

MORTGAGES: ADDITIONAL CONCEPTS

Loan-to-Value Ratio (LTV): Mortgage Debt divided by Property Value (or Price).

Market Value of a Loan: The Present Value of all expected future Loan Payments (i.e. all expected future payments of Principal and Interest).

Incremental Borrowing Cost: The Marginal Cost of the additional amount Borrowed, taking into consideration the Interest Rate and other Loan Fees, Points and Costs.

Home Equity Line of Credit: A Home Equity Line of Credit (HELOC) can be secured by a First, Second or more Junior Mortgage and is typically a revolving Line of Credit.

Buydown Loans: When a Seller pays a Fee to a third-party Lender to buy down the Interest Rate on a Purchase Money Loan to induce the Buyer / Borrower to acquire the Real Property. The amount paid to buy down the Interest Rate will be much less than the Present Value of the reduced Loan Payments from the lower Interest Rate.

Below Market Seller Financing: When the pricing of Seller Financing (Interest Rate and Loan Fees, Points and Costs) is less than the Market pricing of available Financing, often to improve the Sale Price of a Property by a motivated Seller.

Wraparound Loans: Might be used by a Seller in a slow housing market and when the Buyer has poor credit to help sell a Property. The First Mortgage must stay in place, so it does not work if there is a "Due on Sale" clause in the Loan Agreement.

	n	i	PV	PMT	FV
A	360	0.5000%	\$1,000,000.00	-\$5,995.51	\$0.00
B	360	0.5000%	\$500,000.00	-\$2,997.75	\$0.00
C	360	1.0000%	\$500,000.00	-\$5,143.06	\$0.00
D	360	0.4583%	\$500,000.00	-\$2,838.95	\$0.00
E	360	0.5000%	\$473,512.22	-\$2,838.95	\$0.00
F	96	0.4583%	\$500,000.00	-\$2,838.95	-\$434,189.63
G	96	0.5001%	\$485,000.00	-\$2,838.95	-\$434,189.63
H	360	0.4167%	\$500,000.00	-\$2,684.11	\$0.00
I	360	0.5000%	\$447,686.73	-\$2,684.11	\$0.00
J	41	0.4167%	\$500,000.00	-\$2,684.11	-\$473,199.86
K	41	0.4998%	\$485,000.00	-\$2,684.11	-\$473,199.86

BLUE = Input Change, BOLD ITALICS = Output Change