

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 all 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 all monthly payments if you choose a 30-year mortgage?
7. What is the total interest paid if you choose a 30-year mortgage?
8. Which option gives the lowest mortgage payment?
9. Which option gives the lowest interest?
10. How much interest is saved if you choose the 15-year mortgage instead of the 30-year mortgage?

**Imagine that you had a sudden boost to your credit, and your score increased by 80 points. Using the MYFICO site from the project outline, obtain a new interest rate table.**

11. What is the new best interest rate that you could get for your mortgage?
12. What would your mortgage payment be for a 15-year mortgage?
13. What is that total interest that you would pay based on this new rate?

**Imagine that you had a sudden decline in your credit, and your score decreased by 80 points. Using the MYFICO site from the project outline, obtain a new interest rate table.**

14. 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. Compare your answers from questions 2 and 4 to questions 12, 13, 15, and 16. Based on this comparison, explain the impact that you think credit scores have on a consumer.