

Re: Problems with calculating the proper compounding

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- *From:* The World Wide Wade <aderamey.addw@xxxxxxxxxxxxx>
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In article

<59eba4c2-4947-4149-b629-f07900d70941@xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx>, Jim <jim@xxxxxxxxxxxxx> wrote:

On Feb 1, 5:59 pm, The World Wide Wade <aderamey.a...@xxxxxxxxxxxxx> wrote:

In article

<c8fb3fa8-3680-4de4-ab3c-4e7b991d6...@xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx>, Jim <j...@xxxxxxxxxxxxx> wrote:

Hello,

I'm creating a spreadsheet that automatically determines the payment amount for a mortgage.

The problem that I'm running into is that when the compounding for the interest rate is different from that of the payment frequency, I'm not calculating the equivalent rate correctly.

For example:

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J12 = 5.75%
Monthly payments
Amortization = 40
n = 40 * 12 = 480

$$\text{PV} \\ \text{PMT} = \frac{1 - (1 + (J1/12))^{-n}}{(J1/12)}$$

^ = exponent

I do that, and then I input J1 instead of J12.

It calculates it very closely, but I know that I'm doing something wrong.

Can someone please tell m