Jaime is purchasing a home and plans on borrowing money with a mortgage. Help him figure out how his loan works and how much it will cost to borrow the funds. (Hint: Use the mortgage calculator at bankrate.com)

Read each option below and assess which mortgage you would advise Jaime to select and why.

Option 1: Fixed Rate Mortgage
- Home value: $187,500
- Down payment: $37,500
- Loan amount: $150,000
- Loan term: 30 years
- Loan description: 30-year fixed rate
- Interest rate: fixed at 4% for the full 30-year term

Option 2: Adjustable Rate Mortgage (ARM)
- Home value: $187,500
- Down payment: $37,500
- Loan amount: $150,000
- Loan term: 30 years
- Loan description: 5/1 ARM
- Interest rate: fixed rate of 2% for the first 5 years of loan term and then adjusts (up or down based on the index rate) annually thereafter

Which option would you pick for Jaime and why?

PRINCIPAL AND INTEREST
After doing research, Jaime decides to go with the fixed-rate mortgage. What is his monthly payment for both principal and interest?

For the FIRST month of the loan, what is the payment toward interest?

For the FIRST month of the loan, what is the payment toward principal?

For the LAST month of the loan, what is the payment toward interest?

For the LAST month of the loan, what is the payment toward principal?

ADD IT ALL UP
Over the course of his 30-year loan term, how much does Jaime pay in total interest? How much does he pay in total principal?

What is the difference between his total costs (principal plus interest) compared to the original loan amount of $150,000?

EXTRA! EXTRA!
What happens to Jaime's interest costs if he decides to put extra payments toward principal?

- If Jaime decides to pay an extra $100 each month, his total interest will be ________ and he will pay off his loan ________ years earlier.
- If Jaime decides to pay an extra $250 each month, his total interest will be ________ and he will pay off his loan ________ years earlier.
- If Jaime decides to pay an extra $500 each month, his total interest will be ________ and he will pay off his loan ________ years earlier.