


Section 6.3

Home Mortgage In Exercises 13–17, use the information below.

You take out a home mortgage for \$170,000 for 30 years at 5%. The regular monthly payment is \$912.60.



13. Compare the total interest you pay to the total interest of a home mortgage for \$170,000 for 30 years at 7%.
14. Compare the total interest you pay to the total interest of a home mortgage for \$170,000 for 15 years at 5%.
-  15. Each month, you make the regular payment of \$912.60 plus an additional \$50.
 - a. How much sooner do you pay off the mortgage?
 - b. How much do you save in interest?
16. The monthly payment for a 5-year balloon mortgage for \$170,000 is equal to that of a 30-year mortgage with an annual percentage rate of 5%. Find the balloon payment and the total interest that you pay.
17. After 5 years, you move to a different state and sell the house for \$253,350.

Expenses and Savings Related to Buying

| | |
|-----------------------------------|---|
| Cost of home: \$205,000 | Realtor’s fee: 5% of cost of home |
| Down payment: \$35,000 | Home insurance: \$1000 per year |
| Mortgage: \$170,000 | Property tax: 1.5% of cost of home per year |
| Monthly payment: \$912.60 | Home repairs: \$10,000 |
| Closing costs: 5% of cost of home | Income tax savings (interest): \$8000 |

Compare the costs of buying the home and renting a comparable home for \$1200 per month. Assume that if you did not buy the home, you could have invested the down payment and earned \$8000 in interest.

18. **Housing Bubble** Describe what happens to the prices of homes during a bubble. What happens when the bubble bursts?