

Applications

Owning a home is a keystone of wealth . . . both financial affluence and emotional security.

Suze Orman, Author, TV Personality, and Personal Finance Expert

1. Explain how the quote can be interpreted.
2. Del is buying a \$250,000 home. He has been approved for a 5.75% mortgage. He was required to make a 15% down payment and will be closing on the house on July 15. How much should he expect to pay in prepaid interest at the closing?
3. Bonnie is purchasing an apartment for \$180,000. She has been approved for a 6% mortgage. She put 10% down and will be closing on April 22. How much should she expect to pay in prepaid interest?

	A	B
1	Enter the loan amount.	
3	Enter the closing date.	
5	Enter number of days in month.	
7	Enter the APR for the loan.	
9	Interest due for one year.	
10	Daily interest due.	
11	Interest due from closing date until the end of the month.	

4. This spreadsheet can be used to calculate the amount of prepaid interest a buyer will need to pay at the closing. Write formulas for cells B9, B10, and B11.
5. Jason is closing on a \$430,000 home. He made a 13% down payment and is borrowing the rest. What is the approximate range of costs that he might expect to pay at the closing?
6. Becky was told that based on the price of her home, her approximate closing costs would range from \$4,000 to \$14,000. How much was the price of her home?

7. Celine and Don have been approved for a \$400,000, 20-year mortgage with an APR of 6.55%. Using the mortgage and interest formulas, set up a two-month amortization table with the headings shown and complete the table for the first two months.

Payment Number	Beginning Balance	Monthly Payments	Towards Interest	Towards Principal	Ending Balance