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Mortgages Part 1

A Mortgage is a loan secured by real estate. Generally, a mortgage is arranged to finance the purchase of property. However, a mortgage can be set up for someone to borrow money for any reason, _____
By Canadian Law, the interest rate on mortgages is _____
Although most mortgages are paid monthly other lengths of times can be arranged.

Mortgage Details

- Rate – _____
  (remember – interest is compounded semi-annually or 2 times per year).
- Amortization Period – _____
- Term – _____
  At the end of the term, you must re-negotiate the mortgage rate.

Calculating Mortgage Payments

Kerri has found a home she wants to purchase that fits in her budget. The purchase price of the home is $249,000. If she has a 10% down payment what will her monthly payments be if her mortgage rate is 6.5%/a amortized over 25 years?
Amount to be mortgaged = _____
http://www.fncalculator.com

TVM Advanced Calculator

Mode ⦿ End ◯ Beginning

Present Value		PV
Payment		PMT
Future Value		FV
Annual Rate (%)	[ ] Annually ▼	Rate
Periods	[ ] Monthly ▼	Periods
Compounding	Monthly ▼	

Her monthly payments will be $1501.08

Housing Budget –How Much Can You Afford?

There are general guidelines on how much of your income should be spent on housing and other debts.

Gross Debt Service (or monthly housing costs) _____

_____

Total Debt Service _____

_____

Case Study : Jane and Bob

Jane and Bob have a gross monthly income of $4500.

Their total debt service should not exceed:

      40% or _____

Their gross debt service (housing costs) should not exceed:

      32% or _____

They also have a car payment of $400, and a student loan with payments of $200 each month. How much do they have available for monthly housing costs?

Monthly Debt Payments	Average Monthly Amount
Any loans for other property you own	$0
Car loans/leases	$400
Personal loans	$0
Student loans	$200
Other loans	$0
Total Monthly debt payment	

- Total Debt Service = $1800
- Less $600 (other debts) = _____
  *This is the amount available to housing costs.
- Gross Debt Service = _____
- Therefore, maximum available to housing = _____

Jane and Bob have a saved a down payment of $50 000. They want a conventional mortgage with 25% down so they estimate their maximum house price at:

_____

That would leave them with a mortgage of:

_____

The Bank is offering a mortgage rate of 2.4% amortized over 25 years (payments are calculated so that the mortgage would be paid off in 25 years). What would their monthly payments be?

http://www.fncalculator.com/

Mode ●End ○Beginning		
Present Value	150,000	PV
Payment	-664.50	PMT
Future Value		FV
Annual Rate (%)	2.4	Annually ◆	Rate
Periods	300	Monthly ◆	Periods
Compounding	Semiannually ◆	

Their payments would be

_____

Add monthly property taxes of $200 and monthly heating costs of $120 and their total housing costs will be:

_____+200+120= _____

Do they have enough money to afford monthly housing costs?
Total Debt Service (TDS) – Housing costs
=1200-_____
=_____   That gives them a little bit of a financial buffer if mortgage rates go up when they renew.

Buying a House
Search on-line realty for a home for Jane and Bob. Remember they have a max of $200 000.   http://www.findhomesinwaterlooregion.com/search/
http://mattfrancis.ca/Listings/Search-The-MLS

Spreadsheet
When paying down any kind of loan you would be surprised how much of your payment actually pays down the principal. Let's look at a payment chart for Jane and Bob's mortgage.
https://docs.google.com/spreadsheets/d/1nIJrsY91quQKmbqNoKc-Xj2g40NQUjthqXGLgOV_e7Q/edit - gid=0