

Numbers and Operations: Mortgage Loan Officer Washington Mutual Bank

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A house costs \$120,000. The buyer finances (borrows) \$100,000. His payment of principal and interest is \$699.22 a month. He decides to pay \$100 extra per month. By paying extra, his loan is paid off in 245 months (or 20+ years) versus 360 months (or 30 years).

How much did our borrower save over the life of the loan by paying the extra \$100 each month?

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Solution:

$$\$699.22 \times 360 \text{ months} = \$251,719.20$$

$$\$799.22 \times 245 \text{ months} = \$195,808.90$$

$$\$251,719.20 - \$195,808.90 = \$55,910.30 \text{ saved}$$