

## Answers

### Chapter 7 – Comparing Mortgage Terms

1. \$133,015
2. \$647
3. \$81,958
4. \$758
5. \$51,057
6. \$111 If you can afford the higher payment, it can make sense to pay off the mortgage sooner. However, mortgage interest is tax deductible, so the real interest cost after taxes is less than the stated mortgage rate. If you can earn a higher rate of return on investing than the real interest cost, it may be better to stretch out the mortgage period.

## Teaching Tips

### Chapter 7 – Comparing Mortgage Terms

1. Have the students use the classified ads in the newspaper to find a house they might like to buy. Ask them to imagine that they will buy the house and put 20 percent down on it. Using the calculator from the Web site, ask the students to figure the monthly payment and total interest cost of their loan for the home. Tell them to assume a 7.5 percent interest rate and a 30-year mortgage.
2. Ask the students to research the current mortgage rates. Have them find out what they were last year, five years ago, and ten years ago. Then ask, "How do you think the economy affects mortgage rates?"