**TITLE OF LESSON: Budgeting for Home Ownership**

**ESTIMATED TIME FOR LESSON (IN MINUTES):**

Part A: approximately 150 minutes; Part B: 90 minutes

**SUGGESTED FORMAT (check all that are appropriate):**

* Individual in-class
* Collaborative in-class
* Individual homework
* Collaborative homework

**OVERVIEW:** In this project, [Budgeting for Home Ownership](https://docs.google.com/document/u/1/d/1cDX-FrbS-Gkays7vLVKnRjzRWFjzRPNW/edit), students will work individually (or in small groups) to achieve the following learning objectives.

Part A: Students compare and contrast various types of mortgages and different approaches to mortgage repayment. This analysis aims to identify an optimal strategy for buying a house. Students will perform calculations to compare loans and payment methods.

Part B: Students are tasked with creating a budget for a fictitious family of four. The budget should include a plan for purchasing a home. Alongside the budget, students will be required to summarize their findings in a written report. This report should outline their strategy for saving money based on the budget and considerations from Part A.

By completing Parts A & B of this project, students will gain a comprehensive understanding of mortgage options, repayment strategies, budgeting, and the financial aspects of buying a home.

**PREREQUISITE IDEAS AND SKILLS:**

* This project is designed as a capstone project for a Financial Literacy course. It assumes that students have prerequisite knowledge of algebra, how to apply compound interest formulas, and how to research information online.

**MATERIALS NEEDED TO CARRY OUT LESSON**:

* It works well when instructors print hard-copies of the entire exercise packet [Budgeting for Home Ownership](https://docs.google.com/document/u/1/d/1cDX-FrbS-Gkays7vLVKnRjzRWFjzRPNW/edit) for each individual student. However, instructors could also opt to deliver the exercise packet electronically. In the second case, instructors should consider modifying the student instructions.
* Students will need access to calculators or spreadsheet technology such as Excel or Sheets.

**CONCEPTS TO BE LEARNED/APPLIED**:

In Part A:

* Students will master the application of the Payment Necessary Formula for calculating monthly mortgage payments based on loan terms.
* They will analyze and compare various loan scenarios to understand the impact of changes in down payments, interest rates, and loan durations on monthly payments.
* Students will calculate the total interest paid and the overall cost of a home purchase throughout the loan's duration.
* They will explore two alternative payment strategies to pay off a 30-year loan ahead of schedule, resulting in cost savings.
* Students will develop the skill to create amortization tables utilizing electronic spreadsheet tools like MS Excel or Google Sheets.
* Students will hone their critical reasoning skills as they evaluate and determine the most favorable loan terms for prospective homebuyers.

In Part B:

* Students will conduct research on living expenses and create a comprehensive budget for a fictional family of four.
* They will gain proficiency in estimating federal and state income tax liabilities.
* Students will construct a monthly budget tailored to their fictitious family's goal of homeownership while considering their financial situation.

**INSTRUCTIONAL PLAN**:

Preparation: The instructor should read the packet and decide whether the project will be done individually or in small groups. The project is meant to be done outside of class, but some instructors may choose to use limited class time on it.

Activity: Students complete the packet [Budgeting for Home Ownership](https://docs.google.com/document/u/1/d/1cDX-FrbS-Gkays7vLVKnRjzRWFjzRPNW/edit)

Extending activities: Students could give oral presentations of their final reports to the class.

Instructor Resources: [Sample Completed Activity](https://docs.google.com/document/d/1t8tOMzAhsEQsvzy2T8yOLyb9AdXiSFAB/edit?usp=sharing&ouid=113687499220667711863&rtpof=true&sd=true)

**REFERENCES (IF YOU DREW ON EXTERNAL RESOURCES)**

“Budgeting for Home Ownership” is adapted from a project in MAT 151 “Math & Society” from Oral Roberts University.