U7D7 **<u>Changing Mortgage Conditions</u>**

Some more mortgage definitions:

- Open Mortgage –
- Closed Mortgage –
- Variable Rate Mortgage –
- Fixed Rate Mortgage –

Using the previous case study, we will examine the effects of the following options.
In each situation calculate the new payment per period and the total interest paid.

<u>Changing Amortization Period</u>

Change the amortization period from 25 to 20 years.

<u>Changing Payment Frequency</u>

Change the payment frequency from monthly to weekly (still use a 25 year amortization period)

<u>Changing Payment Amount</u>

Change the payment amount to $2000 or $1300 per month and recalculate the number (N) of payments required. Calculate total interest paid.

<u>Effect of Lump Sum Payments</u>

After 5 years (60 payments), make a lump sum deposit of $25000, recalculate the number of payments remaining, assuming you still pay $1254.31 per month.

Scenario	Payment Amount	Number Payments	Number Years	Total Interest Paid
High Rate (6.5%)	$1875.51	300	25	
Original (2.5%)	$1254.31	300	25	
20 year amortization	$1481.97	240	20	
Weekly payments	$289.22	1300	25	
Bi-Weekly	$578.59	650	25	
Bi-Weekly $1254.31/2	$627.16			
Pay $1300/month	$1300	285.6	23.8	
Pay $2000/month	$2000	123.05	10.25	
Lump sum payment $25000	$1254.31	268.27	22.36	