

# Math Assessment Exam-OPEN BOOK

## (Basic Stuff Mortgage Pro's Know)

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### LTV / CLTVs

Purchase Price is \$425,000. Borrower qualifies for an 80/10/10.

What is the loan amount for the 1<sup>st</sup> Mortgage? \$ \_\_\_\_\_

What is the loan amount for the 2<sup>nd</sup> Mortgage? \$ \_\_\_\_\_

How much down payment is needed? \$ \_\_\_\_\_

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### Front-End Ratio

Loan Amount	\$225,000
Borrower's Income (Annual Salary)	72,000
Annual Taxes	2,812
Annual Insurance	1,720
Monthly HOA	60
Mortgage Insurance	80 LTV, N/A
Mortgage Interest Rate (Interest Only, Use Start Rate)	6.25%

What is the Front-End Ratio? \_\_\_\_\_%

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### Back-End Ratio

The above borrower's monthly payments as reflected on the credit report are as follows:

Car Payment (15 months left to pay)	\$417
Student Loan (Not Deferred)	84
Credit Card Payment Monthly Total Payments	129

What is the Back-End Ratio? \_\_\_\_\_%

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### Escrows

The above transaction is a Refinance. The borrower wants to escrow their new mortgage.

Anticipated Closing Month	August
Insurance Anniversary Month	June
Number of EXTRA Months Escrow Reserves Collected	2 Months

At Closing, how much money will the title company have to collect from the borrower for insurance in the new escrow account? \$ \_\_\_\_\_

**\*See Proration Chart for reference**

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### Blended Rate

1 <sup>st</sup> Mortgage Rate	(80 LTV, \$160,000)	7.000%
2 <sup>nd</sup> Mortgage Rate	(15 LTV), \$ 30,000)	11.000%
Down Payment	(5% Down Payment)	
Amortization		30 Years

What is the blended rate? \_\_\_\_\_%

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### Calculating Income

Salaried Borrower

Lender uses YTD (Year-to-Date) to determine income

Period Ending Date

11/4 (Nov. 4<sup>th</sup>)

YTD (Year-to-Date) Income

\$30,124

Using 30 day months to calculate, what is the borrower's monthly income? \$ \_\_\_\_\_  
(Round Down to the nearest dollar)

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### Appraisals

Generally speaking, in an urban area, comps (comparable properties) should be within \_\_\_\_\_ mile(s?) of the subject property or closer based on available recent sales, NOT PENDING SALES.

Generally speaking, in an urban area, how recent should the comparable property's sales be from the appraisal date to be considered acceptable? \_\_\_\_\_

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### Working A Deal Backwards... or Doing A "Quick and Dirty" Prequal The Right Way!

The borrowers are "A" paper borrowers. They know the neighborhood they want to buy in because of the schools and proximity to their jobs. According to their credit report, their combined car payments, school loans and recurring monthly obligations (i.e., credit cards) is \$718.00 per month. For purposes of this problem the expense factor for Escrows (Taxes, Insurance, etc.) is 25%. Ex: If the Total monthly payment including escrows is \$1,000, then \$250 of the \$1,000 per month would be used for escrows... leaving \$750 per month to be applied toward the mortgage payment (Principal & Interest, Interest Only Payments, etc.).

They want to buy as much house as possible so they've elected to go with a lender that allows a maximum debt-to-income ratio of 50%

Borrower's Income.....	5,833
Max DTI.....	50 DTI
Other Monthly Payments.....	718
Interest Rate (Borrowers elect Full-Amortized, Use Start Rate).	6%
Escrow Expense Factor (see above)	25%

-How much money can they borrow (assume no MI)?  
(Round Down to the Nearest \$100.00) \$ \_\_\_\_\_

-How much house can they buy with 20% down?  
(Round Down to the Nearest \$5,000.00) \$ \_\_\_\_\_

**Proration of Taxes & Insurance – Florida Example**

**ESCROW SCHEDULES (Florida Example)**

**For Purchases...**

Generally 1 year Insurance Premium (advance policy) *Plus* 2 months\* at time of closing.

\*Sometimes may be more than 2 months due to rapidly increasing appreciation or insurance risk - Title Company or Lender Specific

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
				↓		↓				↓	
				Purchase		1 <sup>st</sup> Payment				Taxes Due	

**Refinances (Closing Month or Insurance Anniversary Date)  
Tax Escrow Schedules**

Closing Month	1 <sup>st</sup> Payment Due Month	Months Escrowed At Closing	
		Florida	Other State
January	March	5	
February	April	6	
March	May	7	
April	June	8	
May	July	9	
June	August	10	
July	September	11	
August	October	12	
September	November	13	
October	December	14	
November	January	3 + Current Taxes Paid	
December	February	4 + Current Taxes Paid	

**Hazard/Flood “Insurance” Escrows**

**Orig. Closing Month OR New Anniversary Month of Insurance Premium**

New Closing Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Jan	2	13	12	11	10	9	8	7	6	5	4	3
Feb	3	2	13	12	11	10	9	8	7	6	5	4
Mar	4	3	2	13	12	11	10	9	8	7	6	5
Apr	5	4	3	2	13	12	11	10	9	8	7	6
May	6	5	4	3	2	13	12	11	10	9	8	7
Jun	7	6	5	4	3	2	13	12	11	10	9	8
Jul	8	7	6	5	4	3	2	13	12	11	10	9
Aug	9	8	7	6	5	4	3	2	13	12	11	10
Sep	10	9	8	7	6	5	4	3	2	13	12	11
Oct	11	10	9	8	7	6	5	4	3	2	13	12
Nov	12	11	10	9	8	7	6	5	4	3	2	13
Dec	13	12	11	10	9	8	7	6	5	4	3	2

Note: Escrows do not mix or carry over. New lender must collect for full escrows. Prior lender will refund

Note:

Mortgages are paid in arrears.

**In Florida, taxes are paid in November to get a tax reduction. Use the fill in column if your state differs.**

Hazard/Flood Insurance calculated from Closing Date (purchase) or Anniversary date (refinance).