

Ch. 10

Determining Acreage:

How many acres are in a tract identified as the N 1/2, of the SW 1/4, of the N 1/2?

$$640 \div 2 \div 4 \div 2 = \underline{40 \text{ acres}}$$

Ch. 11

Net Listing:

A seller wants to net a minimum of 280,000 from the sale of her home. If closing costs are expected to be \$4,000 and her broker charges a 6% commission, her home must sell for:

$$\$280,000 + \$4,000 \div 94\% (100\%-6\%) = \underline{\$302,127.66}$$

Ch. 11

Calculating Commission:

Sale Price x Commission %
 Example: A sales associate sold a property for \$200,000 at a 6% commission rate. Assuming the associate is paid a 70% split; how much will the broker retain?
 $\$200,000 \times 6\% \times 30\% (100-70\%) = \underline{\$3,600}$

Ch. 12

Housing Expense Ratio:

Monthly Housing Expense (PITI)*

Gross Monthly Income
 -28% for conventional
 -31% for FHA
 -None for VA
 *PITI = principal, interest, taxes & insurance

Ch. 12

Total Obligations Ratio:

$$\frac{\text{PITI} + \text{All other debts}}{\text{Gross Monthly Income}}$$

36% for conventional
 43% for FHA
 41% for VA

Ch. 12

Discount Points:

A buyer paid 2 discount points and received a loan for 7%.

What was the lenders effective yield?

7.0%
 +1/8 -- 1 point
 +1/8 -- 1 point
 $7 \frac{2}{8}$ or 7.25% APR

Ch. 12

Loan to Value Ratio:

Shows the loan as a % of value.
 A buyer purchases a property for \$300,000 and makes a \$60,000 down payment.

What is the loan to value?
 $300,000 - 60,000 = 240,000 \text{ loan}$

$$\frac{\text{Loan } 240,000}{\text{Value } 300,000} = \underline{80\%}$$

Ch. 13

PIP Sandwich:

(\$\$) (Loan) (%) (years)

$$I = P \times R \times T$$

Interest = Principal X Rate% x 1/12*

Months

1 2

Balance		
Payment		
Interest		
Principal		
Balance		

*either multiply by 1/12 or divide by 12

Ch. 14

	<u>Paid</u>
Mortgage Interest	Arrears
Taxes	Arrears
Rent	Advance

Debit – expense to seller or buyer
 Credit – money received by seller or buyer

Ch. 14 +

Transfer Tax on DEED:

(Typically paid by Seller)

$$\text{Sale Price} \div 100 \times \$.70 = \text{\$\$\$}$$

(.60 in Dade County)

Ch. 14

Transfer Tax on NOTE:

(NEW & ASSUMED paid by Buyer)

$$\text{Loan Amount} \div 100 \times \$.35 = \text{\$\$\$}$$

Ch. 14

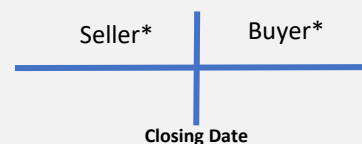
Intangible Tax on MORTGAGE:

(NEW LOANS ONLY - Paid by Buyer)

$$.002 \times \text{New Loan} = \text{\$\$\$}$$

Ch. 14

Calculating Prorations:



*days used or unused – 30, 365 or 360 days

Ch. 16

Sales Comparison Approach:

Residential

Locate comparable properties; adjust the comparable (never the subject).
 If comparable is inferior; add, if comparable is better; subtract.
 Remember: (CBS/CIA)

Ch. 16

Cost-Depreciation Approach:

1. Estimate today's cost to build
2. Estimate accrued depreciation (cost ÷ economic life x age)
3. Subtract #2 from #1.
 Result = depreciated value of improvements
4. Estimate value of vacant land
5. Add #3 and #4.
 Result = Property Value

Ch. 16

Income Approach:

PGI	Potential gross income
- V&C	Vacancies and collections
EGI	Effective gross income
- OE	Operating expenses*
NOI	Net operating income

*operating expenses include, fixed, variable and reserves for replacements

Ch. 16

Income Approach: Determining Value

$$\frac{\text{Income (NOI)}}{\text{Rate x Value}} = \frac{I}{R \times V}$$

$$\frac{\$100,000}{10\%} = \$1,000,000 \quad \frac{\$100,000}{15\%} = \$666,667$$

When the rate goes up, the value goes down.
When the value goes up, the rate goes down.

Ch. 16

Final Reconciliation: (Weighted Average)

Comps	\$200,000 X 70% =	140,000
Cost-Dep.	\$210,000 X 20% =	42,000
Income Cap.	\$180,000 X 10% =	18,000
	100% =	\$200,000

Weighted Average: \$200,000

Simple Average:
 $\$200,000 + \$210,000 + \$180,000 \div 3 =$
\$196,667

Ch. 16

Gross Multiplier Technique:

GRM $\frac{\text{Sales Price}}{\text{Gross Monthly Rent}}$

Multiply the subject property monthly rent by the GRM to estimate value

GIM $\frac{\text{Sales Price}}{\text{Gross Annual Income}}$

Multiply the subject property annual income by the GIM to estimate value

Ch. 17

Calculate Payment:

Loan amount x Monthly loan constant = Monthly Payment

Example:
 $\$100,000 \times .0087757 = \877.57

Ch. 17

Operating Expense Ratio:

$\frac{\text{Operating Expenses}}{\text{Effective Gross Income}}$

Provides for comparison with similar properties.

Ch. 17

Calculating Profit or Loss Percentage

A property was purchased for \$125,000 and later sold for \$142,000. What was the percentage of profit?

$\frac{\text{Made } 17,000^*}{\text{Paid } 125,000} = 13.6\%$

* $(142,000 - 125,000)$

Ch. 17

Reconstructed Operating Statement

PGI	Potential gross income
-V&C	Vacancies and collections
EGI	Effective gross income
-OE	Operating expenses*
NOI	Net operating income
-ADS	Annual debt service
BTCF	Before tax cash flow (CTO)
-INCOME TAXES	(BTCF x tax rate)
ATCF	After tax cash flow

Ch. 17

Straight Line Depreciation for Investment Properties

27.5 years –residential income producing property

39 years – non-residential income producing property

Ch. 18

Calculating Property Taxes \$50,000 or Less

- 1) Assessed Value x Tax Rate = Tax Liability
- \$25,000 Homestead Exemption**
- 2) Basic Exemption (25,000) x Tax rate = Total Savings (city/county/school)
- 3) Tax liability (1) minus total savings (2) = Property Taxes

Ch. 18

Calculating Property Taxes \$50,001 to \$75,000

- 1) Assessed Value x Tax Rate = Tax Liability
- \$25,000 Basic Exemption**
2nd Exemption over \$50,000
- 2) Basic Exemption (25,000) x Tax Rate (city/county/school)
= Savings from 1st 25,000
- 3) Assessed Value (over \$50,000) x Tax Rate (city/county)
= Savings from 2nd 25,000
- 4) Tax liability (1) minus total savings (2&3)
= Property Taxes

Ch. 18

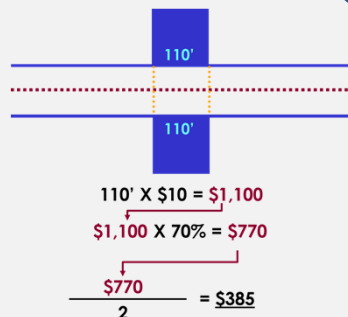
Calculating Property Taxes \$75,001 and Up

- 1) Assessed Value x Tax Rate = Tax Liability
- \$50,000 Homestead Exemption**
- 2) Basic Exemption (25,000) x Tax Rate (city/county/school)
= Savings from 1st 25,000
- 3) 2nd Exemption (\$25,000) x Tax Rate (city/county)
= Savings from 2nd 25,000
- 4) Tax liability (1) minus total savings (2&3)
= Property Taxes

Ch. 18

Special Assessment

Calculate the cost to a homeowner if the county paid for 30% of a \$10 per lineal foot special assessment:



Common Measurements

- One acre contains 43,560 sq. ft.
- One acre that is a perfect square measures 208.710 ft x 208.710 ft.
- One mile is 5,280 ft.
- One section contains 640 acres.
- One section is one mile square and contains one square mile.
- One township is 36 square miles, contains 36 sections
- A check is 36 square miles and contains 144 townships and 5184 sections.