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## **Mortgage Loan**

The value of money is a crucial factor when taking a mortgage for a borrower because knowing the time value of money will make them decide on the future cash flow. The benefits of knowing the time value of money are because a borrower will be able to estimate the value of the property they intend to have a mortgage for and will be able to decide whether taking a mortgage is worth it or not. When considering an annuity, the loan can be discounted after considering the cash flow by making sense of the present and the money's future value (Defusco et al., 2015).

To reduce the mortgage debt, a homeowner should periodically make payments towards the mortgage to make their mortgages amortized as per the mortgage terms. Amortization of mortgages allows for the reduction of loans by making regular and steady repayments. To avoid longer mortgage debts, those who take mortgages should develop a habit of steady payments to attract amortization (Feldman, 2018). When those who take the loan repay periodically, they can develop good credit scores and enter into a period of amortization with the lender as indicated in the agreement.

Homeowners should know that mortgages have fixed interest rates, and the amount paid monthly is equally spread throughout the mortgage period. This knowledge is essential for them since they will know from the onset what they should be paying for the entire period, and with this knowledge, nobody can dupe them into paying more. Additionally, they should know that they can commit themselves and repay the entire loan before the whole period of repayment is reached. In terms of taxes, borrowers can decide not to involve insurance by paying more than 20% principal amount of the total loan (DeFusco et al., 2015). Lenders usually involve the insurers where less than 20% principle is committed. Moreover, the taxes on this loan can also be reduced by paying this loan within a shorter period.

### References

DeFusco, R. A., McLeavey, D. W., Pinto, J. E., Runkle, D. E., & Anson, M. J.

(2015). *Quantitative investment analysis*. John Wiley & Sons.

Feldman, M. (2018). The Case for Longer Mortgages: Addressing the Mismatch between Term and Amortization. *CD Howe Institute Commentary*, 504.

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