

Mortgage

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Mortgage Mortgage A contract loan is an advance secured by genuine property through the utilization of a contract note which proves the presence of the advance and the encumbrance of that realty through the conceding of a contract which secures the advance. Be that as it may, the statement contract alone, in regular utilization, is frequently used to mean contract advance. There are numerous sorts of contracts utilized around the world. However a few variables extensively characterize the attributes of the contract. These may be liable to nearby regulation and lawful necessities. Investment may be altered for the life of the advance or variable, and change at certain predefined periods; the premium rate can additionally, obviously, be higher or more level. All the more thus, Mortgage advances for the most part have a greatest term, that is, the amount of years after which an amortizing credit will be reimbursed. Some contract credits may have no amortization, or oblige full reimbursement of any remaining offset at a certain date, or even negative amortization (Katz, 2013).

Data Analysis

Reflecting on the capacity of the company, it needs to raise \$ 1, 000, 000 through selling a portfolio of mortgages currently held by the company. However, the company is under tight budget indicating that the mortgage sold should expect to bring back the interest of between 4%- 6%.

The table of Mortgage Portfolio as shown below:

#

Original Loan Amount

Interest Rate

Payment

Pds Remaining

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1

\$100,000

4.0%

\$477.42

212

2

\$240,000

7.0%

\$1,596.73

145

3

\$175,000

5.5%

\$993.63

167

4

\$120,000

5.0%

\$644.19

302

5

\$190,000

4.9%

\$1,008.38

191

6

\$218, 000

5. 7%

\$1, 265. 27

231

7

\$180, 000

6. 5%

\$1, 137. 72

280

8

\$205, 000

5. 5%

\$1, 163. 97

266

9

\$155, 000

6. 3%

\$959. 41

254

10

\$224, 000

5. 2%

\$1, 230. 01

140

11

\$165, 000

4.8%

\$865.70

336

12

\$220,000

4.7%

\$1,141.00

244

Mortgage calculation

Total Mortgage required = \$ 1,000,000

Mortgages lying between 4%-6% interest rate are

#

Original Loan

Interest Rate

Payment

Remaining

1

\$ 100,000

4.0%

\$ 477.42

212

2

\$ 175,000

5.5%

\$993.63

167

<https://assignbuster.com/mortgage/>

3

\$ 120, 000

5. 0%

\$644. 19

302

4

\$ 190, 000

4. 9%

\$ 1, 008. 38

191

5

\$ 218, 000

5. 7%

\$ 1, 265. 27

231

6

\$ 205, 000

5. 5%

\$ 1, 163. 97

266

7

\$ 224, 000

5. 2%

\$ 1, 230. 01

254

8

\$ 165, 000

4. 8%

\$ 865. 70

336

9

\$ 220, 000

4. 7%

\$ 1, 141. 00

244

No. Of payment per year for:

#1 = $1000000/100000 = 10$ times

Payment= $477. 42 \times 10$

Total Interest payment= $4774 + 212$

= \$ 4, 986

2 = $1000000/175000 = 5. 7$

Payment= $993. 63 \times 5. 7$

Total Interest payment= $5, 664+167$

= \$ 5, 831

3 = $1000000/120000 = 8. 3$

Payment= $644. 19 \times 8. 3$

Total Interest payment= $5347 + 302$

= \$ 5, 649

4 = $1000000/190000 = 5. 3$

Payment= $1, 008. 38 \times 5. 3$

Total Interest payment= $5344 + 191$

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= \$ 5, 535

5 = $1000000/218000 = 4.6$

Payment= $1,265.27 \times 4.5$

Total Payment= $5694 + 231$

= \$ 5, 925

6 = $1000000/205000 = 4.9$

Payment= $1,163.97 \times 4.9$

Total Payment= $5703 + 266$

= \$ 5969

7 = $1000000/224000 = 4.7$

Payment= $1,230.01 \times 4.7$

Total Payment= $5781 + 254$

= \$ 6035

8 = $1000000/165000 = 6.1$

Payment= 865.70×6.1

Total Payment= $5281 + 336$

= \$ 5, 717

9 = $1000000/220000 = 4.5$

Payment= $1,141 \times 4.5$

Total Payment= $5135 + 224$

= \$ 5359

Going by the computational above, it is clearly recommended that if the company requires achieving high interest by selling its mortgage, then it should consider placing a bid of an original loan amounting to \$ 224, 000 loan. From the computational figures in regards to prevailed 7th package, the company is going to release its mortgage at a rate of 5. 3 %.

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package totals to 1, 230. 01 payment rate with an addition of 254 on the remaining amount. This however indicates that after a year, the company will receive a total of \$ 6, 035 as an interest rate. The recommendation therefore justifies the results to be taken into account. In addition, amortization period is the length of time it will take you to pay off your entire mortgage. The company therefore is required to choose a shorter amortization period as it disposes its mortgage, by offering least a 20% down payment since the longer the amortization, the lower your monthly mortgage payments, but the more it will pay in interest over the life of the mortgage.

Reference

Katz, T. (2013). How to Refinance Your Mortgage and Loans: What You Really Need to Know Before Refinancing For Better Rates [Paperback]. New York: CreateSpace Independent Publishing Platform.