

Financial Mathematics:

Mortgages



Closest w/out Going Over

For each of the categories below, try and guess what percentage of purchases were financed?

**Primary
Residence**



**Vacation
Homes**



**Investment
Properties**



Data of as 2011

* as 2010

Factors that Impact a Mortgage

A ***mortgage*** is more than just a monthly payment, it also includes the total debt and total interest you pay.

Let's assume you get a \$200K loan on a home. How do each of the following factors impact a mortgage?

1. Loan Term
2. Interest Rate
3. Down Payment
4. Additional Principal Payments



Common Loan Types

1. Conventional Loan:

- Minimum of 5% down payment required
- Require Private Mortgage Insurance (PMI) if you do not have at least 80% LTV
 - Depending on credit score, PMI ranges from 0.3%-1.5% of home value annually



Common Loan Types

2. FHA Loan:

- Down payment as low as 3.5%
- Loans are insured by the Federal Housing Administration (FHA)
- FHA loans require PMI for the entire term and is typically lower than conventional loans
- Good for first-time home buyers



Common Loan Types

3. VA Loan:

- No down payment required or PMI
- Guaranteed by Veteran's Administration
- Must either be a veteran or active-duty military to qualify



The Loan You Get

The **type of loan** you qualify for is based on:

- Buyer's Credit Report/Score
- Buyer's Income/Debt
- Military Status

The **amount** you borrow is based on:

- Value of the Home ONLY



What Makes a Difference

Complete the worksheet:

“Factors that Impact a Mortgage”

Use the online “Mortgage Payment Calculator” that is linked on my school website.

