

RWLO: Interest Rates and Fico Scores  
Project Worksheet

Name: \_\_\_\_\_

Date: \_\_\_\_\_

**Introduction:**

You are in buying a new home in Miami, FL. The current price of the home is 290,000. You have been pre-qualified to get a mortgage. The bank requires a 10% payment and the home can be financed with a 30-year, or 15-year fixed rate mortgage.

Using the formula,  $PMT = PV \frac{\frac{r}{n}}{1 - \left(1 + \frac{r}{n}\right)^{-nt}}$ , answer the following questions.

Show work for credit.

1. Using your current FICO score what is the best interest rate that you could get for a mortgage?

Use your interest rate to answer the following questions:

2. What is the mortgage payment if you choose a 15-year mortgage?
3. What is total amount of monthly payments if you choose a 15-year mortgage?
4. What is the total interest paid if you choose a 15-year mortgage?
5. What is the mortgage payment if you choose a 30-year mortgage?
6. What is total amount of monthly payments if you choose a 30-year mortgage?
7. What is the total interest paid if you choose a 30-year mortgage?
8. What is the mortgage payment if you choose a 15-year mortgage?
9. What is total amount of monthly payments if you choose a 15-year mortgage?
10. What is the total interest paid if you choose a 15-year mortgage?
11. Which option gives the lowest mortgage payment?
12. Which option gives the lowest finance charge?
13. How much interest is saved if you choose the 15-year mortgage instead of the 30-year mortgage?
14. Imagine that you had a sudden boost to your credit, and your score increased by 80 points. What is the new best interest rate that you could get for your mortgage?
15. What would your mortgage payment be for a 15-year mortgage?
16. What is that total interest that you would pay based on this new rate?
17. Imagine that you had a sudden decline in your credit, and your score decreased by 80 points. What is the new best interest rate that you could get for your mortgage?
18. What would your mortgage payment be for a 15-year mortgage?
19. What is that total interest that you would pay based on this new rate?
20. Compare your answers from questions 8 and 10 to questions 15, 16, 18, and 19. Based on this comparison, explain the impact that you think credit scores have on a consumer.