8. Determine how much of the first payment on the loan is applied to the principal. _____

A 25-Year Conventional Mortgage Mr. and Mrs. Alan Bell obtain a 25-year, $110,000 conventional mortgage at 10.5% on a house selling for $160,000. Their monthly mortgage payment, including principal and interest, is $1038.40. They also pay 2 points at closing. → 110000(.02) = 2200

a) Determine the total amount the Bells will pay for their house.

b) How much of the cost will be interest (including the 2 points)?

c) How much of the first payment on the mortgage is applied to the principal?

a) 1038.40 (25 · 12) = 311520 P/I

50,000 DP

+ 2200 Points

363720

b) − 160000 → selling price

203720

c) $I = 110000(.105)\left(\frac{1}{12}\right) = -962.50$

-1038.40

75.90 Principal