

ACTIVITY EXAMPLE



KEY WORDS

Numeracy | percentages | decimals | ratios | numbers | valuations
| calculations | banking | finance | mortgages | loans | financial
literacy

ALSO USEFUL FOR

Business studies | Economics | Accounting | Finance

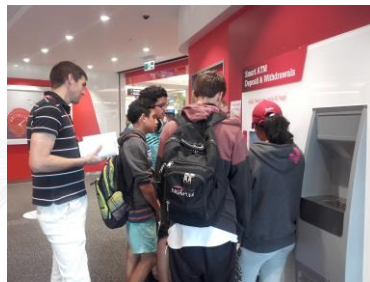
PROGRAMME OUTLINE

3 POINTS OF CONTACT

- Bank staff come into classroom (x2)
- Workplace visit (x1)

EXAMPLE

1. Bank staff come into classroom, introduce themselves, background to banking, their careers and how maths is used in the industry. **Student activity:** Discussion around saving, borrowing and the difference between 'wants' and 'needs'.
2. Workplace visit includes tour of bank branch, meeting staff and hearing about different careers. Seeing banking 'behind the scenes'. **Student activity:** approving a bank loan
3. Bank staff come into classroom discuss Loan to Value ratios. **Student activity:** calculating mortgage loans and repayments.



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Westpac Experience

Loan to Value Ratio (LVR)

Fairfield College 2016



What is LVR?

LVR is a term used in the bank and it is your loan to the property's valuation ratio.



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Example

This house has a valuation of \$979,000.....



If I had a loan of \$700,00 my LVR would be **71%**
 $(\$700,000 / \$979,000) = 71\%$

CALCULATING INTEREST

On any loan you are going to pay back interest.
For this exercise we will set a rate of 5% per annum.

Example:

For this house that is worth \$979,000, you have a \$200,000 deposit. This means you have a loan of \$779,000.

$$\frac{\$779,000}{100} \times 5 / 365 \times 14$$

Loan Value / Int Rate / Days in a year x Days in a fortnight

This would be \$1493.97 per fortnight in interest!



ACTIVITY EXAMPLE

NOW YOUR TURN - CALCULATING LVR & INTEREST REPAYMENTS

Let's base our calculations on you having \$200,000 equity and a 5% p.a. interest rate



This house is worth **\$1,700,000.**
 What is the LVR & fortnightly interest payments?



This house is worth **\$679,000.**
 What is the LVR & fortnightly interest payments?



This house is worth **\$470,000.**
 What is the LVR & fortnightly interest payments?

A few more for fun...

This is based on you having \$100,000 equity and 4.5% interest



This house is worth **\$389,000.**
 What is the LVR & fortnightly interest payments?



This house is worth **\$329,000.**
 What is the LVR & fortnightly interest payments?



This house is worth **\$280,000.**
 What is the LVR & fortnightly interest payments?