Student _____ Date _____

Class _____ Instructor _____

SECTIONS 10-1, 10-2 Mortgage Loans, Monthly Payment and Total Interest

When you purchase a home, you will probably make a down payment and finance the remaining portion of the selling price with a mortgage loan from a bank, a savings and loan association, a credit union, or a mortgage company. A mortgage loan is usually repaid with interest in equal monthly payments. If you know the annual interest rate, the amount of the loan, and the length of the loan, you can use a table to find the monthly payment, the total amount paid, and the interest charged.

Mortgage Loan Amount = Selling Price − Down Payment

$$\text{Monthly Payment} = \frac{\text{Amount of Mortgage}}{\$1{,}000} \times \text{Monthly Payment for a \$1,000 Loan}$$

Amount Paid = Monthly Payment × Number Of Payments

Total Interest Charged = Amount Paid − Mortgage Amount

1. Kung and So Lee offered $87,000 on a home that had been priced at $96,500. The seller agreed to the offer. A 20 percent down payment is required. What is the amount of the down payment? What is the amount of the mortgage loan needed to finance the purchase?

   _____

   _____

MONTHLY PAYMENT FOR A $1,000 LOAN			
Annual Interest Rate	Length of Loan in Years		
	20	25	30
5.00%	$6.60	$5.85	$5.37
5.50%	6.88	6.14	5.68
6.00%	7.16	6.44	6.00
6.50%	7.46	6.75	6.32
7.00%	7.75	7.07	6.65
7.50%	8.06	7.39	6.99
8.00%	8.36	7.72	7.34
8.50%	8.68	8.05	7.69

2. Mary Cunningham offered $156,500 for a home that had been priced at $169,500. The seller agreed to the offer. A bank is willing to finance the purchase if she can make a down payment of 20 percent. What is the amount of the mortgage loan? _____

3. Danelle and Jim Baraka have obtained a $70,000 mortgage loan at an annual interest rate of 8.00 percent for 30 years.

   a. What is the monthly payment? _____

   b. What is the total amount paid? _____

   c. What is the total interest? _____

4. Lee Hays has obtained a $240,000 mortgage loan at 7.00 percent interest for 25 years.

   a. What is the monthly payment? _____

   b. What is the total amount paid? _____

   c. What is the total interest? _____

5. How much can be saved in total interest by financing $120,000 at 7.50 percent for 20 years rather than 25 years? _____

6. How much can be saved in total interest by financing $120,000 at 8.00 percent for 25 years rather than 8.50 percent interest for 25 years? _____