

## Rescheduling Payments on a 30 Year \$200,000 Mortgage Loan

The table shows how the monthly mortgage payments on a 30 year loan of \$200,000 would change under four different schedules. In all cases, interest is paid on the outstanding principal balance at the original mortgage rate shown at the top of the column. All but the "Interest Only" schedule also lead to full amortization of the principal over the 30 year life of the loan.

#1 Level Pay Mortgage: This is the standard fixed-rate mortgage with equal monthly payments over the full life of the loan.

#2 Interest Only Mortgage: This is the minimum monthly payment necessary to cover the interest on the principal balance. There is no amortization of principal.

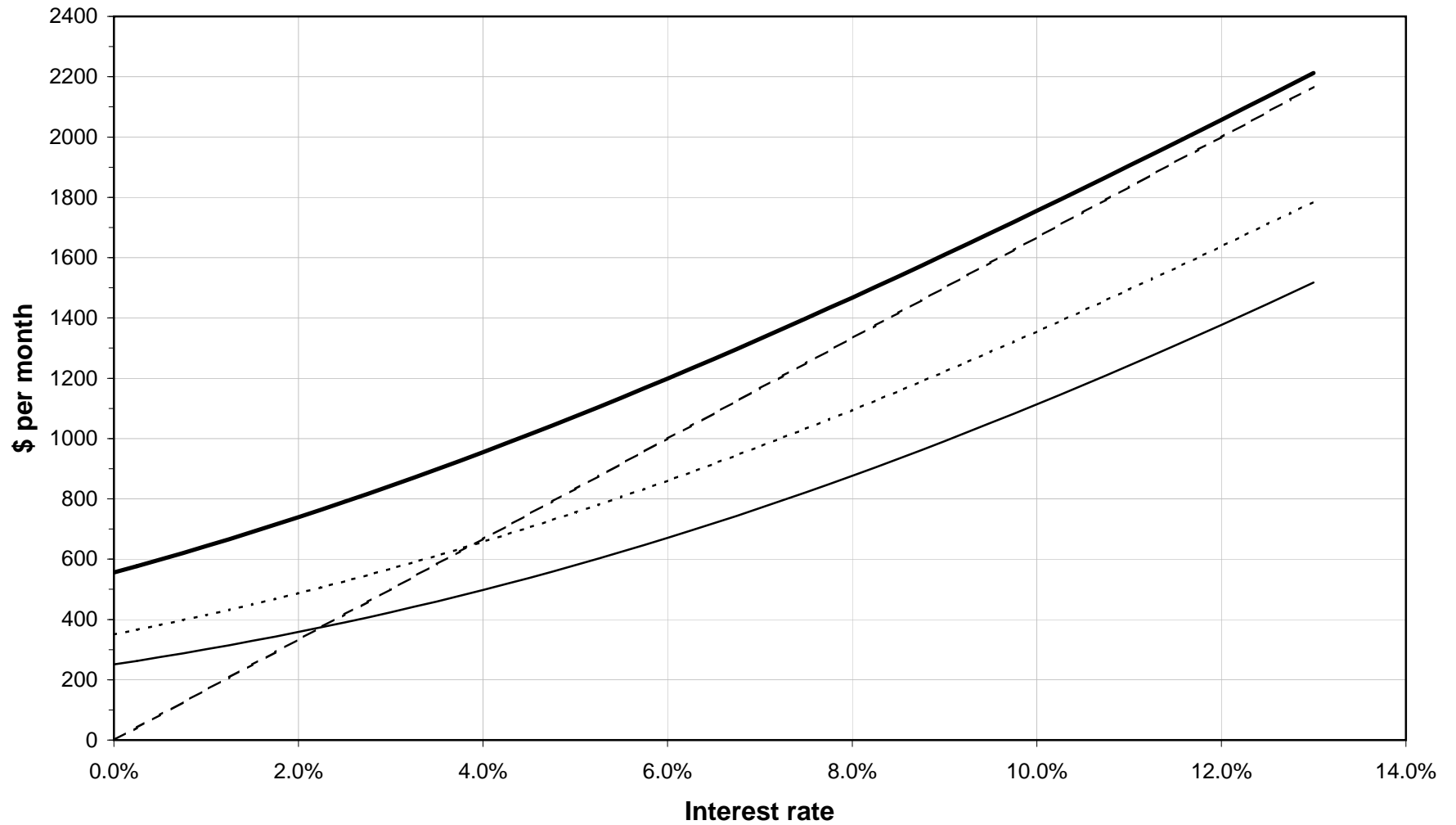
#3 Growing Payments with No Negative Amortization: The first year's monthly payment is set equal to the interest on the loan principal, but the payment increases each year by a fixed percentage. Amortization of the loan principal begins in year 2 and the full amount is paid off over the 30 year life of the loan.

#4 Growing Payments with Negative Amortization at the Beginning: The first year's monthly payment is set lower than the interest on the principal balance, so the loan amount grows in the early years. The monthly payment increases each year by a fixed percentage, so amortization of principal begins as soon as the payment exceeds the interest on the outstanding balance. The full principal value is repaid over the 30 year life of the loan.

All payment schedules in a given column require no write-down of principal or interest subsidy to the borrower. The effect of changing the interest rate with no change of the loan amount can be seen by changing columns. To compute the effect of principal reduction without a change in the rate, reduce all dollar amounts by the same percent as the principal reduction. For example, if the loan principal is written down by 20%, multiply each dollar figure by 0.80 (percent growth rates and the first year with positive amortization remain the same).

Monthly Mortgage Payment and other Loan Characteristics						
Payment Schedule	Mortgage Interest Rate					
	5%	6%	7%	8%	10%	12%
#1 Level pay	1074	1199	1331	1468	1755	2057
#2 Interest only	833	1000	1167	1333	1667	2000
#3 Growing payments, no negative amortization						
monthly payment year 1	833	1000	1167	1333	1667	2000
annual increase in payment	2.20%	1.70%	1.32%	1.03%	0.64%	0.40%
#4 Payments growing at 3%, negative amortization at start						
monthly payment year 1	755	860	974	1094	1355	1637
year amortization begins	5	8	10	11	14	15
maximum loan principal	202,408	206,751	212,368	218,819	232,892	247,367
#4 Payments growing at 5%, negative amortization at start						
monthly payment year 1	580	671	769	877	1113	1377
year amortization begins	11	13	14	15	17	18
maximum loan principal	218,385	229,615	242,248	255,678	284,069	312,979

# First Year Monthly Payment, 30 year Fully Amortizing Mortgage



— Conventional loan    - - - Interest only    ····· 3% growth after 1st year    — 5% growth after 1st year