Interest: What Does It Mean?
Part II
Credit Cards, Vehicle and Mortgage Loans
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Your Credit Cards
Sample of a Credit Card

Source: FederalReserve.gov

(click on picture)
Using the handout “Using a Credit Card Calculator,” you will use a credit card calculator to find out how much less interest you will pay when you increase your credit card payment.

- How much faster can you pay off the loan when you make larger payments?
- How can you be smart about credit card usage?
Buying a Home
Five Tips for Shopping for a Mortgage

- Know what you can afford
- Shop around--compare loans from lenders and brokers
- Understand loan prices and fees
- Know the risks and benefits of loan options
- Get advice from trusted sources
The best tool to use for figuring interest on a home is a spreadsheet.

Homes are purchased over 15 or 30 years, and a spreadsheet allows you to look at the whole picture.

You can use any spreadsheet to examine the numbers. Excel is a popular one.
Learn to Crunch the Numbers

(click on picture)
After Looking at the Interest on the Spreadsheet

- You might think “WOW! That is a lot of money I am paying in interest. Is it worth it to buy a house?”

- The answer is yes if—
  - You plan on living in the house more than five years so you have time to build equity.
  - You keep in mind mortgage interest is tax deductible so you can get some of that money back.
  - You consider that your rent payment can increase while your mortgage payment remains constant.
Purchasing a Vehicle

- Research prices and features
- Check the trade-in value of your vehicle
- Do not sign any blank papers
- Do your homework; know what you want and how much you can afford before you begin
Using a Credit Calculator to Figure out a Car Payment

- In this activity, you will use the auto calculator to fill in the chart and then compare the numbers.

- The important part of the lesson is the conclusions you come to from studying the numbers.

- Your lifestyle choices concerning responsibility of paying loans on time can translate into money in your pocket.
In Conclusion...

Interest can make you or break you. If you make sound financial decisions, you will be on your way to a happy, worry-free life!
QUESTIONS:
References and Resources

Images:
Microsoft Clip Art: Used with permission from Microsoft.

Textbooks:

Websites:
- BankRate
  Use our calculators to finesse your monthly budget, compare borrowing costs and plan for your future. See our full list of calculator and decision tools.
  http://www.bankrate.com/calculators.aspx

- Board of Governors of the Federal Reserve System
  Consumer guide on interest rates and credit card information.
  http://www.federalreserve.gov/creditcard/rates.html

- Creditcards.com
  The set of calculators on the website are designed to help you find answers to your financial questions.
  http://www.creditcards.com/calculators/

- Federal Deposit Insurance Corporation (FDIC)
  Preserves and promotes public confidence in the U.S. financial system by insuring deposits in banks and thrift institutions for at least $250,000; by identifying, monitoring and addressing risks to the deposit insurance funds; and by limiting the effect on the economy and the financial system when a bank or thrift institution fails.
  http://www.fdic.gov/
References and Resources

- Federal Reserve.gov
  Sample of a Credit Card
  http://www.federalreserve.gov/creditcard/flash/offerflash.html

- Myarmyonesource.com
  Debt Payoff Calculator

- MyMoney.gov
  Save and invest your money.
  http://www.mymoney.gov/save-invest/Pages/saveandinvest.aspx

- Practical Money Skills for Life
  To help consumers and students of all ages learn the essentials of personal finance, Visa has partnered with leading consumer advocates, educators and financial institutions to develop the Practical Money Skills program.

- Videos:
  - Khan Academy
    Introduction to Mortgage Loans
    https://www.khanacademy.org/science/core-finance/housing/mortgages-tutorial/v/introduction-to-mortgage-loans
  
  - How to Teach the Rule of 72 to Children
    Teaching Children about the Rule of 72
    http://youtu.be/ShwCeTeKWOI