

**SCENARIO: BUY HOUSE**

The Klients found a home at 7421 Elm Vista Drive, Lomita, CA 9453. The Klients make their initial offer on July 5 for \$615,000 with a personal check for a deposit and the balance to be the funds transferred from the sale of their condo proceeds. The seller, the Davis Trust, counteroffered at \$630,000 on July 7 and the Klients countered at \$625,000. Everyone finally agreed upon a 60-day escrow and a sales price of \$625,000 on July 10.

The seller agreed to a 6% brokerage fee, split 50/50. Escrow is opened on July 15 and the preliminary title report and demands are ordered on July 20.

The mortgage loan broker (MLB) for the Klients suggests the following loan options:

(1.) FNMA conventional, new, fixed-rate 80% loan at 7.5% for 20 years with Lender’s Forest Online Loans, a subsidiary of Southern Federal Savings and Loan: guideline ratios for an 80% loan are 28% for housing expense to income ratio and 36% for total expense to income ratio; (2.) An 80% LTV, fixed rate, 15-year loan at 7% (3.) An ARM at 6 1/2%, 30 year loan, 80% LTV, 5-year cap of 5% and an annual 1% cap at the end of year 6, the index is up 3% from its starting point. (4.) VA, Fixed rate, 7 1/4%, 30 year (5.) FHA 203(B), fixed rate, 7 1/2%, 30 year.

**Buyer’s Options:**

<p><b>1.) FNMA Conventional:</b> 80% LTV 7 ½%, fixed 20-year loan 28% housing to income ratio 36% total expense to income ratio</p>	<p><b>2.) FNMA Conventional</b> 15-year loan 7%, fixed 80% LTV</p>	<p><b>3.) FNMA Conventional</b> ARM, 6 ½% initial rate 30-year loan 80% LTV 5-year cap of 5% 1% Annual cap for first 6 yrs., balance stays the same (the index is up 3% from its starting point)</p>
<p><b>4.) DVA Loan:</b> 7 ¼%, fixed 30-year loan</p>	<p><b>5.) FHA Loan 203(b) :</b> 7 ½%, fixed 30-year term</p>	<p>Note: 2<sup>nd</sup> Trust Deed Owner Carry-Back 5% of price Term: 7 yrs – Rate 8%</p>

The Klients are to put a total of 15% cash down payment by the close of escrow, including deposits; and, the seller will carry back a 5% second trust deed with a prepayment penalty equal to the tax liability if the seller receives any principal balance from the note during the first 18 months from close of escrow. The terms of the second are an 8% term note that is due and payable upon the sale of the property, or seven (7) years from the date of close of escrow. The note contains a 10% late fee after 10 days. A Request for Notice of Default is to be recorded. The 1003 loan application is dated July

11. Credit, employment, bank verifications and appraisal are all ordered by the MLB on July 15. The loan funds on September 13. All loan payments are due on the first day of each month.

The Klient's want to have an impound account. The house is located in a flood zone area. The seller agreed to pay a Home Protection Plan issued by Home Plan, Inc. Possession is to be no later than two (2) days after close of escrow, and is to close concurrent with the condo.

The parties agree that the sales price will include the existing built-in appliances (dishwasher, disposal and free-standing gas stove), existing window and floor coverings and the microwave. This home does not require an energy conservation report, but does require a special studies (earthquake) compliance and termite report. The existing loans have standard clauses, including a prepayment penalty of six months' interest on the current unpaid balance, not including the top 20%.

The seller, Mary Ann Davis-Smythe, is moving to San Diego and wants to buy a home for \$800,000.

The Klient's agent refers Mary Ann to Max Main at Bay Area Brokers, who agrees to pay a referral fee of 20% of 3%. Max finds Mary Ann a new home from THE NEW HOME COMPANY, INC. The builder will not hold the new home past August 25 if any contingency exists. By August 20 the lender has all the parties for each transaction pre-qualified and the appraisals are all okay.

The escrow closes on September 15 with an irrevocable demand used for each transaction.