MONEY 101 EDUCATION 11.94aw - Assignment # 4 - Will the Mortgage be approved? RESIDENTIAL PROPERTIES

				Delores		J	oanne	OL	ivia & Herman
1	STEP #1 - ENTER INCOME & EXISTING DEBT								
2	INCOME								
3	Income Person #1	information provided	\$	27,600.00		\$		\$	
4	Income Person #2	information provided	\$	16,000.00		\$		\$	
5	Business earnings or Other Income	information provided				\$		\$	
6	TOTAL ANNUAL EARNINGS	CALCULATE	\$	43,600.00		\$		\$	
7	divide to calculate monthly			12			12		12
8	TOTAL MONTHLY INCOME	CALCULATE	\$	3,633.33		\$		\$	-
9									
10	EXISTING DEBT								
11	Credit Card #1 - required minium payment	Information provided	\$	38.00		\$		\$	
12	Credit Card #2 - required minium payment	Information provided	\$	35.00		\$		\$	
13	Student Loan - required minimum payment	Information provided	\$	-		\$		\$	
14	Car Installment - required payment	Information provided	d	lo not count		\$		\$	-
15	TOTAL EXISTING DEBT PAYMENTS	CALCULATE	\$	73.00		\$		\$	
16									
17	STEP #2 - ENTER PROPERTY INFORMATION (Price, Closed	sing costs, and ongoin	ng Ro	eal Estate Taxes,	HOA f	ees, and	Insurance)		
18	PROPERTY								
19	Home Price	Information provided	\$	200,000.00		\$		\$	-
20	Projected closing costs % of house price	Information provided		4%			4%		4%
21	Projected closing costs \$	CALCULATE	\$	8,000.00		\$		\$	-
22									
23	Monthly - real estate taxes	inforation provided	\$	195.00	_	\$		\$	-
24	Monthly - home owner fees (Maintenance or Common Charge)	inforation provided	\$	-	_	\$		\$	-
25	Monthly Insurance	inforation provided	\$	48.00	_	\$		\$	-
26									
27									
28	STEP #3 - ENTER AVAILABLE CASH - AND AMOUNT USE	D FOR CLOSING COS	TS &	DOWNPAYMENT	. WIL	L IT BE A		LUCAN	?
29	APPLICANT'S CASH								
30	Cash Available for BOTH Downpayment and Closing Costs	information provided	\$	40,000.00	_	\$		\$	
31	Less - cash to be used for closing costs	Calculate - see Line#18	\$	(8,000.00)	_	\$		\$	-
32	Cash Available for Downpayment	CALCULATE	\$	32,000.00		\$		\$	
33									
34	Cash Available for Downpayment	See above - line 27	\$	32,000.00		\$		\$	
35	Home Price	information provided	\$	204,000.00		\$		\$	
36	Divided Downpayment by House price to get downpayment perce	CALCULATE		16%	_				
37									
38	QUESTION - IS THIS A CONVENTIONAL LOAN ?	USE YOUR KNOWLEDGE		NO					

39	OUESTION - WILL PMI BE REQUIRED ?
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40

USE YOUR KNOWLEDGE

YES

41	STEP #4 - CALCULATE AMOUNT OF MORTGAGE NEEDED)						
42	HOME PRICE	See above line 30	\$	204,000.00	\$	<u> </u>	\$	-
43	LESS DOWN PAYMENT	See above line 29	\$	(32,000.00)	\$		\$	-
44	Mortgage NEEDED	CALCULATE	\$	172,000.00	\$	· · ·	\$	-
45								
46	STEP #5 - CALCULATE COST OF PMI IF REQUIRED							
47	Multiply mortgage by 1% if PMI applies (This is an estimate)	Information Provided	\$	1,720.00		1%		1%
48	ANNUAL PMI (line 44 times lin 47)	CALCULATE		n/a	\$	· ·	\$	-
49	Divide by 12 to get monthly amount			12		12		12
50	MONTHLY PMI - if applicable	CALCULATE	\$	143.33	\$	· ·	\$	-
51								
52	STEP #6 - CALCULATE THE "FACTOR" - HOW MANY \$100	0,000 is being borrow	ved					
53	Mortgage NEEDED	See line #44	\$	172,000	\$	<u> </u>	\$	-
54	divide by 100,000		\$	100,000	\$	100,000	\$	100,000
55	FACTOR (how many \$100,000 is the mortgage?)	CALCULATE		1.62				
56	STEP # 7A - CALCULATE MAXIMUM MORTGAGE PAYMEN	T ALLOWED BY APP	LE B/	ANK				
57	MONTHLY INCOME - See above	Enter from Above	\$	3,633.33	\$	-	\$	-
58	APPLE BANK BANK ALLOWS Debt/Income Ratio	Information Provided		50%		50%		50
59	Max Debt based on Income	Calculate	\$	1,816.67	\$	-	\$	-
60	Less - Existing debt	See Line #15	\$	(73.00)	\$	-	\$	-
61	Less - Proposed Real Estate taxes	See Line #23	\$	(195.00)	\$	-	\$	-
62	Less - Proposed Home Owner Fees	See Line #24	\$	-	\$	-	\$	-
63	Less - Proposed Insurance	See Line #25	\$	(48.00)	\$	-	\$	-
64	Less - Estimated MONTHLY PMI	See Line #50	\$	(143.33)	\$	-	\$	-
65	Apple Bank says this amount is Available for Mortgage	CALCULATE	\$	1,357.33	\$	-	\$	-
66								
67	STEP #8A - APPLE BANK - CALCULATE MONTHLY MORT	GAGE (INTEREST ANI) PRI	NCIPAL)				
68	APPLE BANK							
69	COST TO BORROW \$100,000 - 30 year term 7% fixed interest rate	Information Provided		\$665.30		\$665.30		\$665.3
70	Multiply by FACTOR	See Line #55		1.62				
71	MONTHLY Cost of mortgage 15 year	CALCULATE		\$1,077.79				
72								
73	QUESTION - APPLE BANK - IS LOAN APPROVED OR DEN	IIED						
74				Delores		Joanne	0	livia & Herman
75		USE YOUR KNOWLEDGE		APPROVED				
76								
77	STEP # 7B - BANANA BANK - CALCULATE MAXIMUM MO	RTGAGE PAYMENT A	LLOV	VED				
78	MONTHLY INCOME - See above	Enter from Above	\$	3,633.33	\$	-	\$	-
79	BANANNA BANK ALLOWS Debt/Income Ratio	Information Provided		43%		43%		43%
80	Max Debt based on Income	Calculate	\$	1,562.33	\$	-	\$	-
81	Less - Existing debt	See Line #15	\$	(73.00)	\$	-	\$	
82	Less - proposed Real Estate taxes	See Line #23	\$	(195.00)	\$	-	\$	
		000 Line #20	Ψ	(100.00)	Ψ		Ψ	-

	•							
83	Less - Proposed Home Owner Fees	See Line #24	\$	-	\$ -	\$	-	
84	Less - Prposed Insurance	See Line #25	\$	(48.00)	\$ -	\$	-	
85	Less - Estimated MONTHLY PMI	See Line #50	\$	(143.33)	\$ -	\$	-	
86	Bananna Bank says this amount is Available for Mortgage	CALCULATE	\$	1,103.00	\$ -	\$	-	
87								
88	STEP #8B - BANANA BANK - CALCULATE MONTHLY MO	RTGAGE (INTEREST A	ND PR	INCIPAL)				
89	BANANA BANK							
90	COST TO BORROW \$100,000 - 30 year term 6.25% fixed interest	Information Provided		\$615.72	\$615.72		\$615.72	
91	Multiply by FACTOR	See Line #55		1.62	 			
92	MONTHLY Cost of mortgage 30 year	CALCULATE		\$997.46	 			
93								
94								
95	QUESTION - BANANA BANK - IS LOAN APPROVED OR D	ENIED?						
96				Delores	Joanne	Olivi	a & Herman	
97	Mortgage B-1 15 year - Will loan be approved or denied?	USE YOUR KNOWLEDGE	A	PROVED				
98								
99	STEP #10 - WHAT COULD BE DONE TO GET A DENIED LO	OAN APPROVED?						

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MONEY 101 EDUCATION

11.94aw - Assignment # 4 - Will the Mortgage be approved?

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	BONUS: COMMERCIAL PROPERTY			Jamie	& Sally		
1	STEP #1 - PROJECTED ALLOWABLE INCOME						
2	INCOME						
3	Rental Income Unit #1 - projected	information provided		\$	-		
4	Rental Income Unit #1 - projected	information provided		\$	-		
5	TOTAL projected rental Income	CALCULATE		\$	-		
6	Discounted to	CALCULATE			70%		
7	TOTAL MONTHLY INCOME CONSIDERED	CALCULATE		\$	-		
8							
9	STEP #2 - OPERATING EXPENSES						
10	Advertising	information provided		\$	-		
11	Insurance	information provided		\$	-	<u>.</u>	
12	Management Fees	information provided		\$	-	<u>.</u>	
13	Repairs & Maintenance	information provided		\$	-	<u>.</u>	
14	Utilities	information provided		\$	-		
15	Real Estate Taxes	information provided		\$	-		
16	TOTAL MONTHLY EXPENSE - before DEBT	CALCULATE		\$	-	-	
17							
18	CASH FLOW BEFORE MORTGAGE (allowed incor	ne less expenes		\$	-		
19							
20	STEP #2 - ENTER PROPERTY INFORMATION (Price	ce, Closing cost	s, and on	going Real Es	tate Taxes, H	IOA fees,	and Insu
21	PROPERTY						
22	Property Price	Information provided		\$	-		
23	Projected closing costs % of property price	Information provided			4%		
24	Projected closing costs \$	CALCULATE		\$	-		
25	TOTAL COST TO CLOSE	CALCULATE		\$	-		
26	Downpayment	0.3		\$	-		
27	CASH NEEDED TO CLOSE (this is the amount fin	CALCULATE		\$	-		

\$

CALCULATE

8.50%

100,000.00

0

Apple Bank - Term = 20 years = 240 months

Apple Bank -- Interest

Amount borrowed divided by 100,000

Step # 3 - CALCULATE COST OF MORTGAGE FROM APPLE BANK

28

29 30

31

32

Divide by

34	Apple Bank cost to borrow \$100,000 Information probided		0
35	MONTHLY COST OF MORTGAGE = Interest & pril CALCULATE	\$	-
36			
37	Step # 4 - CALCULATE COST OF MORTGAGE FROM BANANA BANK		
38	Apple Bank Interest 9.00%		
39	Apple Bank - Term = 20 years = 240 months		
40	Apple Bank cost to borrow \$100,000 Information provided		0
41	MONTHLY COST OF MORTGAGE = Interest & pril CALCULATE	\$	-
42			
43	WHAT WILL APPLE BANK CONSIDER AND DETERMINE		
44	Projected & Considered Rental Income	\$	-
45	LESS - Projected Operating Expenses	\$	-
46	LESS - Projected Mortgage Payment	\$	
47	What will be their cash flow after paying the mortgage	\$	
48	Will they still have positive cash flow after paying the mortgage		
49	Will they be approved		
50			
51	BANANA BANK - How do they determine wheteher or not to approve	1	
52	Projected & Considered Rental Income	\$	-
53	LESS Projected Operating Expenses	\$	-
54	LESS Projected Mortgage Payment	\$	-
55	What will be their cash flow after paying the mortgage	\$	-
56	Will they still have positive cash flow after paying the mortgage		
57	Will they be approved		
58			
59	BONUS - what are some of the things they could do to make it work		

60

61

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