

Read Instructions carefully

Question #40

Use the information below to answer the following question.

You have cash on hand

Property value \$400,000

Down payment is \$120,000 (i.e. LVR is 70%)

Loan #1 = \$200,000

Loan #2 = \$80,000

Interest rate (nominal) for Loan #1 is 8.40% per annum compounded semi-annually

Interest rate for Loan #2 is 9% per annum compounded semi-annually

Processing fees is \$2,500

No cancellation penalty

Mortgage payment paid annually

Term of loan 12 years

What is the effective cost of borrowing (ECB)?

- a. 8.89%
- b. 8.93%
- c. 8.70%
- d. 8.78%

Question #41

Use the information below to answer the following question.

You have cash on hand

Property value \$800,000

Loan-to-value ratio is 70%

Interest rate (nominal) is 8.75% per annum compounded semi-annually

Processing fees is \$28,000

Cancellation penalty is 2.50% of outstanding mortgage balance

Mortgage payment paid annually

Term of loan 12 years

What is the effective cost of borrowing (ECB), if you stayed for 5 years?

- a. 12.27%
- b. 10.74%
- c. 12.36%
- d. 10.96%