Penny Explains

Key Stage 4 · Years 10 and 11 | Renting, buying and mortgages | About 45 minutes

Renting, buying and mortgages

Two ways to pay for a home, and what each really costs

Name _____ Class _____ Date _____ Score: / 36

I can...

- [ ] I can compare renting a home with buying one.
- [ ] I can work out a deposit as a percentage and explain how a mortgage works.
- [ ] I can show how the interest rate changes a monthly mortgage payment.

Key words

Tenancy agreement: the contract between a tenant and a landlord.

Deposit: money paid up front. Buyers put theirs towards the price of the home.

Mortgage: a long-term loan to buy a home, secured on that home.

Repossess: when a lender takes back a home because the mortgage was not repaid.

Fixed and variable: a fixed rate stays the same for a set time; a variable rate can go up or down.

1 True or false?

4 points

Jo and Sam, both 27, rent a flat together and dream of buying one. What do they need to know? Circle True or False.

A mortgage is a loan that is secured on the home you buy.	True	False
A 10% deposit on a £200,000 home is £10,000.	True	False
With a fixed rate, the interest rate can change every month.	True	False
If mortgage repayments are not kept up, the lender can repossess the home.	True	False

2 Jo and Sam's deposit

4 points

Jo and Sam want to buy a flat that costs **£200,000**.

a) The lender asks for a 10% deposit. How big a mortgage will Jo and Sam need after paying it?

Working

Answer: _____

b) They have £6,800 saved and can add £550 a month. How many months until they reach the £20,000 deposit?

Working

Answer: _____

3 The real cost of a mortgage

7 points

A lender offers Jo and Sam a **£180,000** mortgage at **5%** interest over **25 years**. The payment is about **£1,052 a month**. Fill in the gaps.

	Amount
Monthly payment	£1,052
Paid in one year (× 12)	_____
Paid over 25 years	_____
Amount borrowed	£180,000
Total interest (paid over 25 years – amount borrowed)	_____

a) **Jo says: "So our £200,000 flat really costs us more than £335,000." Is Jo right? Show how you know.** 2 marks

b) **First-time buyers in England pay no Stamp Duty on the first £300,000 of the price, then 5% on the part above that. How much is due on Jo and Sam's £200,000 flat? And on a £340,000 house?** 2 marks

4 Renting, buying or both?

9 points

Write each one in the right box.



Penny says: Neither renting nor buying is "better". It depends on your savings, your job and how long you plan to stay.

- The home is yours once the loan is repaid
- You could lose the home if you stop paying
- You need a large deposit towards the price
- The landlord pays for most repairs
- You usually pay council tax and energy bills
- A landlord owns the home
- You can move on at fairly short notice
- You make a payment every month
- You pay for all repairs yourself

Renting	Buying with a mortgage	Both

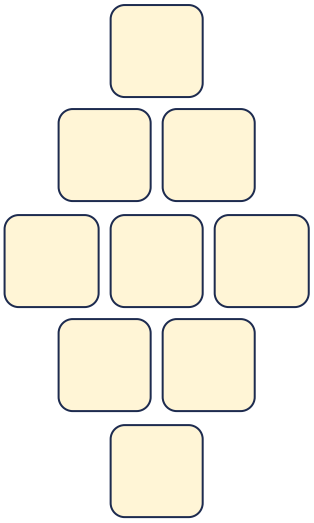
5 What matters most in a first home?

3 points

Put the letters in the diamond: the most important at the top, the least important at the bottom.

- **A** Rent or mortgage I can afford
- **B** Close to work or college
- **C** A safe neighbourhood
- **D** Enough space
- **E** Warm, dry and in good repair
- **F** Low energy bills
- **G** Good bus or train links
- **H** Near friends and family
- **I** A garden or outside space

Most important



Least important

Which did you put at the top, and why?

6 Home scramble

4 points

The letters are mixed up. Use the clue to work out each word.

S I D P T O E	Money saved up and paid at the start	
T A N T E N	A person who rents their home	
N A L O D R D L	The owner of a rented home	
G A O G T M R E	A loan secured on a home	

7 Fixed or variable: what would you do?

5 points

Read the story, then answer the questions.



Sam's sister has a **£150,000** mortgage over 25 years on a **variable rate**. At **4%** she pays about **£792 a month**. If the rate rises to **6%**, her payment becomes about **£966 a month**. Jo and Sam must now choose: a rate **fixed** at 5% for five years, or a variable rate that is a little lower today.

a) How much more does Sam's sister pay each month at 6% than at 4%? How much is that over a year? 2 marks

b) Which would you choose in Jo and Sam's place, fixed or variable, and why? 3 marks

8 Before you go

One thing I learned today

One question I still have

How sure do I feel?

Not yet | Getting there | Got it



Take it home

Look at a property website with someone at home. Pick one flat to rent and one home for sale nearby. What deposit would each one need?

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Worked examples for England, 2026 to 2027. Education, not financial advice.