

Example: Mortgage calculation

- Problem:
 - Amount to borrow: \$200,000
 - Term: 30 years
 - Bank has offered three options:
 - 30 year fixed rate of 7%
 - Pay 3.5% up front (“points”), get 30 year fixed rate of 5%
 - 48 months with rate of 5%, then rate increases to 9.5%
- Which is the best deal?