**Comparing Loans**

When paying back a loan, all money is not the same…and decisions have to be made. Do you want to save money in the long run? Can you only pay a certain amount each month, and absolutely no more? Below are examples for loans. See how much you ACTUALLY spend, depending on the length of the loan. (MLB12.5, 13.3 and 13.5)

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| Sam is **purchasing a car** that costs $23,000.00. She is 25, and has a full time job as a teacher. She also has to figure rent, school, and utilities into her monthly budget. (So she has about $600.00 in her monthly budget to play with) She has $500.00 in savings. Which plan do you believe will be better for her in buying this car?  (I used this loan calculator: http://www.bankrate.com/calculators/auto/auto-loan-calculator.aspx) | |
| Loan 1: \*3% interest  \*Term: 4 years (48 months)  \*Monthly payment: $509.09  Total Cost of car with Principal and Interest:  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | Loan 2: \*3% interest  \*Term: 2 years (24 months)  \*Monthly payment: $988.57  Total Cost of car with Principal and Interest:  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| Explain which one you think is best. Include in your answer HOW MUCH IS PAID TOTALLY IN EACH CASE, and HOW THE MONTHLY PAYMENT WILL IMPACT HER STANDARD OF LIVING. | |
| * Note: At 25, Sam also must admit that she has never established credit with any purchase or loan before. Her loan manager cannot give her the interest rate of 3% because of this. Using the loan calculator above, figure her monthly payment for a 4-year loan if her interest rate is 5%. (Loan rates are set daily by the establishments that give them…banks, credit unions)   \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | |

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| This is a great time to buy a house! Jack has found his **dream house** for the Principal price of $156,000.00. His budget allows for a mortgage payment of around $1200.00 per month. He has a savings account of about $15,000.00. Which of these loans do you think is the best for him: (I used the mortgage loan calculator at <http://www.bankrate.com/calculators/mortgages/mortgage-calculator.aspx> | | |
| Loan 1:  \*Down payment: $6000.00  \*Term: 30 years (360 months) \*Interest rate: 4.00%  \*Monthly payment:$716.12  Total Cost of Principal and interest:  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Note:  \*Add Mortgage insurance: $45.00  \*Add Property taxes: 68.00  Total monthly payment is actually:  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | Loan 2:  \*Down payment: $10,000.00  \*Term: 15 years (180 months)  \*Interest rate: 3.00%  \*Monthly payment: $1008.25  Total Cost of Principal and Interest:  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Note:  \*Add Mortgage insurance: $45.00  \*Add Property taxes: 68.00  Total monthly payment is actually:  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | Loan 3:  \*Down Payment: $2000.00  \*Term: 30 years (360 months)  \*Interest rate: Variable (2.48-9.0)  \*Total monthly payment is variable- could be $606.89 to $1239.12 plus insurance and taxes.  \*Total Cost cannot be figured in advance, but is due to the variable rate set each quarter.  Note:  \*Add Mortgage insurance: $45.00  \*Add Property taxes: 68.00  Total monthly payment is actually:  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_to  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| Explain which loan you believe is best for Jack, keeping these things in mind:  \*The total cost he will end up paying at the end  \*His ability to pay his monthly bills  \*If he has saved enough for his down payments | | |