

How Do Mortgages & Loans Work?

In this activity, students delve into the world of mortgages and loans, learning how different options impact home buying. Through research, calculations, and discussions, they gain practical insights into making informed financial decisions in the real estate market.

Part 1: Exploring Mortgage Basics

In this activity, you'll delve into the world of real estate and mortgages. You'll learn about how mortgages work and how they impact your ability to buy your first house. Work individually or in groups, as instructed by your teacher.

1. Research

Look up information about mortgages and how they work. Make notes on the key terms and concepts related to mortgages.

Mortgage Term	Interest Rate	Loan Amount	Monthly Payment
30 years			
20 years			
15 years			

2. Mortgage Calculator

Use an [online mortgage calculator](#) to explore different scenarios. Calculate how much your monthly mortgage payment would be for different loan amounts, interest rates, and loan terms. Record your findings in the table below.

Loan Type	Interest Type	Advantages	Disadvantages
Fixed-Rate Mortgage			
Adjustable-Rate Mortgage (ARM)			

Part 2: Group Discussion

Work in groups to discuss the following questions:

1. How does the choice of mortgage term affect the total amount you pay over the life of the loan?
2. What factors should you consider when deciding between different types of loans for purchasing a house?
3. How can understanding mortgages and loans help you make informed decisions about your financial future?

Part 3: Making Informed Decisions

Imagine you have three different houses in mind, each with a different price. Use the mortgage knowledge you gained to compare the monthly payments and total payments for each house using a 30-year fixed-rate mortgage.

House Price	Loan Amount	Interest Rate	Monthly Payment	Total Payment
\$200,000				
\$250,000				
\$300,000				

House Price: Search for houses in their desired location on real estate websites, property listing platforms, or through real estate agents.

Loan Amount: The loan amount is the difference between the house price and the down payment. If the down payment is not explicitly stated, students can assume a typical down payment percentage (e.g., 20%) and calculate the loan amount accordingly.

Interest Rate: Get rates from banks or financial websites. These rates can vary based on the current market conditions and the borrower's creditworthiness. Students can use average interest rates as a starting point for their calculations.

Monthly Payment: To calculate the monthly payment, students can use online mortgage calculators to input the loan amount, interest rate, and loan term to get an estimate of the monthly payment.

Total Payment: The total payment is the sum of all monthly payments over the entire loan term. This can be calculated by multiplying the monthly payment by the number of months in the loan term (e.g., 30 years = 360 months).

Remember, the real estate market and financial decisions can be complex, but with knowledge and careful consideration, you can make choices that best align with your goals and financial well-being.