Mortgage Programs Chart

Use a copy of the following chart to help decide if the price of the cabin is possible given the budget in the project letter. If you prove that the price is too steep, lower the price of the home. The key is to find the highest price that can be afforded within the budget.

1.	Price of home	
2.	Number of years	
3.	Points	
4.	Rate	
5.	APR	
6.	Number of months	
7.	Down payment	
8.	Amount of loan	
9.	Cost of points	
10.	Monthly principal and interest payment	
11.	Total monthly payment	
12.	Total interest	
13.	Amount of any prepaid finance charges and fees other than points	
14.	Total cost of loan	
15.	Is the loan within the budget?	

Additional Information for the Mortgage Program Chart

1. Start with the initial asking price and reduce it as needed to meet the budget.

2 through 5. Simply extract this information from the mortgage rate table.

6. The number of months you will be making payments during the entire life of the loan.

7. The larger the down payment, the less money you have to borrow. The less money you borrow, the less interest you will have to pay over the term of the loan. Thus, in the loan, you will want to make as large of a down payment as possible. However, you only have a fixed amount saved to

cover both down payment and points. The points are computed on the amount you borrow, namely $C - D$, where *C* is the sales price of the house and *D* is the amount of the down payment. This means that you can solve for *D* in the equation $A = pts(C - D) + D$, where *A* is the amount of money you have for down payment and points and *pts* is the points written in decimal form (for example, for a 3 point loan, *pts* would be 0.03).

8. This is just the cost of the house minus your down payment.
9. The amount of the loan times the points.
10. This is your monthly principal and interest payment, computed using the simple interest amortized formula.
11. The total monthly payment is your principal and interest payment, plus the mortgage insurance, plus the monthly property tax escrow.
12. The total interest is the total amount of all your monthly principal and interest payments to the bank over the life of the loan minus the amount of your loan.
13. Total prepaid finance charges and fees such as prorations, taxes, legal costs, inspection and appraisal fees, utilities hook ups, mortgage insurance prepayment, and other charges.
14. The total cost of the loan is your total interest, plus the cost of the points, plus any fees.