Financial Math

NOVEMBER 4^(TH) – 8^(TH), 2019

What is a Mortgage?

Khan Academy *(play until 13:00)*

https://www.khanacademy.org/economics-finance-domain/core-finance/housing/mortgages-tutorial/v/introduction-to-mortgage-loans

Paying Mortgages *(Balloon Mortgages)*

Step 1: Use the table to find the rate and term (e.g. 13% and 20 years)

This will give you a percentage **= 92.6%**

Step 2: Convert the percentage to a decimal

92.6 ÷ 100 = **0.926**

Step 3: Multiply this number by the mortgage to calculate the remaining principal

0.926 x 135,000 = $125,010

Fixed-Rate Mortgage Payments

Step 1: Use the table to find the rate and term (e.g. 6% and 30 years)

This will give you a number **= 6.00**

Step 2: Divide the mortgage by 1,000, then multiply that number by the previous amount (6.00)

$235,000 ÷ 1,000 = **$235 x 6.00 = $1,410 monthly mortgage**

Step 3: Calculate the total number of monthly payments (**30 x 12 = 360 months)** **THEN** multiply that by the monthly mortgage

360 x 1,410 = $507,600