

Hand In Assignment – Mortgages

Name: _____

Total Marks: ____/13

1. Rachel and Cody find a house for \$150 000 that they want to purchase. Between the two of them they have \$100 000 saved up for a down payment. The bank offers them a mortgage at 4.25% amortized over 15 years

a) How much do they need to borrow (find the mortgage amount)?

/1

b) What is the monthly mortgage payment?

/2

c) What is the **monthly** interest on the first month's payment?

/1

d) What is the interest **over the life** of the mortgage?

/2

2. Mary purchases a home for \$150 000. She makes a down payment of \$80 000 and takes out a fixed-rate mortgage at 5% for the balance of the purchase price. The mortgage is to be amortized over 10 years. Complete an amortization table for this mortgage for the first three months.

/4

Monthly Payment	Interest Payment	Principal Payment	Owner's Equity	Unpaid Balance

3. Use the Gross Debt Service Ratio formula for the following situation and state whether this house is affordable.

/1

- a) Monthly mortgage payment \$363, monthly property taxes \$118, monthly heating costs \$96, gross monthly income \$2 975

- b) Monthly mortgage payment \$716, **annual** property taxes \$1 980, monthly heating costs \$116, gross monthly income \$2 370.

/2