UT PL 42 Math 1 Study Guide

Term

acre	An acre is a land measurment with a total of 43,560 square feet; a unit of land area equal to 4,840 square yards (0.405 hectare)
amortization	Paying off an amount owed (i.e. a loan) over time. When purchasing a home, this is the process by which loan principal decreases over the life of a loan. Each mortgage payment includes some payment applied to the interest of the loan and some applied towards reducing the principal (amount that must be paid back).
Commission Split	The structure in which a commission is split between the agent and the brokerage. If a selling agent is on a 70% split, the broker keeps 30% of the agent's commission from the sale.
depreciation	The diminishing of value of a home over time. This calculation is done to make the cost approach to appraising more accurate by accounting for home age. When you calculate this, be sure to remove the value of the lot first, as it does not depreciate the way a house does!
loan origination fee	A fee for processing a loan application and agreement, usually paid at signing. This is typically a percentage of the total loan.
loan to value ratio	An amount that is charged to reduce the interest rate. Each point increases the lender's yield by 1/8%. A 7% loan with 2 points paid would increase the yield to 7.25%.
Principal	The money initially borrowed for a loan that must be paid back.
subject property	The property to be sold by the seller.

Concept

Calculation and Paying Back of Loans	Paying back a loan costs more than the amount of principal borrowed because interest is added. The first payments made on a loan are mostly applied to interest rather than the principal. Most people use financial calculators to calculate loan payments.
Comparable Sales Approach	The process of helping sellers figure out a reasonable price at which to sell their homes. To do this, the agent needs to find other properties in the neighborhood similar to the property for sale and make adjustments for differences. If the subject is better, we add; in other words, if the home to be sold has a fireplace and the comparable home does not, add the value of the fireplace to the value of the comparable home. This is the more common approach for estimating the cost of property.
Cost Approach to Appraising	An appraisal estimate based on the cost of rebuilding the home, such as the cost per square foot of livable area and garage area. This is a high-end estimate (since a used home will cost less than building it brand new), so that is why this is less common to use.
I/YR	Stands for Interest per Year on a loan calculator app.
Income Approach to Appraising	Determining the value of a property based on how much money it could make, i.e. if it is used as a rental property or business. Start with the amount of money it could produce per year (PGI), then subtract vacancy and collection loss (VC) to get Effective Gross Income (EGI). Then subtract operating expenses (OE: based on taxes, insurance, variable expenses, and reserve) to get the Net Operating Income (NOI). Divide the NOI by the capitalization rate (R) to get the property's value (V). PGI - VAC - OE = NOI. NOI/R = V
Loan Calculators	A loan calculator factors in the repayment of interest and principal on the loan to determine how long it will take to pay off

Math Story Problem Solving	Be sure to answer the question that is actually being asked. For example, if a question mentions an agent's % split but asks for the broker's share of the commission, be sure to calculate the broker's share rather than the agent's.
N	Stands for the Number of payment periods on a loan calculator app.
P&I payment	Principal and Interest payment.
PITI payment	Principal, Interest, Taxes, and Insurance payment. This occurs when taxes and insurance are included in the loan payment.
PMT	Stands for Payment on a loan calculator app.
Property Measurement	Requirements set by the lender stating what the maximum allowable housing expense to income ratio, and housing expense plus other debt to income ratio can be in order to qualify for a loan. PITI payments divided by gross monthly income gives the Housing Expense Ratio. PITI added to all monthly debts, divided by gross monthly income, gives the Total Obligations Ratio.
PV	Stands for Present Value on a loan calculator app.
Seller Minimum Listing	Sellers usually have a target for how much money they want to make off of their property, after taking commissions and taxes into account. Calculate this by adding the minimum value the sellers want for the property to the closing costs. Then, divide that by the percentage NOT included in commission (i.e. divide by 94% if there is a 6% commission). $280,000 (the minimum the seller wants to make) + $4000 (closing costs) / 94% (100% - 6% commission) = a minimum listing price of $302,127.66
Straight Line Depreciation	The amount of depreciation is calculated by dividing the cost to build the home by the total years of useful life and then multiplying by the number of years that the home has existed.