Personal Finance Society

MY PERSONAL FINANCE SKILLS

Loans and Mortgages Lesson – Facilitator Guide

Introduction

This session has been developed for Key Stage 5 students, to help them develop their skills, attitudes and knowledge about different types of loans and mortgages

Schools and colleges may choose to integrate this session into the PSHE or enrichment curriculum.

Financial Education Planning Framework

The Financial Education Planning Framework is a national framework that aims to support the planning, teaching and progression of financial education by setting out the key areas of financial knowledge, skills and attitudes. This session aims to develop the following knowledge, skills and attitudes:

- *I know which financial products I need now and in the future e.g. bank accounts, student loans, mobile phone contracts, saving accounts, pension schemes, insurance*
- *I understand I am responsible for working out which financial products are best for my situation, or seeking appropriate financial advice to do so*
- *I know different ways to generate income to pay my living expenses, and about different saving and borrowing options*
- *I can select the most suitable way(s) to pay for my living expenses, and can choose the best forms of saving and borrowing that meet my needs*
- *I understand why it is important to plan ahead and use saving and borrowing carefully to manage my money effectively in order to achieve my short term and long-term goals*

Session Outline

The focus of this session is to help young people understand relevant financial terms, interest rates, develop their knowledge about Student Loans and understanding of mortgages

Learning Objectives:
By the end of the session all students should:

- be aware of different types of loans
- understand the significance of interest rates on repayments
- know more about Student Loans
- understand the principle of mortgages

In advance
Before you arrive at the school/college

- ensure you have read through the slides, are comfortable with the content and activities and have noted the timings
- ensure any materials and resources required to deliver the session are provided by the school or brought yourself
- ensure that you have viewed the relevant training webinar and have passed the financial education sign off process with the My Personal Finance Skills team
- you may need to pick and choose between the activities to meet the needs of your students depending on their age/ability and the time available
- you could use the materials across more than one session if you wish
- most of the activities should be accessible to the vast majority of students. Some students may need help understanding the language and some may struggle with the calculations in the case study Be aware than loans and mortgages may be a sensitive topic for some students, they may have family members who are in debt or had their house repossessed.

What you will need
For this session you will need:

- the presentation guide, PowerPoint presentation, copies of the Loan and APR, Key Words for Mortgages and Mortgage Complete the Gap worksheets, one each per student.
- to ask the school to have access to either a PC or laptop, projector, paper and pens for the students. Students may also require calculators to complete the activities in this session.
- Internet access – this lesson is linked to a YouTube video

Length of session

This session is expected to take approximately 1 hour to deliver.

Links to Your Money Matters Textbook

All state schools in England will have received copies of Your Money Matters textbook published by the Young Money charity. There are many more activities, case studies and questions in the book within the chapter on Borrowing to help further develop the students' understanding of these topics.

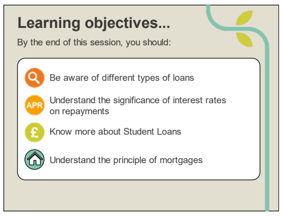
Session Guidance

***where an activity is numbered, this means that this activity takes place on the student handout.**

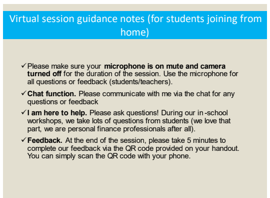
Feel free to bring in your own examples, knowledge and experience where appropriate

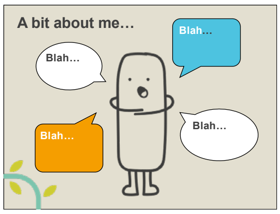
General Introduction – slides 1-4 (5 minutes)

Introduce the session topic and the learning objectives.



Explain a little bit about yourself, your job role and the role of the Personal Finance Society. Students are often inquisitive about visitors and what they do so ask students if they have any questions about your job.





Starter – slide 5 (3 minutes)

Ask students about any adverts they have seen from companies advertising loans.
What do they remember about the advert? Can they remember the name of the company? Are they banks, credit cards, payday loans? What was the typical APR? Why do they remember these particular ones?

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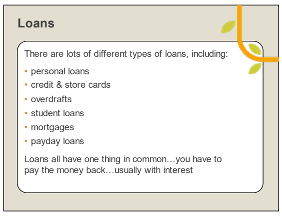
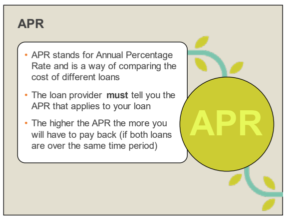
Where to get a Loan – slides 6-7 (4 mins)

Ask students what types of loans they are aware of before displaying the list on slide 6

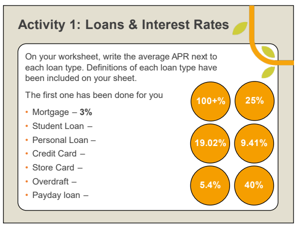


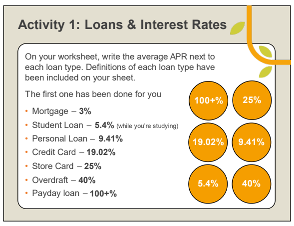
How much do I have to pay back? – slides 8–14 (10 minutes)



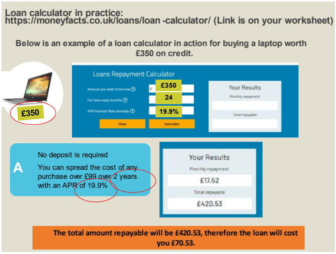
Briefly explain APR and make sure that students are aware that it is a way of different comparing loans over the same time period. The higher the APR the more they have to pay back.

Slides 11 & 12 Activity 1: Hand out copies of student worksheet, one per person. Ask students to match each type of loan with the typical average APR. Are they surprised by any of the answers?





Slides 13 & 14



Slide 13 - This is to illustrate to students how a loan calculator works.

Stress that access to credit/loans is strictly for 18+ but if they do not know these things now, how will they make informed decisions when the time comes.

Talk through the example and how the calculator works

Realistically, you will be using an online repayment calculator and it is good to know how to use it for when the time comes where you might need to compare.

So, following the link on your worksheet and also visible here, you will see this calculator that we need to fill out with the amount we wish to borrow, for how many months and the APR…

Slide 14 – Activity 2
You have talked over example A on the previous slide.

Now it is time for students to have a go for themselves using the online loan calculator as a challenge. Display the slide and talk through this option to students highlighting the questions they should ask themselves prior. Ask student to remember that on this particular exactly, they must pay a 1% deposit. Do they know how to do this?

If in school, students could use their mobile phones to access the website and reveal their answer for monthly payment and total repayable. For remote learning, you can ask students to submit into the chat.
Again, stress that credit and loans are for 18+ but that it is important to be equipped with the knowledge before turning 18 to be able to make informed choices.

Note to speaker – if delivering virtually, students can share results of monthyl and total repayable into the chat.

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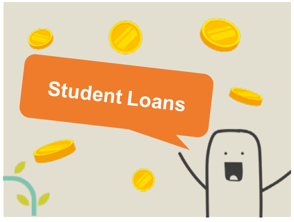
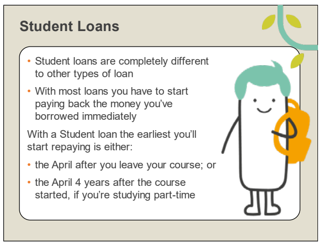
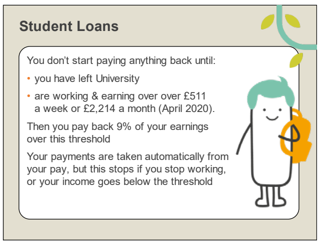
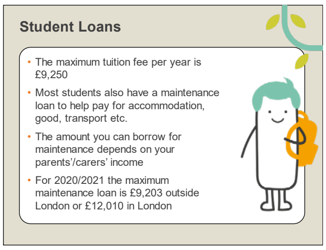
__Student Loans - slides 15-22(5 minutes)__

Use the information on slides 15 – 22 to briefly summarise some key facts about Student Loans.

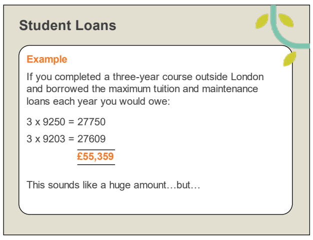


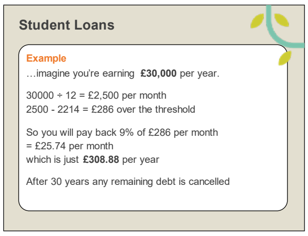


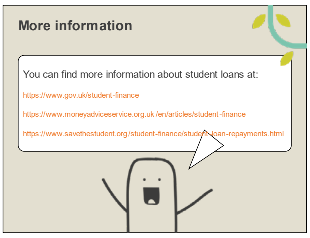




Stress that it is not so much a loan as an additional graduate tax. Draw students' attention to sources of additional information on slide 20

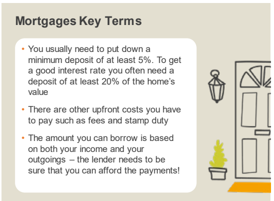


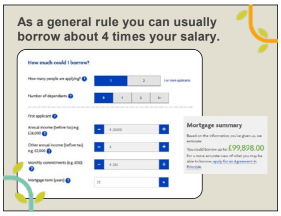




__Slide 21__ whether virtually or in-school, see if students have any questions about student loans? Can you provide any myth busters?

__Mortgages – slides 23-31 (10 minutes)__





We are now going to look at mortgages.

Note to speaker – say to students that this is a topic that has been requested very often by students of their age and it is nice to see that young people are interested in looking at their future and prospect of buying a house potentially in the future.

Slide 25 – briefly illustrate the mortgage calculator. There is no need to go into a lot of detail but the approximately 4 x a salary is quite good to remember.

Slide 26 & 27

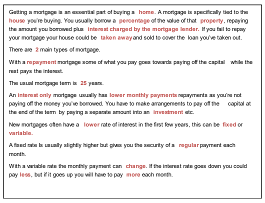
Show the video on slide 26 that talks about buying the first house. If conducting the session virtually, you will need to copy and paste the link into the chat for students to access directly.

https://www.youtube.com/watch?v=g-uAurjxCiU (1 min 57 seconds)

Remind students to listen out for some key words that will appear in activity 3

Slide 27 is a transcript of this video should you want to use it to go over some key vocabulary (it is not essential you do this and you can judge).

Note to speaker – you can choose to pick some key vocabulary from the transcript highlighted or move on.


Getting a mortgage is an essential part of buying a home. A mortgage is specifically tied to the house you're buying. You usually borrow a percentage of the value of that property, repaying the amount you borrowed plus interest charged by the mortgage lender. If you fail to repay your mortgage your house could be taken away and sold to cover the loan you've taken out.

There are 2 main types of mortgage.

With a repayment mortgage some of what you pay goes towards paying off the capital while the rest pays the interest.

The usual mortgage term is 25 years.

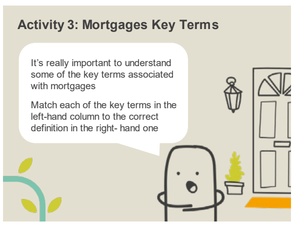
An interest only mortgage usually has lower monthly payments repayments as you're not paying off the money you've borrowed. You have to make arrangements to pay off the capital at the end of the term by paying a separate amount into an investment etc.

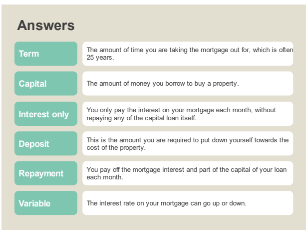
New mortgages often have a lower rate of interest in the first few years, this can be fixed or variable.

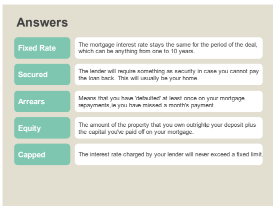
A fixed rate Is usually slightly higher but gives you the security of a regular payment each month.

With a variable rate the monthly payment can change. If the interest rate goes down you could pay less, but if it goes up you will have to pay more each month.

Slide 28-30 – Activity 3







Slide 29 + 30 Activity 3 – match key terms.

NB – when opening the PowerPoint slides, please make sure you 'enable content' so that the video plays. You should be able to play the video directly in presentation mode.
However, if you are unable to, you can find the direct link to the video below the video itself.

Slide 31

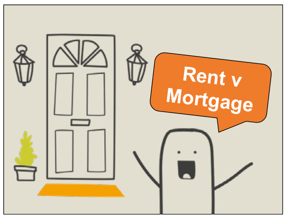
This part is to show how young adults could save up for a deposit by thinking earlier rather than later.

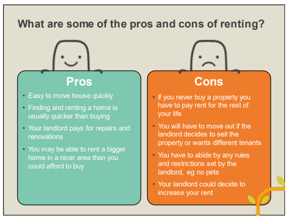
Realistically you will either remain living at home or start renting initially. If you do have ambitions for buying your first property it is important that you start looking at ways you will save up for that deposit, already talked about.
Think, if you need a minimum 5% deposit to secure a property (more like 10% in many cases) and the property price is £200k, that is around 10,000 that you will need to have to put down. Not something you can save up overnight now is it? This could be done by saving just under £100 per month over a period of 10 years so. Let's say you start at 20, by 30 you would have that amount (and more).
I think it is really important for students to visualise. Again, we would say that buying is perhaps not for everyone. I know lots of my friends now in their 30s that wish they had put aside this relatively small amount of money aside to have some form of deposit (it only works out as a few less meals out per month really when you think about it). It is always hard to think about the future that seems so far ahead but small habits with money saving will help you in the long run, not just with buying a house but with financial wellbeing more generally.

Make a point of highlighting that even with a deposit, you would still need to qualify for a mortgage depending on the financial situation (salary, job, debts etc).

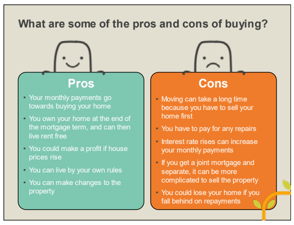
Rent v Mortgage - slides 32-34 (5 minutes)

Click to open slide and ask student about any pros and cons they can think of to do with renting a property. Then click again to display the rest of the information





Click to open slide 34 and ask student about any pros and cons they can think of to do with buying a property. Then click to display the rest of the information

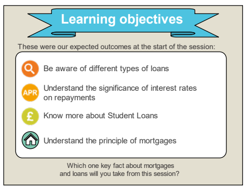


slide 35 (5 minutes)

Briefly cover the 10 ten steps to buying your first home.
Do students have any questions? For those students that are interested, encourage them to look for first time buyer guides that are widely available online!

Plenary – slides 36-38 and feedback (5 minutes)

Use Slide to give a brief resume of the expected outcomes and invite any questions, discuss what students could do next to find out more. Which one key fact about mortgages and loans will the students take from this session?



Conclude by asking students to complete their feedback form, remembering to keep it anonymised.