

Buy House - FINAL Case Study

Given:

July 15 - open of Escrow
Sept 15 - Close of Escrow
Brokerage fee - 6%
\$625,000 - Sales Price
5% Seller Carry back

Buyer's Options:

<p>1.) FNMA Conventional: 80% LTV 7 ½%, fixed 20-year loan 28% housing to income ratio 36% total expense to income ratio</p>	<p>2.) FNMA Conventional 15-year loan 7%, fixed 80% LTV</p>	<p>3.) FNMA Conventional 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>4.) DVA Loan: 7 ¼%, fixed 30-year loan</p>	<p>5.) FHA Loan 203(b): 7 ½%, fixed 30-year term</p>	<p>Note: 2nd Trust Deed Owner Carry-Back 5% of price Term: 7 yrs – Rate 8%</p>

DIRECTIONS: (1) *Show all your calculations for the following questions*
(2) *Answers must show (\$) dollar sign*
(3) *Round to two decimal points, except for Interest Rate Factor*
(4) *The FINAL answer to each question must be placed in the box*

Points:

1st Option: 5 pts.
2nd Option: 3 pts.
3rd Option: 35 pts.
4th Option: 4 pts.
5th Option: 4 pts.
Total: 51 pts.

STUDENT NAME: _____

Buy House - FINAL Case Study

1st option: FNMA Conventional:

5 pts.

1. How much is the First Trust Deed?

2. How much is the Second Trust Deed?

3. Calculate the cash down payment.

4. What is the 1st Trust Deed loan interest rate factor (IRF)? (Use chart – 7 ½% @ 20 years)

5. Find their 1st Trust Deed monthly payment (PI).

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Buy House - FINAL Case Study

2nd Option:

3 pts.

1. What is the 1st Trust Deed Interest Rate Factor (IRF)? (Use chart – 7 % @ 15 years)
Round to 6 decimal points.

2. What is the 1st Trust Deed loan amount?

3. What is the monthly payment (PI)?

Buy House - FINAL Case Study

3rd Option:

35 pts.

1. What is the 1st Trust Deed initial Interest Rate Factor (IRF)?
(Use chart – 6 ½ % @ 30 years)

2. What is the 1st Trust Deed monthly payment (PI)?

3. One year from loan inception, the index is up 3% from its starting point. What is the maximum rate the lender can charge given that the rate is adjusted at this time?

4. At the end of 3rd year, before year 4, the index rate is 8 ½%. What is the borrowers' rate?

Buy House - FINAL Case Study

5. What is the borrowers' maximum rate at the end of year 5?

6. At what rate can the lender charge on the 7th year?

7. Complete the following chart for the 1st Trust Deed:

Year	Index	Loan % rate	Interest Rate Factor (IRF)	Payment (PI)
Start Date	0	6 ½ %		\$
2	+1			\$
3	0			\$
4	+1 1/2			\$
5	0			\$
6	+1			\$
7	0			\$
8	+1/2			\$
9	0			\$
10	+1/2			\$

9 pts.

10 pts.

10 pts.

4th option: DVA:

4 pts.

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Buy House - FINAL Case Study

1. How much cash do they need including the 3% closing cost to be paid at close of escrow?

2. What is their monthly payment (PI)?

3. With the closing cost paid at the close of escrow, the lender also charges 1.25% funding fee and 1% loan origination fee. How much total cash do they need?

4. What is the total lender fees?

5th option FHA (round loan amount down to the nearest \$50; monthly pay up to nearest \$10)

4 pts.

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Buy House - FINAL Case Study

1. With 3% closing cost, find their total loan amount consideration.

2. How much is the MIP if they choose to pay in cash?

3. Given that the borrowers chose to finance both the closing cost and MIP, calculate their new loan amount.

4. What is the monthly payment (PI)?