**How do interest rates affect our lives?**

Interest rates are one way to express the price, or cost, of money obtained from someone else. For example, your credit card lends you money every time you make a purchase. Think about how interest rates affect your personal financial behavior with regard to spending and saving. Think also about the relationship between changing interest rates and longer-term interest bearing securities (bonds, mortgages, etc.), and how interest rates affect our lives in general.

**Answer ALL 4 questions below:**

Answer all of the questions below in your own words (200 words or more). There are no wrong answers, but you must justify your opinions.  Your answers must be well thought out, and well-written.

1. What do you think will happen with interest rates in the coming years? Do you expect them to continue to rise, and what economic conditions might influence these changes?
2. A credit score is a number ranging from 300 to 850 that essentially represents the probability that someone will pay their bills, and are widely used by lenders to determine the interest rate that you will pay (for example, on a car or home loan) and your credit limit. Do you know your credit score (see [credit karma.comLinks to an external site.](https://www.creditkarma.com/))?  You do not need to disclose it, but what can you do to improve it?
3. What is the current rate (approximately) for a 30-year fixed-rate mortgage? How will rising or falling interest rates affect a future home purchase?  In what situation might you prefer a variable rate mortgage?
4. Suppose that you inherited some 2.25% US Treasury bonds from your grandfather that mature in 2027. Although they were originally purchased at par (and will mature at $1,000), they currently have a market value of around $950 each.  If you believe that interest rates will continue to rise, should you sell, hold, or try to buy more?  Explain why.

Your score will be determined by your word count (200 word minimum), completely answering all questions, the accuracy of the information you provide, and how well-written your answers are.  To submit this assignment, simply type your response in the text entry box, as this assignment is TEXT ENTRY ONLY.  Turnitin has been enabled for this assignment.

**Reflections**

| Reflections | | |
| --- | --- | --- |
| **Criteria** | **Ratings** | **Pts** |
| Completely answered all questions | |  |  |  |  | | --- | --- | --- | --- | | **25 pts**  **Answered all questions** | **15 pts**  **Answered most questions** | **10 pts**  **Answered only a few questions** | **5 pts**  **Response was vague and unrelated to questions** | | 25 pts |
| Accuracy of information | |  |  |  | | --- | --- | --- | | **25 pts**  **Accurate information** | **10 pts**  **Vague information** | **0 pts**  **Inaccurate information** | | 25 pts |
| Well written | |  |  |  |  | | --- | --- | --- | --- | | **25 pts**  **Thorough explanation with clear examples** | **20 pts**  **Explanation with somewhat clear examples** | **10 pts**  **Missing clear examples** | **5 pts**  **Explanation is inadequate and too brief** | | 25 pts |
| Word count | |  |  |  |  | | --- | --- | --- | --- | | **25 pts**  **200 words or more** | **20 pts**  **150 to 200 words** | **10 pts**  **100 to 150 words** | **5 pts**  **Under 100 words** | | 25 pts |
| Total Points: 100 | | |