Mortgage Project – Spring 2016

This project may be completed by teams of two students or as an individual project. Reports submitted by teams of two students earn a bonus of 10 points added to their score.

Your best friend wants your help reviewing mortgage loan options and has asked you to help since you have recently studied the mathematics of consumer loans. Your friend is currently living in another state and needs your help finding a home to purchase as well as selecting a mortgage.

1. Choose a home for sale in Volusia or Flagler County to use for your calculations. Check out local realtors' websites for the property.
2. Your friend is not certain about how large the down payment will be, so make calculations considering a down payment of both 10% and 20% of the sale price.
3. Using the Internet, find local interest rates. Assume that your friend has a good credit history.
4. Find a mortgage payment calculator on the Internet to calculate monthly payments for 15-year and 30-year fixed rate mortgages using both 10% and 20% down payments.
5. Calculate the total interest paid for each loan option.
6. Examine the amortization schedule for each loan option to determine the first month  where the payment towards the principal is greater than the interest payment.
7. Use a mortgage payment calculator on the Internet to determine how much interest  you would save by paying an extra $100 toward the principal each month.
8. Complete the Mortgage Project Summary form and submit to the Dropbox by  Thursday, April 7. Based on your friend's financial situation, which of the four loan  options would you recommend for your friend?
9. Write a letter to your friend explaining the option you are recommending and why it  is your friend's best option. Submit the letter to the same Dropbox by Thursday, April 7. Please submit these documents in two (2) separate files: One file is the summary form and the other file is the letter to your friend.



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| Scoring for the Mortgage Project  | Points Value  |
| Project completed and submitted on time  | 20   |
| Completed Mortgage Project Summary (Errors and omissions will reduce this total)  | 40   |
| Recommendation letter to friend (Advice is supported by data. Typos, spelling errors and grammar errors will reduce this total.)  | 40  |
| TOTAL  | 100   |
| Bonus for submitting team project (Both team members need to submit the project to their individual dropbox folder.)  | 10  |

Scores for projects submitted April 8-14 may be reduced by 20 points. No project will be accepted after April 14.