

The Finances of Housing

Sue and Tom have found a house they like in a neighborhood they want to live in. The price of the house is \$200,000. They plan to put 20% down. They have received quotes for a 30-year fixed mortgage from three lenders:

- Peoples Bank offered a rate of 5 percent with 1 point and additional closing cost to the buyer of \$2,000.
- TD Bank offered a rate of 4.5 percent with 2 points and additional closing cost to the buyer of \$500.
- Jefferson Savings offered a rate of 4.8 percent with 1 point and additional closing costs to the buyer of \$1,000.

1. How much money will Sue and Tom have to borrow?
2. How much will Sue and Tom pay at closing with each loan package?
 - a. Peoples Bank _____
 - b. TD Bank _____
 - c. Jefferson Savings _____
3. Based on your answers, which mortgage loan would you recommend they choose? Why?