

## AMORTIZATION [PIRNOT 8.5]

**EX 8.5.1:** If James can afford mortgage payments of \$300/month for 30 years, what is the most expensive house price that he can afford now?  
Assume an annual interest rate of 6%.

**EX 8.5.2:**

A borrower has taken out a 30-year mortgage for \$120,000 at a 6% annual interest rate.  
(a) Find the monthly payment using the table on the right →

Monthly Payment per \$1000	Number of Years for the Loan				
	Annual Interest Rate	3	4	10	20
4%	\$29.53	\$22.58	\$10.12	\$6.06	\$4.77
5%	\$29.97	\$23.03	\$10.61	\$6.60	\$5.37
6%	\$30.42	\$23.49	\$11.10	\$7.16	\$6.00
8%	\$31.34	\$24.41	\$12.13	\$8.36	\$7.34
10%	\$32.27	\$25.36	\$13.22	\$9.65	\$8.78
12%	\$33.21	\$26.33	\$14.35	\$11.01	\$10.29

(b) Complete the below amortization schedule for the first three mortgage payments.

**For each entry, round to nearest penny. Show how you computed the Interest Paid for Month 1:**

	Monthly Payment	Interest Paid	Paid on Principal	Remaining Balance
	(N/A)	(N/A)	(N/A)	\$120,000
Month 1				
Month 2				
Month 3				