

Practice

Loan Amortization Worksheet

Bill and Shawn Bowman are borrowing \$100,000.00. The loan term is 30 years at a fixed interest rate of seven percent. The monthly principal and interest payment on the loan is \$665.30. Complete the following chart to illustrate how payments are applied during the term of the loan.

Use the following simple interest calculation to complete the chart.

Interest Payment = Principal Balance x .07 ÷ 12
Or - \$100,000.00 x .07 ÷ 12 months = \$583.33 = Interest Payment

| <u>Payment Number</u> | <u>Principal Balance</u> | (P&I) <u>Monthly Payment</u> | <u>Interest Payment</u> | <u>Applied to Principal</u> |
|-----------------------|--------------------------|---------------------------------|-------------------------|-----------------------------|
| 1 | \$100,000.00 | \$665.30 | \$583.33 | \$81.97 |
| 2 | \$99,918.03 | \$665.30 | \$582.86 | \$82.44 |
| 3 | \$99,835.59 | | \$582.37 | |
| 4 | | \$665.30 | | \$83.41 |
| 5 | \$99,669.25 | \$665.30 | | \$83.90 |
| 6 | | | | |

What is the principal balance for payment number 6?

NOTE: Due to rounding, your calculations may vary slightly from other students.