

Mortgage Tradeoffs

Sort benefits by the cost they lower.

MA.912.FL.3.9 "Compare the advantages and disadvantages of different types of mortgage loans by manipulating a variety of variables and calculating fees and total cost using spreadsheets and other technology."

NAME _____

DATE _____

ADVANTAGE: LOWER TOTAL COST

Choose COST when an option lowers the total amount paid from the start of the mortgage through payoff. Total cost includes interest and lender fees.

A spreadsheet shows that one \$310,000 fixed mortgage will cost \$46,000 less from closing through payoff. This is a COST advantage.

ADVANTAGE: LOWER MONTHLY PAYMENT

Choose PAYMENT when an option lowers the required amount due each month. A lower payment can still lead to a higher total cost over time.

One financing plan requires \$1,540 per month instead of \$1,810 per month. This is a PAYMENT advantage.

1 SORT _____ 8 items

For Part 1, circle COST or PAYMENT for each item; for Part 2, choose two items and explain which words or calculations show why each belongs in its category.

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|----|--|--|
| 1. | A spreadsheet shows that a 15-year loan will charge less interest over the full loan. | ☐ COST ☐ PAYMENT |
| 2. | A 30-year loan lets the borrower pay less each month. | ☐ COST ☐ PAYMENT |
| 3. | Choosing a 30-year term leaves more room in the monthly budget. | ☐ COST ☐ PAYMENT |
| 4. | A spreadsheet shows that paying \$2,000 in points produces a lower full-term cost. | ☐ COST ☐ PAYMENT |
| 5. | A 20-year loan has a higher monthly payment but fewer years of interest charges. | ☐ COST ☐ PAYMENT |
| 6. | A loan with no prepayment penalty can be paid off early to reduce interest paid. | ☐ COST ☐ PAYMENT |
| 7. | A buyer chooses a longer term because the required monthly payment fits their income. | ☐ COST ☐ PAYMENT |
| 8. | Comparing loan estimates, a borrower selects the option with lower fees plus lower interest over the loan. | ☐ COST ☐ PAYMENT |

2

PROVE IT

Explain your thinking

Pick two items from Part 1. For each one, tell how you knew where it belonged.

ITEM # _____ HOW I KNEW _____

ITEM # _____ HOW I KNEW _____

3

MAKE YOUR OWN

One of each

Write one new mortgage example for COST and one new mortgage example for PAYMENT.

COST

PAYMENT

CHALLENGE

A \$200,000 mortgage has no fees. A 15-year option requires \$1,581.59 per month for 180 months, and a 30-year option requires \$1,073.64 per month for 360 months. Use a spreadsheet to calculate each total paid, then write two sentences that name the COST advantage and the PAYMENT advantage.

PART 1 • SORT

#	ITEM	CATEGORY	WHY
1	A spreadsheet shows that a 15-year loan will charge less interest over the full loan.	COST	Less interest over the full term lowers the total amount paid.
2	A 30-year loan lets the borrower pay less each month.	PAYMENT	The benefit described is a lower required monthly payment.
3	Choosing a 30-year term leaves more room in the monthly budget.	PAYMENT	More monthly budget room comes from a lower monthly payment.
4	A spreadsheet shows that paying \$2,000 in points produces a lower full-term cost.	COST	The points and lower rate reduce the total cost over the full term.
5	A 20-year loan has a higher monthly payment but fewer years of interest charges.	COST	Fewer years of interest charges lower the total cost.
6	A loan with no prepayment penalty can be paid off early to reduce interest paid.	COST	Paying early reduces future interest, lowering total cost.
7	A buyer chooses a longer term because the required monthly payment fits their income.	PAYMENT	The stated benefit is an affordable required monthly payment.
8	Comparing loan estimates, a borrower selects the option with lower fees plus lower interest over the loan.	COST	Lower fees and lower interest reduce total cost.

PART 2 • PROVE IT

Accept any explanation that names the deciding feature from the rule box for the chosen item.

PART 3 • MAKE YOUR OWN (SAMPLE ANSWERS)

- **COST:** A buyer compares two offers and selects the one with \$9,000 less total interest and fees.
- **PAYMENT:** A 25-year option requires \$120 less per month than another option.

Challenge: The 15-year loan totals \$284,686.20 and has the COST advantage because it costs \$101,824.20 less overall. The 30-year loan totals \$386,510.40 and has the PAYMENT advantage because its required monthly payment is lower.

Items 1, 4, 5, 6, and 8 are COST. Items 2, 3, and 7 are PAYMENT. For Part 2, accept explanations that accurately identify total interest and fees as total cost, or required amount due each month as monthly payment.