

Chapter 4 Project Part 2 – Home Loans

1. Go to <https://realtor.com>. Search for and find a house you would like to “buy.” Your house can be anywhere in the United States. Include the following information about your house:
 - a. Address
 - b. Price
 - c. House size (sq ft)
 - d. Beds/Baths

Find the “Dave Ramsey Mortgage Calculator” online. Use the calculator to answer questions 2-5.

2. You are going to “buy” this home, but you do not have the money to pay for the home in cash. You have other debts and expenses so you decide not to make any down payment. So you decide to borrow money from the bank to cover the entire price of the home. To afford the monthly payments you decide you will pay back the loan over a 30 year period, and the best interest rate you can find for that time frame is 5.5%.
 - a. What will your monthly payment be?
 - b. How much will the total amount of your payments be over the 30 years?
 - c. How much will you pay, in total, just in interest to the bank?
 - d. In the end, how much did you pay for your home?
3. Suppose you decide that the scenario from #2 is not what you want to do. Instead, you commit to putting 10% down on the home so that you only have to take out a loan for the remaining price of the home.
 - a. What will your down payment be?
 - b. What will your monthly payment be?
 - c. How much will the total amount of your payments be to the bank, for the loan, over the 30 years (not including the down payment)?
 - d. How much will you pay, in total, just in interest to the bank?
 - e. In the end, how much did you pay for your home, including the down payment, interest, and principal on the loan?
4. Now you are really discouraged, because you are paying so much more than the original price for this home. Suppose you are really ambitious and now you go for a 15 year loan so you can get a lower interest rate of 3.5% APR. You are also going to put 20% down so you are borrowing less.
 - a. What will your down payment be?
 - b. What will your monthly payment be?
 - c. How much will the total amount of your payments be to the bank, for the loan, over the 15 years?
 - d. How much will you pay, in total, just in interest to the bank?
 - e. In the end, how much did you pay for your home, including the down payment, interest, and principal on the loan?

5. Instead of waiting longer to buy the house (and save more for a down payment), let's just pay a little extra each month. Use the same information from #4 but now let's pay \$125 extra each month from the very beginning of the loan.
 - a. What will you pay each month (the monthly payment plus the extra \$125)?
 - b. How much will the total amount of your payments be to the bank, for the loan, over the term of the loan?
 - c. How much will you pay, in total, just in interest to the bank?
 - d. In the end, how much did you pay for your home, including the down payment, interest, and principal on the loan?
 - e. How much time did you take off the term of the loan (the amount of time you will NOT have a mortgage payment that you otherwise would have had one)?

6. Essay: Write about some of the different things you have learned about home loans. What are some ways that you can dramatically decrease the overall amount you pay for a home? What are you committed to doing in the future to avoid paying too much for a home?