and total payment if the term of the mortgage is 15 years rather than 30 years?
4. What is the trade-off if you get a 15-year mortgage rather than a 30-year mortgage?
5. How can you reduce your cost of buying a home?