

My Mortgage

Purchase price of house: _____ (*The group should decide on this*)

5% Down Payment: _____

Amount Amortized: _____

Let's compute the principal and interest(P & I) part of your monthly payment. This is the payment that your calculator tells you. Use 6% APR with monthly payments.

Monthly payment amount for 30 year loan: _____

Monthly payment amount for 20 year loan: _____

Monthly Payment amount for 15 year loan: _____

Private Mortgage Insurance (PMI) : If you do not have a 20% down payment then you will be required to carry Private Mortgage Insurance by your lender. The purpose of PMI is to cover the lender in case you default on your loan. It is estimated that if a house is foreclosed and sold at auction that it only brings 80% of the actual value of the home. PMI is a way for the lender to cover themselves against that additional 20%.

PMI is 0.5% of the value of the home per year

PMI for one year: _____

Monthly PMI payment: _____ (Take previous answer and spread it out over 12 payments)

Property Taxes are about 1% of the value of your home per year

Yearly Property Taxes: _____

Monthly Property Taxes: _____

Homeowner's Insurance is required by your lender in case your home should be destroyed by fire or tornado (most policies do not cover floods). Homeowner's Insurance costs about 0.6% of the value of your home per year.

Yearly Homeowner's Insurance: _____

Monthly Homeowner's Insurance: _____

Total Monthly Payment for 30 year loan: _____

Let's get back to just the P & I portion of your payment for the 30 year loan

How much interest do you pay over the course of the loan? _____

Hint: Any amount paid to the bank above the principal is interest.

If you decide increase your payment \$100 every month (so you can pay it off faster!!), how long will it take for you to pay off the loan?

_____ months or _____ years

Hint: What remains the same and what changes from the calculation of the payment for a 30 year mortgage?

With this increased payment, how much interest do you pay over the course of the loan? _____

Now, going back to your original payment amount for the 30 year mortgage, assuming the value of your home remains constant, how long will it take for you to reach 80% of the value of your home so that you no longer have to pay PMI?

_____ months or _____ years

Hint: By changing the number of payments, you can see how much you still owe by looking at the future value after that number of payments. For example, if you put in 12 for N you will see how much you still owe after 12 payments. Likewise, if you put in a number for future value, you can solve for the number of payments required to get there.

How much interest do you pay in the first year? _____

Hint: If you let $N=12$, for one year of payments, then the Future Value is what you still owe on the loan

How much interest do you pay in year 5? _____

Hint: This is a multiple step process that requires knowing how much you owe at the beginning and end of year 5. And again, there are 12 payments and anything that doesn't go to principal is interest.

How much interest do you pay in year 15 (the halfway point!) _____

How much interest do you pay in the final year of the mortgage? _____

Come up with a question that you would now like to ask: