Name: ____________________ Date: __________ Class: ______________

BUILDING BLOCKS STUDENT WORKSHEET

Borrowing money for a house

Understanding the real costs of borrowing money can help you make informed credit and loan decisions.

Instructions

1. Review the example and the directions for calculating interest charged, total amount paid, and monthly payment.
2. Use the loan options on the next page to "buy" your home and make the calculations.
3. Answer the reflection questions.

REMEMBER

The calculation directions use an oversimplified approach to determining interest. The actual math will likely be more complicated, and the final payment amounts will be different.

Step 1. Review the example and directions

Example: Let's say you borrowed $135,900 to buy a house. The interest rate is 4% and the term is 30 years (or 360 months).

Directions for calculating payments

To calculate the *interest* charged: principal x rate x term

- The rate is a percentage that you need to turn into a decimal. You'll have to divide it by 100 before you multiply.
  - For the example house: 4% rate divided by 100 is .04.
  - $135,900 x .04 x 30 = $163,080

To calculate the *total amount* paid: principal + interest charged

- For the example house: $135,900 + $163,080 = $298,980

To calculate the *monthly* payment: total amount paid divided by the number of months in the term

- For the example house: $298,980 / 360 = $830.50

Step 2. Make the calculations for your house

Use the directions to calculate the interest charged, the total amount paid, and the monthly payment for your house. Enter your results for each loan option in the table.

House for sale

Price	Loan option 1	Loan option 2	Loan option 3
$299,400	Interest rate: 3.69% Term: 30 years	Interest rate: 3.15% Term: 15 years	Interest rate: 3.35% Term: 30 years

	Principal	Rate	Term	Interest charged	Total amount paid	Monthly payment
House loan option 1						
House loan option 2						
House loan option 3						

Reflection questions

1. Which loan option requires the lowest monthly payment? Why?

2. Which loan option would result in you paying the least for your house? Why?

3. Which loan option would let you to pay off your home more quickly? Why?

4. What would be a benefit of paying off your home earlier than your mortgage's term?

5. What are some ways a person could save money each month so that they could put more toward paying back the money they borrowed?