CREDIT HISTORY AND MORTGAGES

Credit Report: A record of an individual’s borrowing and repayment history
Credit Score: A number representing an estimate of an individual’s creditworthiness based on that individual’s credit history/report

Your credit score directly impacts lender interest rates
- Rates: mortgage loan, auto loan, credit cards, etc

Mortgage Loan Basics
- Principal - original amount of debt on a mortgage loan
- Interest - fee paid on the principal of a mortgage loan
- Term - the length of the mortgage loan
- Fixed rate mortgage - mortgage with an interest rate that remains the same for the term of the loan
- Adjustable rate mortgage (ARM) - mortgage with an interest rate that is set for an initial period of time, then periodically adjusts after the initial period
- Private mortgage insurance (PMI) - policy to protect the lender from unpaid (aka default) mortgage. Common for down payments less than 20%

HYPOTHETICAL
- Purchase price: $500,000
- Down payment: 20%
- Mortgage principal: $400,000
- 30 year fixed rate 3.75%

Amortization Schedule

<table>
<thead>
<tr>
<th>Month</th>
<th>Payment *</th>
<th>(Principal + Interest)</th>
<th>Total Interest</th>
<th>Loan Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan</td>
<td>$1,852.46</td>
<td>$602.46 $1,250.00</td>
<td>$1,250.00</td>
<td>$399,397.54</td>
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<tr>
<td>Feb</td>
<td>$1,852.46</td>
<td>$604.35 $1,248.12</td>
<td>$2,498.12</td>
<td>$398,793.19</td>
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<td>Mar</td>
<td>$1,852.46</td>
<td>$606.23 $1,246.23</td>
<td>$3,744.35</td>
<td>$398,186.96</td>
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<td>Apr</td>
<td>$1,852.46</td>
<td>$608.13 $1,244.33</td>
<td>$4,988.68</td>
<td>$397,578.83</td>
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<tr>
<td>May</td>
<td>$1,852.46</td>
<td>$610.03 $1,242.43</td>
<td>$6,231.11</td>
<td>$396,968.80</td>
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<td>Jun</td>
<td>$1,852.46</td>
<td>$611.93 $1,240.53</td>
<td>$7,471.64</td>
<td>$396,356.87</td>
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<td>Jul</td>
<td>$1,852.46</td>
<td>$613.85 $1,238.62</td>
<td>$8,710.26</td>
<td>$395,743.02</td>
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<td>Aug</td>
<td>$1,852.46</td>
<td>$615.77 $1,236.70</td>
<td>$9,946.95</td>
<td>$395,127.25</td>
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<td>Sep</td>
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<td>$617.69 $1,234.77</td>
<td>$11,181.73</td>
<td>$394,509.57</td>
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<td>Oct</td>
<td>$1,852.46</td>
<td>$619.62 $1,232.84</td>
<td>$12,414.57</td>
<td>$393,889.95</td>
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<tr>
<td>Nov</td>
<td>$1,852.46</td>
<td>$621.56 $1,230.91</td>
<td>$13,645.47</td>
<td>$393,268.39</td>
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<tr>
<td>Dec</td>
<td>$1,852.46</td>
<td>$623.50 $1,228.96</td>
<td>$14,874.44</td>
<td>$392,644.89</td>
</tr>
</tbody>
</table>

Resources:
> AnnualCreditReport.com - Free credit report once a year from 3 credit bureaus
> Bankrate.com - Mortgage calculator
> Equifax.com - Credit bureau
> Experian.com - Credit bureau
> myFico.com (https://www.myfico.com/credit-education/calculators/loan-savings-calculator/)
> Transunion.com - Credit bureau

mission: homeowner

TASK A:
You are a full-time pharmacist making a net monthly income of $5,000. You want to buy a condo valued at $475,000.
- How much in US dollars do you need for a down payment of:
  - 5%
  - 10%
  - 20%

- What is the mortgage loan amount?

- How does the interest paid on the mortgage affect the pharmacist’s taxable income?

TASK B:
Consultant team: Select a second CHANCE card, and determine for your client:
- What is the estimated mortgage loan interest for a 30 year fixed rate mortgage?
- What is the monthly payment for a 30 year fixed rate mortgage?

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Credit Bureaus
- Equifax
- Experian
- Transunion

Hypothetical Purchase price: $500,000
Down payment: 20%
Mortgage principal: $400,000
30 year fixed rate 3.75%