

Midterm Practice Questions – Spring 2022

Answer Key

6) Teaser rate	1.5%	Index + Margin	6.5%
Index	4.5%	Periodic maximum interest rate	7.5%
Margin	2.0%	Lifetime maximum interest rate	8.5%
Periodic interest rate increase cap	2.0%		
Lifetime maximum interest rate	8.5%	Maximum rate	6.5%
Adjustments	3		

7) Teaser rate	1.0%	Index + Margin	8.0%
Index	6.0%	Periodic maximum interest rate	6.0%
Margin	2.0%	Lifetime maximum interest rate	7.0%
Periodic interest rate increase cap	1.0%		
Lifetime maximum interest rate	7.0%	Maximum rate	6.0%
Adjustments	5		

Down payment	\$600,000
LTV	75.0%
9) Price	\$2,400,000
Loan amount	\$1,800,000
Interest rate	5.0%
Amortization (years)	30
10) Monthly payment (PMT)	(\$9,662.79)

11) Loan amount	\$1,000,000
Interest rate	3.75%
Points	2.0%
Appraisal	\$1,800
Credit report	\$36
Amortization (years)	30
Monthly payment (PMT)	(\$4,631.16)
Loan amount funded net of fees (PV)	978,164
APR	3.93%

- 1) C
- 2) C
- 3) B
- 4) B
- 5) D
- 6) B
- 7) B
- 8) D
- 9) D
- 10) C
- 11) A
- 12) C
- 13) B
- 14) B
- 15) D
- 16) D
- 17) A
- 18) B
- 19) C
- 20) D
- 21) B
- 22) B
- 23) C
- 24) D
- 25) C

12) Loan amount	\$750,000
Amortization (years)	30
Interest rate	4.25%
Monthly payment (PMT)	(\$3,689.55)
Target APR	4.5%
Required PV	\$728,174
Points to charge (%Δ in PV)	2.9
Rounded points	3

13) Price	\$4,000,000
Gross rental and other income	\$400,000
Operating expenses	\$100,000
Annual tax depreciation	\$120,000
Assumable interest-only mortgage	\$2,000,000
Annual interest-only rate	5.0%
Net Operating Income	\$300,000
Acquisition cap rate	7.5%

14) Before tax cash flow	\$200,000
15) Taxable income	\$80,000

21) Property value	\$2,500,000
Mortgage	
Loan amount	\$1,500,000
Interest rate	5.0%
Annual payment (interest-only)	\$75,000
Return on Equity	
Equity	\$1,000,000
Annual return on equity	7.5%
Annual profit	\$75,000

Net Operating Income	\$150,000
DSCR	2.00