Fin 4713: Chapter 8 Problems
Remember to show your work!

Problem 8-1. A customer is offered a 6.625%, 30 year FRM loan for $194,000 (97% LTV) with 2 points, an upfront mortgage insurance fee of $4500 (which will be added to the initial balance and financed) and a monthly MI fee of $93.57. This loan will close on the first of the month.

1) What is the monthly payment on this loan (Principal, Interest and Mortgage Insurance)?
2) What is the net loan proceeds (amount of cash disbursed)?
3) What is the FTLAPR?
4) What is the Finance Charge?
5) What is the Amount Financed?
6) What is the Total of Payments?

Problem 8-2. PMI can be cancelled when the loan is 80% of the original purchase price. For a 30 year 6.75% loan with $5,000 down for a $100,000 house, in what month can the PMI be cancelled?