Mortgages 15YR vs.30YR

Name

Institution

Mortgages 15YR vs.30YR

**Q1a**

Excel function PMT is used in computing the monthly payments as presented in the table below

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Q1 |  |  |  |  |
|  | a. | 15 Years payment | |  |  |
|  |  | PMT | |  |  |
|  |  | Mortgage (Loan)amount | |  | 300000 |
|  |  | Interest rate (rate) | |  | 0.00375 |
|  |  | Periods | |  | 180 |
|  |  | Compounding periods per year | | | 12 |
|  |  | Monthly payment (PMT) | |  | $2,294.98 |
|  |  |  |  |  |  |

**Q1b**

In a thirty year period, computations are a indicated below

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | b. 30 years payment | |  |  |  |
|  |  | PMT (rate, nper,-pv) | |  |  |
|  |  | Loan amount | |  | 300000 |
|  |  | Interest rate (rate) | |  | 0.00375 |
|  |  | Periods (nper) | |  | 360 |
|  |  | Compounding periods per year | | | 12 |
|  |  | Monthly payment (PV) | |  | $1,520.06 |

**Q1c**

The total interest paid is computed by subtracting the principal from total payments as presented below

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | C. | Computation of total payments over the 15 years period | | |
|  |  | Monthly payments |  | $2,294.98 |
|  |  | Number of payments |  | 180 |
|  |  | Total payments |  | $413,096.38 |
|  |  | Less principal |  | 300000 |
|  |  | Total interest paid |  | $113,096.38 |

**Q1d**

Total interest paid is computed by subtracting the principal from total payments as indicated below

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | D. | Computation of total payments over the 30 years period | | |
|  |  | Monthly payments |  | $1,520.06 |
|  |  | Number of payments |  | $360.00 |
|  |  | Total payments |  | 547220.1346 |
|  |  | Less principal |  | 300000 |
|  |  | Total interest paid |  | 247220.1346 |

**Q2a**

Mortgage amount is computed using excel function PV as indicated below for the 15 years period

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Q2 | Mortgage (loan amount) | |  | $235,296.18 |
|  | a | Monthly payments | |  | 1800 |
|  |  | rate |  |  | 0.38% |
|  |  | number of payments | | | 180 |

**Q2b**

Mortgage amount is computed using excel function PV as indicated below for the 30 years period

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | b. | Mortgage (loan amount) | |  | $355,250.09 |
|  |  | Monthly payments | |  | 1800 |
|  |  | rate |  |  | 0.38% |
|  |  | number of payments | | | 360 |

**Q3**

Based on the above analyses, it is clear that the attractiveness of the duration of payment period is dependent on the ability of the borrower (Ward, Screen, & Khan, 2017). People with high monthly income should opt for shorter duration of payments while those with low paying capability should seek longer payment period. Nevertheless, shorter periods are better among people with equal income levels as it attracts less interest.

**Q4**

Proverbs 22:7 indicates that the rich rules over the poor. As a result, the borrower is the slave of the lender (Hill 2018, p32). When purchasing a home, it is thus important to ensure that the debt is not excessive in order to reduce the duration of slavery from the lender. The bible does not prohibit borrowing. The bible does not indicate that borrowing is a sin, but it discourages it.

**References**

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