

**A Financial Report LOW LEVEL 1**

**A**

**Financial Report For Winters Family**  
**Mortgage Options**

With your annual salary of \$63,000 and your willingness to buy a \$150,000 home we at \_\_\_\_\_ have come up with the following options for you:

10Year Amortization at 5.9%:

Maximum Affordable House Price: \$131,045  
 Maximum Affordable Mortgage Amount: \$123,454  
 Estimated Monthly Mortgage Payments: \$1361

15Year Amortization At 5.9%

Maximum Affordable House Price: \$150,000  
 Maximum Affordable Mortgage Amount: \$142,500  
 Estimated Monthly Mortgage Payments: \$1,189

All these results are based on:  
 Your Gross Monthly Household Income: \$5,250  
 Your monthly payments for any outstanding loans, credit card etc: \$100  
 Your anticipated monthly property taxes: \$219  
 Anticipated Monthly condo/strata fee: \$0  
 Anticipated Monthly Heating Costs: \$100  
 Anticipated Mortgage Rate: 5.9%  
 Anticipated Amortization years: 10 or 15yrs  
 Down Payment: \$7,500

Financial Situation:

Cash: \$12,000  
 Bonds: \$12,990.82  
 Monthly Income: \$4,166.67  
 Total Available Funds: \$29,157.49

**Moving Costs:**

Mortgage Appraisal- \$150  
 > Mortgage Approval Fee- \$150  
 > Inspection Cost- \$300  
 > Survey- \$1000  
 > Home Insurance- \$50/month  
 > Land Transfer- \$1500

**B**

- > Property Taxes- \$208.33/month
- > Utilities- \$291.66/month + \$50 "first-time fee"
- > Legal Fees- \$1500
- > Moving- \$1000 with "Half-Price Moving Company"
- > Total: \$6199.99
- >

---

A=P(1+I)<sup>N</sup>  
 I=5.9 compounded semi-annually  
 A= ½ a year

Bonds Purchased: October '98

With the above information we at \_\_\_\_\_ have found that the best option for you, The Winters family, is to go with a 15year amortization period to purchase your ideal home at the cost of \$150,000. This is ideal because it will leave you with an adequate amount of money for other costs of living.

**Teacher's Notes****Knowledge/Understanding**

- The student generates calculations with very limited accuracy. Only two mortgage calculations are generated accurately, and the work is not shown. The value of the bonds is calculated with a major error. Other numbers are reasonable, but are not supported by calculations.

**Thinking/Inquiry/Problem Solving**

- The student provides an analysis of the client's financial situation with limited detail. The student considers the money in the bank and in bonds, but makes a major error by adding the monthly net income to get total available funds. Monthly expenses are not considered in any logical manner.
- The student recommends a down payment and justifies it with limited effectiveness. The 5% minimum is selected, but nothing else is considered. Closing costs are mentioned, but not used for justification.
- The student analyses various mortgage options with limited accuracy. Only two mortgage payments are calculated, using a 10-year and a 15-year amortization period. Neither option is explored in any detail.

**Communication**

- The student integrates narrative and mathematical forms with very limited effectiveness. The narrative is very limited, with no apparent order in the writing of the report.
- The student communicates information in mathematical language with very limited effectiveness. The student uses the dollar sign and the percent symbol appropriately, but does not do enough to demonstrate understanding of mathematical language, symbols, or conventions.

**Application**

- The student recommends a mortgage and justifies it with limited clarity and effectiveness. The reason given for the recommendation is vague and unsupported (“... it will leave you with an adequate amount of money for other costs of living”).

**Comments**

This work is representative of a low level-1 performance. In the Thinking/Inquiry/Problem Solving and Application categories of knowledge and skills, the student demonstrates a limited degree of achievement of the expectations. In the Knowledge/Understanding and Communication categories, the student demonstrates a very limited degree of achievement.

**Next Steps**

In order to improve his or her performance, the student needs to:

- perform accurate calculations;
- provide much more detail in the analysis of the client's financial situation and the justification for the mortgage;
- communicate information in a more complete and organized form.