

Lesson 8

Study Questions and Action Steps

In this lesson, you've learned four strategies that can help you pay less overall for your mortgage:

- Adjust Your Repayment Frequency
- Adjust the Loan Term
- Make Additional Repayments
- Adjust the Interest Rate

Study Questions

Question 8.1

Explain why it might be better to take a 15-year mortgage rather than a 30-year mortgage, even if your monthly payments are higher with the 15-year mortgage.

Question 8.2

Imagine that you have a 20-year mortgage and your mortgage payments are \$1,800 per month. Do the following activity to understand how you might benefit by making fortnightly payments.

- Compute 50% of your mortgage payment
- Look at a 12-month calendar
- Count how many mortgage payments you'll make in a calendar year if you pay your regular mortgage amount each month on the 1st of the month
- Count how many mortgage payments you'll make in a calendar year if you pay 50% of your regular mortgage amount every other Friday without fail for 12 months
- Now answer the question below

Explain why paying 50% of your mortgage payment fortnightly allows you to pay off your mortgage sooner than if you pay the full amount every month on the 1st of each month.

Question 8.3

Explain why paying off your 20-year mortgage in less than 20 years allows you to save money.

Your Next Steps

Your action steps for this lesson require you to do some research on mortgage payments. If you currently own a home and make mortgage payments, find out if you could save money by refinancing. If you do not currently own a home, use the information from the fictional example in **Action Step 8.2** below to determine how you could save on a mortgage.

Action Step 8.1

Ask Questions about Mortgages

1. If you currently own a home and make monthly mortgage payments, investigate interest rates. Talk with a mortgage professional to find out whether you could save money by refinancing.
 - a. Find out if you could refinance for a lower rate, and how much you would pay overall in mortgage payments at the lower rate vs. your current rate.
 - b. Find out if you could refinance for a shorter term, and how much you would pay overall in mortgage payments at a shorter term vs. your current term.

2. Imagine you want to purchase a \$300,000 home and you will need to take out a \$250,000 loan to make the purchase. Find a mortgage calculator on the Internet and compute the following information.
 - a. How much will you pay per month if you take a **30-year loan** at 8.25% interest? _____
 - b. How much will you pay in total over the course of 30 years? _____
 - c. How much will you pay in total over the course of 30 years if you pay 50% of your monthly mortgage payment fortnightly as described in this lesson? _____
 - d. How much will you pay per month if you take a **15-year loan** at 8.25% interest? _____
 - e. How much will you pay in total over the course of 15 years? _____
 - f. How much will you pay in total over the course of 15 years if you pay 50% of your monthly mortgage payment fortnightly as described in this lesson? _____

3. If you had to make a mortgage decision today, which of the options a-f above would you choose and why.