

Loan Project: Buying a House

For this assignment, you will analyze a home mortgage loan.

1. Find a description, asking price, and real estate taxes of a house for sale, and decide on a purchase price you would be willing to pay (assuming you have the means). Find a current market interest rate for a 30-year fixed-rate mortgage having a down payment of 20 percent of the purchase price.
2. Compute the down payment, amount financed, and the monthly mortgage payment (showing how to use the appropriate financial formula).
3. Compute the monthly amount of real estate taxes and add to the monthly mortgage payment to get the total monthly amount paid.
4. Suppose that in order to qualify for the loan, the total monthly amount paid cannot exceed 30 percent of monthly income. What is the minimum monthly income needed to qualify for the loan? What is the minimum annual income needed? (Note: This is a simplified minimum income requirement calculation, for the purposes of this project, as it does not take into account other costs such as insurance or other loans or assets currently held.)
5. Construct an amortization table (using spreadsheet software or online resources such as <http://www.bankrate.com>).
6. Assume that the first payment is made in January of the current year. Find the month and year of the last payment. Find the date of the first month when the amount applied to the principal exceeds the amount of interest paid. How many of the 360 payments have been made at this point?
7. Assuming that the mortgage is held for the full 30 years, compute the total principal paid and the total interest paid.
8. Effectively communicate your analysis, interpretation, evaluation, and the results you found to be particularly interesting, and why.

Your report must include

- name of project and your name
- house's description, asking price, and real estate taxes, the purchase price, and the current market interest rate (include references)
- computations and answers for tasks 2, 3, and 4, amortization table for task 5, answers for task 6, and computations and answers for task 7
- conclusion (task 8)