

This chart gives a payment per \$1,000 borrowed. For example, if you borrow \$150,000 at 6% for 15 years, divide \$150,000 by 1,000 and get 150. Find 6% on the chart and see that for every \$1,000 you borrow you will pay \$8.44. Multiply 150 by \$8.44 and get a monthly payment of \$1,266.

Rate	15 - Year	30 - Year
4.5%	7.65	5.07
5.0%	7.91	5.37
5.5%	8.17	5.68
6.0%	8.44	6.00
6.5%	8.71	6.32
7.0%	8.99	6.66
7.5%	9.28	7.00
8.0%	9.56	7.34
8.5%	9.85	7.69
9.0%	10.15	8.05
10.0%	10.75	8.78
10.5%	11.05	9.15
11.0%	11.37	9.52
11.5%	11.68	9.90
12.0%	12.00	10.29

$$\frac{\text{Sales price}}{1,000} = \frac{\text{Sales price}}{1,000} \times \text{Factor} = \text{Monthly Payment}$$

*Example:* Sales Price - \$150,000, 15 years at 6%

$$\$150,000 / 1,000 = 150 \times 8.44 = \$1,266$$

Name \_\_\_\_\_

Date \_\_\_\_\_

## CHAPTER 12

### STUDENT ACTIVITY SHEET

## MORTGAGE MATH

Use the online mortgage calculator at [daveramsey.com](http://daveramsey.com) to compute the monthly payments and total interest for the problems below.

1. Scott and Jen are looking at a house listed for \$189,000. They will qualify for a 6% interest rate if they have a 20% down payment. How much will the monthly payments be on a 15-year mortgage?  
Down Payment \_\_\_\_\_ Loan Amount \_\_\_\_\_ Monthly Payment \_\_\_\_\_
2. What is not included in the monthly payment that Scott and Jen need to consider before deciding if they can afford the home?
3. Scott and Jen are not sure they want to use their savings for a down payment because they would like to buy new furniture and appliances. They find a house on the market for \$155,000, but they will have to pay 6.5% interest if they decide to put zero down on a house. What will their monthly payments be on a 15-year mortgage?  
Down Payment \_\_\_\_\_ Loan Amount \_\_\_\_\_ Monthly Payment \_\_\_\_\_
4. Make a graph of the two loan amounts and the total interest paid on each.
5. How much more are Scott and Jen paying in interest with no down payment, even though they bought a cheaper house? (use the mortgage calculator)
6. What happens to their monthly house payment if they buy the \$155,000 house with no down payment? How much do they save in a year on their monthly payments if they buy the \$189,000 house with 20% down?
7. Which would be a better option for Scott and Jen? Why?
8. How much would Scott and Jen have for furniture if they bought the less expensive house and put 20% down on that? (Assume they have the original down payment from question #1 and the 6% interest rate.)  
Down Payment \_\_\_\_\_ Loan Amount \_\_\_\_\_ Monthly Payment \_\_\_\_\_ Furniture \_\_\_\_\_
9. What is the total interest savings if they choose this option instead of the zero down at 6.5% interest?
10. How much do Jen and Scott save in interest by taking a 15-year mortgage versus a 30-year mortgage if they borrow \$124,000 at 6% interest?

Name \_\_\_\_\_

Date \_\_\_\_\_

## CHAPTER 12

### STUDENT ACTIVITY SHEET

## UNDERSTANDING A LEASE

Examine the lease agreement below, then answer the questions on the following page.

### REAL ESTATE LEASE

*Landlord: John Doe*

*Tenant: Joe Q. Public*

*Date: May 01, 2008*

**PREMISES:** Landlord in consideration of the lease payments provided in this lease, leases to tenant three bedroom, two bath single family home (the "Premises") located at 114 Main Street, Lamponia, TN.

**TERM:** This agreement shall commence on May 01, 2008, and will terminate on May 01, 2009.

**LEASE PAYMENTS:** Tenant shall pay to landlord lease payments of \$850.00 payable on or before the first day of the month. Lease payments shall be made to landlord at 12652 Gazelle Street, Middleville, TN.

**SECURITY DEPOSIT:** At the time of signing this lease, tenant shall pay landlord in trust, a security deposit of \$850.00 to be held and disbursed for tenant damages to the premises or other defaults under this agreement (if any) as provided by law. Security deposit will be returned to tenant within 15 days after receipt of tenant's new mailing address.

**POSSESSION:** Tenant shall be entitled to possession on the first day of the term of this lease and shall yield possession to landlord on the last day of the term of this lease, unless otherwise agreed by both parties in writing. At the expiration of the term, tenant shall remove his goods and effects and yield up the premises to landlord in as good condition as when delivered to tenant, ordinary wear and tear expected.

**OCCUPANTS:** No more than five persons may reside on the premises unless the prior written consent of the landlord is obtained.

**PETS:** Pets shall not be allowed without the prior written consent of the landlord. At the time of signing this lease, tenant shall pay to landlord, in trust, a deposit of \$100.00 to be held and disbursed for pet damages to the premises (if any) as provided by law. This deposit is in addition to security deposit stated in lease.

**MAINTENANCE:** Landlord shall have the responsibility to maintain the premises in good repair at all times and perform all repairs necessary to satisfy any implied warranty of habitability. Tenant will be responsible for: light bulbs, monthly heating and A/C filter, lawn cutting & maintenance.

**UTILITIES:** Tenant shall be responsible for all utilities (electric and water).

**DEFAULTS:** Tenant shall be in default of this lease if tenant fails to fulfill any lease obligation or term by which tenant is bound. If tenant fails to cure any financial obligation within five days after written notice of such default is provided by landlord to tenant, landlord may take possession of the premises without prejudicing landlord's right to damages. Tenant shall pay all costs, damages and expenses (including attorney fees and expenses) suffered by landlord by reason of tenant default.

**ACCESS BY LANDLORD:** Subject to tenant's consent, landlord shall have the right to enter the premises to make inspections, provide necessary services, or show the unit to prospective buyers, mortgagees, tenants or workers. In case of emergency, landlord may enter the premises without tenant's consent. During the last three months of this lease, landlord shall be allowed to display the usual "For Lease" signs and show the premises to prospective tenants.

**OTHER TERMS:** Tenant shall be charged \$35.00 for each check that is returned to landlord for lack of sufficient funds. For any payment that is not paid within five days after its due date, tenant shall pay a late fee of \$50.00. Tenant shall not keep or have dangerous, flammable or explosive materials that might increase the damage of fire on the premises.

1. For how long is the lease agreement binding?
2. Describe the property for rent.
3. Who is the tenant and how much will it cost to move in?
4. Does the landlord live in the same town as the rental house?
5. What is the tenant responsible for maintaining?
6. What utilities are included in the lease?
7. When will the tenant receive his security deposit back, and under what conditions?
8. What happens if the rent is paid one day late? Six days late?
9. When can the landlord access the premises?
10. Can the tenant have a dog, and, if so, what will that cost?

## CHAPTER 12: MONEY IN REVIEW

### Vocabulary

Accelerated Payment  
Appraisal  
Appreciation  
ARM  
Conventional Loan  
Curb Appeal  
Equity  
FHA Loan  
Fixed Rate  
Home Inspector  
Home Warranty  
Inflation Hedge  
Interest Only Loan  
Land Survey  
MLS  
Mortgage  
Owner Financing  
PMI  
Principal  
Realtor  
Reverse Mortgage  
Timeshare  
Title Insurance  
VA Loan

### Matching

- a. mortgage
- b. equity
- c. principal
- d. MLS
- e. title insurance
- f. home warranty
- g. land survey
- h. appreciation

- \_\_\_ 1. The value of your house over and above the mortgage
- \_\_\_ 2. Listing service realtors use
- \_\_\_ 3. Protects you against an ownership claim
- \_\_\_ 4. Loan secured by collateral of a specific real estate property
- \_\_\_ 5. Shows where property lines are
- \_\_\_ 6. The face value of your mortgage, not including interest
- \_\_\_ 7. An increase in value
- \_\_\_ 8. An agreement that ensures the structural soundness of a home



## True or False

Determine whether these statements are true or false. Change the false statements to read true.

- \_\_\_\_\_ 9. Baby Step 7 is to pay off your house.

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- \_\_\_\_\_ 10. The best mortgage is an adjustable rate mortgage.

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- \_\_\_\_\_ 11. A real estate agent is usually well worth the commission.

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- \_\_\_\_\_ 12. Friends or relatives make the best real estate agents.

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- \_\_\_\_\_ 13. Your rent or mortgage payment should be at least 25% or more of your take-home pay.

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## Multiple Choice

14. What type of mortgage is an ARM?  
a. advanced rate mortgage  
b. adjustable rate mortgage  
c. American Realtor Mortgage  
d. none of the above

15. Which is not a type of mortgage?  
a. reverse  
b. Veterans Administration  
c. lease to own  
d. conventional

16. Which is not an investment benefit to home ownership?  
a. lower tax bracket  
b. grows virtually tax free  
c. inflation hedge  
d. forced savings plan

17. How much do you need for a down payment in order to avoid paying PMI?  
a. 0%  
b. 10%  
c. 20%  
d. 50%

18. Which is true about owner financing?  
a. the buyer makes payments to the owner  
b. you can be creative in structuring the terms of the loan  
c. you can include a discount for early payoff  
d. all of the above

## Short Answer

19. Describe two things you can do to get a home ready to sell.
20. Why is a good realtor worth the money you pay in commission?
21. What are three reasons why home ownership is a great investment?

22. What conditions need to be in place before you buy a house?
23. Explain why people take out ARM or balloon mortgages.
24. What are the benefits to having at least a 20% down payment?
25. Outline the differences between a conventional, VA and FHA loan.

### Case Studies

26. Jocelyn and Derrick are engaged to be married in three months and have found their dream home. They have the option of getting a conventional loan or a VA loan. If they take the conventional loan, they need a 5% down payment. If they take the VA loan, they can move in with nothing down. Jocelyn and Derrick have the money for the down payment on the conventional loan, but they wish to buy some furniture and other items they need. Derrick, being a veteran, thinks he should take advantage of the VA loan. What is Dave's advice to them?
27. Blake and Sarah are looking into an adjustable rate mortgage as a financing option. They have found a house they like, but will barely be able to make the payments on a fixed interest rate. With the ARM, they are sure they can make the payments. By the time the rate increases, Blake and Sarah believe they will have both received raises at work. Then, they will change over to a fixed rate on a 30-year mortgage. Whenever they get a bonus, they will apply it to the loan. Blake and Sarah are tired of renting and are anxious to buy this house. What is Dave's advice?
28. Laura and George are both 23 and ready to buy their first home. Combined, their take home pay is about \$4,000 a month and they have no debt. What is the maximum amount they should have for a house payment even though they would qualify for a much larger loan amount?