

Ch 8 Review # 54

(A) N 12x30
 I 8.5
 PV 100,000
 PMT 0
 FV 0
 Ply 12
 C/Y 12

PMT = \$768.91

Total PMT = 768.91 (12x30)
 = \$276,807.60

Interest: 276,807.60
 - 100,000

\$176,807.60

(B) N 12x30
 I 7.5
 PV 100,000
 PMT 0
 FV 0
 Ply 12
 C/Y 12

PMT = \$699.21

Points: 3% of Loan
 .03 (100,000) = \$3000

Total Cost of Loan

Points + Fee + Interest

Total PMT: 699.21 (12x30)
 = \$251,715.60

Interest: 251,715.60
 - 100,000

\$151,715.60

Total Cost of Loan:
 151,715.60 + 1300 + 3000
 = **\$156,015.60**

Compare total costs:
 A B
 176,807.60 - 156,015.60
 = \$20,792

Option A has greater
 cost by \$20,792