

What is Mortgage Analysis?

Worksheet

Mortgage analysis evaluates home loans by calculating monthly payments, total interest, amortization schedules, and affordability ratios. It helps you compare loans and decide if you can afford the home.

Questions

1. Mortgage analysis helps you...

- A) Avoid paying taxes
- B) Evaluate if a home loan is affordable and best value
- C) Guarantee home appreciation
- D) Skip the down payment

2. In the first year of a 30-year mortgage, the monthly payment goes mostly to...

- A) Principal (reducing loan balance)
- B) Interest (to the lender)
- C) Taxes and insurance
- D) Home maintenance

3. What is the debt-to-income (DTI) ratio?

- A) Home value ÷ down payment
- B) Monthly debt payments ÷ monthly income
- C) Interest rate ÷ loan amount
- D) Property tax ÷ home price

4. Choosing a 15-year mortgage over 30-year means...

- A) You pay less interest but higher monthly payment
- B) You pay more interest and higher monthly payment
- C) You pay the same interest
- D) You can skip paying taxes

5. You borrow \$300K at 6% APR for 30 years. What's your monthly mortgage payment?

6. Compare two loans for \$200K: Loan A (6%, 30 years) vs. Loan B (5%, 15 years). Total interest paid?

7. A lender approves a mortgage if debt-to-income ratio $\leq$ 43%. You earn \$60K/year. What's your max monthly housing payment?

8. Define: What is mortgage analysis?

9. Define: What is an amortization schedule?

10. Define: What is the debt-to-income (DTI) ratio?

Answer Key

1. B) Evaluate if a home loan is affordable and best value — Mortgage analysis examines rates, terms, and payments to confirm you can afford the loan and it's competitive.
2. B) Interest (to the lender) — Early payments are ~70% interest, 30% principal. This ratio flips over time — toward the end, most goes to principal.
3. B) Monthly debt payments $\div$ monthly income — $DTI \leq 43\%$ is the typical lender threshold; high DTI signals you're over-leveraged.
4. A) You pay less interest but higher monthly payment — 15-year has higher monthly payment but significantly lower total interest paid over the life of the loan.
5. Use mortgage formula: $M = P \times [r(1+r)^n] / [(1+r)^n - 1]$ $P = 300,000$, $r = 0.06/12 = 0.005$, $n = 30 \times 12 = 360$ $M = 300,000 \times [0.005(1.005)^{360}] / [(1.005)^{360} - 1]$ $M \approx 1,799/\text{month}$ (principal + interest only)
6. Loan A: ~231K total paid – 200K = 31K interest Loan B: ~212K total paid – 200K = 12K interest Loan B costs 19K less in interest but has higher monthly payment (~1,581 vs. ~\$1,199) Choose based on cash flow capacity
7. Monthly income: $60K / 12 = 5,000$ Max housing payment: $5,000 \times 43\% = 2,150$ This includes mortgage principal, interest, taxes, insurance
8. Evaluating a home loan by examining rates, terms, payments, and total cost to ensure affordability and best value.
9. A table showing each monthly payment split between principal (reduces loan balance) and interest (goes to lender).
10. Monthly debt payments $\div$ monthly income; lenders typically require $DTI \leq 43\%$ for mortgage approval.

Bounlu

All cards, step-by-step solutions and an AI tutor are in the Notek app.
Promy turns exam dates into automatic reminders.