**Case Study:**

Shantel and Kwamie are planning to buy their first home. Although they are excited about the prospect of being homeowners, they are also a little frightened. A mortgage payment for the next 30 years sounds like a huge commitment. They visited a few new developments and scanned the real estate listings of preowned homes, but they really have no idea how much a mortgage payment would be on a $150,000, $175,000, or $200,000 loan. They have come to you for advice.

1. After you explained to them that they can borrow money at different rates and for different amounts of time, Shantel and Kwamie ask you to complete a chart indicating what the monthly mortgage payment would be under some possible interest rates and borrowing periods. They also want to know what their total interest would be on each if they chose a 25-year loan. Complete the chart.

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| --- | --- | --- | --- | --- | --- |
| **Amount borrowed** | **6.25%**  **15 year** | **6.5%**  **20 year** | **6.75%**  **25 year** | **7%**  **30 year** | **Total interest paid** |
| $150,000 |  |  |  |  |  |
| $175,000 |  |  |  |  |  |
| $200,000 |  |  |  |  |  |

1. If Shantel and Kwamie made a down payment of $20,000 on a $175,000 home, what would be their monthly mortgage payment assuming they finance for 25 years at 6.75%? How much would they save on each monthly payment by making the down payment? How much interest would they save over the life of the loan?