

Lesson 2 - Amortization Schedule.notebook

EM40S

Lesson 2

Amortization Schedule

Mortgages: Amortization Schedules

Example

Write a mortgage schedule (amortization schedule) for three months, given a mortgage of \$85 000 (after a \$20 000 down payment), at 6% over 20 years.

Monthly Payment	Interest Payment	Principal Payment	Owner's Equity ↑	Unpaid Balance ↓
 	 	 	\$20 000	\$85 000
$\frac{85\,000}{1000} \times 7.12$ \$605.20	$\frac{85\,000}{1000} \times 0.06 \div 12$ \$425	\$180.20	\$20 000 + \$180.20 \$20 180.20	\$85 000 - \$180.20 \$84 819.80
\$605.20	$\frac{84\,819.80}{1000} \times 0.06 \div 12$ \$424.10	\$181.10	\$20 180.20 + \$181.10 \$20 361.30	\$84 819.80 - \$181.10 \$84 638.70
\$605.20	$\frac{84\,638.70}{1000} \times 0.06 \div 12$ \$423.19	\$182.01	\$20 361.30 + \$182.01 \$20 543.31	\$84 638.70 - \$182.01 \$84 456.69

Handwritten notes:
 - A red bracket on the left side of the table is labeled "work shown".
 - A red arrow points from the "Interest Payment" column to the "Unpaid Balance" column, indicating that interest is subtracted from the balance.
 - A red arrow points from the "Principal Payment" column to the "Owner's Equity" column, indicating that principal is added to equity.
 - A red arrow points from the "Unpaid Balance" column to the "Owner's Equity" column, indicating that the remaining balance is added to equity.

