

Student _____

Date _____

Class _____

Instructor _____

SECTIONS 10-4 The Monthly Payment

Most mortgage loans are repaid in equal payments. Each payment includes an amount for interest and an amount for the principal of the loan. The amount of interest is calculated using the simple interest formula. Each payment you make decreases the amount of the principal you owe.

$$\text{Principal Payment} = \text{Monthly Payment} - \text{Interest Payment}$$

$$\text{New Principal} = \text{Previous Principal} - \text{Principal Payment}$$

Complete the table below.

	Mortgage Amount	Interest Rate	First Monthly Payment	Amount for Interest	Amount for Principal	New Principal
1.	\$ 86,000	8.00%	\$ 663.92	\$ 573.33	\$ 90.59	
2.	165,000	12.50%	1,762.20			
3.	42,500	10.00%	410.55			?

- Julie and Barry Spinos purchased a house for \$96,400. They made a 25 percent down payment and financed the remaining amount at 13 percent for 30 years. Their monthly payment is \$800.36. How much of the first monthly payment is used to reduce the principal? _____
- Jim and Julie Speer purchased a home for \$137,400. They made a down payment of \$17,400 and financed the remaining amount at 11.00 percent for 25 years. Their monthly payment is \$1,177.20. What is the new principal after the first monthly payment? _____
- The Harrises purchased a home for \$287,000. They made a \$31,000 down payment and financed the remaining amount at 6.00 percent for 30 years. Their monthly payment is \$1,722.00.
 - How much of the first monthly payment is used to reduce the principal? _____
 - What is the new principal after the first monthly payment? _____
- You purchase a home for \$87,500. After a 20 percent down payment, you finance the remaining amount for 25 years at 11 percent. Your monthly payment is \$686.70. Complete the repayment schedule below for the first 6 months of your loan.

	Monthly Payment	Amount for Interest	Amount for Principal	New Principal
a.				
b.				
c.				
d.				
e.				
f.				