



6 - Additional Mortgages - ch. 6

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📁 tags	

▼ Supplemental

- ▼ junior mortgage
 - ▼ secondary or more mortgages on a property
- ▼ seller financing
 - ▼ seller offers a loan and becomes the lender
- ▼ reg z
 - ▼ US regulation z mandates lenders report APRs (rates that include interest and any and all fees other than prepayment penalties)

Resources

https://s3-us-west-2.amazonaws.com/secure.notion-static.com/7b372685-b842-49aa-bb82-8dc72322774a/MORTGAGES_-_ADDITIONAL_CONCEPTS_-_Chapter_6.pdf

▼ Notes

▼ loan-to-value ration (LTV)

$$LTV = \frac{\text{Mortgage Debt}}{\text{Property Value or Price}}$$

▼ markt value of a loan

▼ present value of all expected future loan payments

▼ i.e. all expected future payments of principal and interest

▼ home equity line of credit (HELOC)

▼ can be secured by 1st, 2nd, or more junior mortgage

▼ typically revolving a line of credit

▼ i.e. collateralizing equity on the home to get a line of credit (like a property backed credit card)

▼ buydown loans

▼ when a seller pays a **fee** to a lender to buy down the *interest rate* on a *purchase money loan* to motivate the buyer/borrower to acquire the property

▼ amount paid to buy down the interest rate << PV of the reduced loan payments due to the lower interest rate

▼ i.e. the seller pays the buyer's lender in order for them to

decrease the interest rate they offer to the borrower

▼ below market seller financing

▼ when pricing of the Seller financing is less than the market pricing of available financing

▼ often used to improve the sale price of a property by a motivated seller

▼ i.e. seller offers financing to the buyer directly on property at a lower rate than other lenders to motivate the buyer to close on the deal

▼ wraparound loans

▼ seller offers buyer a loan

▼ the payments on this loan are used to pay off the seller's own loan on the same property

▼ thus, does not work if the seller's loan is "due on sale"

▼ usually used in slow markets and when the buyer has poor credit

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

BLUE = Input Change, BOLD ITALICS = Output Change

▼ Lecture

▼ APR = Interest iff. no fees and points

▼ Discussion



SUMMARY