

Note Homework--Week 2

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Plan 1:

CLTV = (\$262,887 1st lien + \$172,793 2nd lien + \$3284 property tax) / \$470,000 property current value = 92.8%

ALTV = \$262,887 1st lien + ? purchase price of 2nd lien + \$3284 property tax) / \$470,000 property current value = 65%

Purchase price of second lien = \$39,539

Plan 2:

Initial foreclosure, buy and flip

For sold price \$470,000 = \$28,200 6% commission and closing cost + \$262,887 1st lien + \$70,500 15% renovation cost \$470,000 + \$15,000 HOA lien + **\$93,413 potential profit**

Purchase price of second lien = 40% x **\$93,413 profit** = **\$37,365**

(risk: 1) unknown condition of subject property, so 15% renovation cost \$75,000 is not guaranteed. But this property is condo, the risk of foundation problem, roof problem is lower; 2) HOA lien is \$15,000, which may need to be paid off when selling the property, so it has to be considered.)