

The cost of buying

§12-2

Mortgage

- A loan for a house in which the principal and interest are paid back over a fixed number of years, usually 15, 20 or 30.

Appraised Value

- The value of a house determined by an independent agent.

Points

- One time charge paid at the time of mortgage closing.
- 1 point = 1% of the mortgage value.

Down Payment

- Paying part of the cost of the house up front.
- The higher the down payment, the lower the monthly payment.

Closing Costs

- Charges and fees associated with the transfer of ownership of a home.

Buyer's costs

- Title search fee (\$50-\$150)
- Title insurance (\$100-\$600)
- Attorney fees (\$50-\$700)
- Appraisal fee (\$100-\$300)
- Recording fees (\$15-\$30)
- Credit report (\$25-\$75)
- Termite inspection (\$50-\$150)
- Lender origination fee (1-3% of loan)

Seller's Costs

- Realtor Commission
- Deed Preparation
- Any real estate taxes that are due

Monthly Payment Example

- What is the monthly payment of a house that costs \$250,000 with 10% down at 4.375% APR over 30 years?

Answer

$$\frac{225000 \cdot \frac{.07}{12} \cdot \left(1 + \frac{.07}{12}\right)^{360}}{\left(1 + \frac{.07}{12}\right)^{360} - 1}$$

$$= 1496.93$$



Points Example

● What is the cost for 2 points on a loan of \$220,000?

● Answer: $.02 * 220,000 =$
\$4,400

Which plan is better?

- ◎ \$160,000 loan over 15 years
- ◎ Plan A: 8% APR with 0 points.
- ◎ Plan B: 7% APR with 1 point.

Plan A

● Monthly Payment =
\$1,529.04

● Total cost = \$275,227.80

Plan B

● Points = $.01 * 160,000 = 1600$

● Monthly payment = \$1,438.12

● Total cost = $1438.12 * 180$
+ 1600 = \$260,462.54

Assignment

- Pg 554 TYS 1-8 hand in at end of hour.....

- Pg554-556 EYS 2-26 Even