

## Chapter 15: Buyer's Cost

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**1. If the closing date is March 6, what is the number of days for the interest adjustment on the buyers new loan?**

3.13 POINTS

- A 26
- B 27
- C 28
- D 29

**i** Buyer's loan is BORN on March 6.  
March has 31 days so 31 MINUS the 5 days in March the loan did not exist =  
**26 days**

**2. If the closing date is June 21, what is the number of days for the interest adjustment on the buyers new loan?**

3.13 POINTS

- A 9
- B 10
- C 11
- D 12

**i** 30 days in June MINUS the 20 days the loan did not exist =  
**10 days**

**3. If the closing date is September 9, what is the number of days for the interest adjustment on the buyers new loan?**

3.13 POINTS

- A 20
- B 21
- C 22
- D 23

**i** 30 days in Sept MINUS the 8 days the loan did not exist =  
**22 days**

**4. If the closing date is December 1, what is the number of days for the interest adjustment on the buyers new loan?**

3.13 POINTS

- A 30
- B 31
- C 1
- D 0

**i** If you close on December 1, your first payment will be January 1. The bank would have a FULL MONTH of interest to cover with the January 1 payment.

Therefore, NO Interest will have to be paid at closing since the 1st payment will cover all of it!

**5. If the loan amount is \$155,000, the rate is 6.5% and the closing date is April 16, what is the interest adjustment on the buyers new loan when using a 360 day financial calendar year?**

3.13 POINTS

- A \$419.79
- B \$391.86
- C \$263.87
- D \$447.84

**i** Closing on April 16 means 30 days in April MINUS the 15 days the loan did not exist = **15 days** on adjusted interest

Loan amount = \$155,000 x .065 = 10,075 annual interest ÷ 360 days = **27.9861 daily interest**

\$27.9861 x 15 days = **\$419.79**

**6. If the loan amount is \$239,500, the rate is 4% and the closing date is December 9, what is the buyer's interest adjustment when using a 360 day financial calendar year?**

3.13 POINTS

- A \$585.42
- B \$612.06
- C \$638.64
- D \$558.81

**i** Closing Dec 9 means 31 days in Dec MINUS the 8 days the loan did not exist in December = **23 days**

Loan = \$239,500 @ 4% interest = \$9,580 annual interest ÷ 360 days = **26.6111 daily interest**

\$26.6111 x 23 days = **\$612.06**

**7. If the loan amount is \$167,900, the rate is 5.75% and the closing date is May 22, what is the interest adjustment when using a 365 day financial calendar year?**

3.13 POINTS

- A \$241.36
- B \$268.17
- C \$264.50
- D \$238.05

**i** Closing is May 22 means 31 days in May MINUS the 21 days the loan DID NOT EXIST in May = **10 days**

$$167,900 \times 5.75\% = 9,654.25 \div 365 = 26.45/\text{day} \times 10 \text{ days} = \mathbf{\$264.50}$$

**8. If the loan amount is \$175,000, the rate is 6.75% and the closing date is August 13th, what is the interest adjustment when using a 365 day financial calendar year?**

3.13 POINTS

- A \$590.58
- B \$623.44
- C \$582.48
- D \$614.90

**i** Closing is Aug 13 so 31 days in August MINUS the 12 DAYS the loan did not exist = **19 days** for adjusted taxes

$$175,000 \times 6.75\% = 11,812.50 \div 365 = 32.36 \times 19 \text{ days} = \mathbf{\$614.90}$$

**9. A buyer purchases a home for \$210,000 with a 90% LTV. The lender has quoted a rate of 0.65% annually for PMI. What is the buyer's monthly PMI obligation?**

3.13 POINTS

- A \$102.38
- B \$113.75
- C \$97.50
- D \$107.25

**i**  $210,000 \times 90\% = 189,000$  Loan Amount

$$189,000 \times .0065 = 1,228.50 \text{ Annual PMI} \div 12 \text{ months} = \mathbf{\$102.38 \text{ Monthly PMI}}$$

**10. A buyer purchases a home for \$180,000 with a 95% LTV. The lender has quoted a rate of 0.92% annually for PMI. What is the buyer's monthly PMI obligation?**

3.13 POINTS

- A \$138
- B \$131.10
- C \$142.50
- D \$150.00

i  $180,000 \times 95\% = 171,500 \times .0092 = 1,573.20$  Annual PMI  $\div 12 =$  **\$131.10 Monthly PMI**

**11. A buyer purchases a home for \$100,000 with a 90% LTV. The lender has quoted a rate of 0.64% annually for PMI. What is the buyer's monthly PMI obligation?**

3.13 POINTS

- A \$53.33
- B \$52.00
- C \$48.00
- D \$67.50

i  $100,000 \times 90\% = 90,000$  Loan Amount  $\times .0064 = \$574$  Annual PMI  $\div 12 =$  **\$48 Monthly PMI**

**12. A buyer purchases a home for \$310,000 with a 95% LTV. The lender has quoted a rate of 0.93% annually for PMI. What is the buyer's monthly PMI obligation?**

3.13 POINTS

- A \$218.37
- B \$240.25
- C \$233.15
- D \$228.24

i  $310,000 \times 95\% = 294,500$  loan amount  $\times .0093 = 2,738.85$  Annual PMI  $\div 12 =$  **\$228.24 Monthly PMI**

**13. A buyer is purchasing a \$240,000 home with an FHA loan. The LTV is 96.5% and the upfront MIP rate is 1.75%. What is the upfront MIP?**

3.13 POINTS

- A \$4,053
- B \$4,033
- C \$3,978
- D \$4,287

i  $\$240,000 \times 96.5\% = 231,600$  Loan Amount  $\times 1.75\% =$  **\$4,053 UFMIP**

**14. If the buyer's average loan balance is \$230,200 and the annual MIP rate is .85%, then how much MIP will be added to the monthly payment?**

3.13 POINTS

- A \$172.65
- B \$163.06
- C \$175.75
- D \$160.00

i  $\$230,200 \times .0085 = \$1,956.70$  Annual MIP  $\div 12 = \$163.06$  Monthly MIP

**15. A buyer is purchasing a \$140,000 home with an FHA loan. The LTV is 96.5% and the upfront MIP rate is 1.75%. What is the upfront MIP?**

3.13 POINTS

- A \$1,344.00
- B \$1,400.00
- C \$2,364.00
- D \$1,215.90

i  $\$140,000 \times 96.5\% = \$135,100$  Loan Amount  $\times 1.75\%$  UFMIP Rate =  $\$2,364.25$  rounded down to  $\$2,364$  UFMIP

**16. If the buyer's average loan balance is \$138,800 and the annual MIP rate is .85%, how much MIP will be added to the monthly payment?**

3.13 POINTS

- A \$89.90
- B \$90.00
- C \$108.10
- D \$98.32

i  $\$138,800 \times .0085 = \$1,179.80$  Annual MIP  $\div 12 = \$98.32$  Monthly MIP

**17. A buyer is purchasing a \$100,000 home with an FHA loan. The LTV is 96.5% and the upfront MIP rate is 1.75%. What is the upfront MIP?**

3.13 POINTS

- A \$1,688.00
- B \$1,600.00
- C \$1,700.00
- D \$1,589.00

i  $\$100,000 \times 96.5\% = \$96,500$  Loan Amount  $\times 1.75\%$  UFMIP rate =  $\$1,688.75$  rounded down to  $\$1,688$

**18. If the buyer's average loan balance is \$98,800 and the annual MIP rate is .85%, how much MIP will be added to the monthly payment?**

3.13 POINTS

- A \$74.50
- B \$85.00
- C \$69.98
- D \$83.80

i  $\$98,800 \times .0085 = \$839.80$  Annual MIP  $\div 12 = \$69.98$  Monthly MIP

**19. If the sales price is \$235,000 and the loan type is a VA, what is the loan amount?**

3.13 POINTS

- A \$188,000
- B \$235,000
- C \$223,250
- D \$211,500

i For classroom purposes, VA Loans are always assumed to be 100% - though in real life, a Vet is able to put down whatever amount he/she wishes.

**20. If the sales price is \$214,000 and the new loan is \$171,200 with \$0 loan assumed, what is the transfer tax?**

3.13 POINTS

- A \$2,140
- B \$171
- C \$171.20
- D \$214

i Formula: (Sale Price MINUS any Loan Assumption)  $\div 100 =$  TAXABLE AMOUNT (rounded up to the next whole if there is anything past the decimal point)

$\$214,000 - 0 = \$214,000 \div 100 = 2,140$  Taxable Parts  $\times \$0.10 =$  **\$214**

**21. If the sales price is \$245,000, \$0 for a new loan and \$210,000 loan assumed, what is the transfer tax?**

3.13 POINTS

- A \$35
- B \$21
- C \$24.50
- D \$245.00

i  $\$245,000 - \$210,000 = \$35,000 \div 100 = 350$  Taxable Parts  $\times \$0.10 = \$35.00$

**22. If the sales price is \$179,750, the new loan is \$179,750 and \$0 loan assumed, what is the transfer tax?**

3.13 POINTS

- A \$179.75
- B \$179.80
- C \$180.00
- D \$1789

i  $\$179,750 - 0 = \$179,750 \div 100 = 1,797.50 \uparrow$  Round UP = 1798 Taxable Parts  $\times \$0.10 = \$179.80$

**23. If the sales price is \$246,700, \$0 for a new loan and \$206,241 loan assumed, what is the transfer tax?**

3.13 POINTS

- A \$40.46
- B \$246.70
- C \$40.50
- D \$404.59

i  $\$246,700 - \$206,241 = \$40,459 \div 100 = 404.59 \uparrow$  Round up to 405 Taxable Parts  $\times \$0.10 = \$40.50$

**24. If the sales price is \$148,000 and the loan type is 95% conventional, what is the intangibles tax?**

3.13 POINTS

- A \$444.00
- B \$296.00
- C \$421.80
- D \$423.00

i  $\$148,000 \times 95\% = \$140,600$  Loan Amount  $\div 500 = 281.20 \uparrow$  ROUND UP to 282 Taxable Parts  $\times \$1.50 = \$423$

**25. If the sales price is \$258,000 and the loan type is 80% conventional, what is the intangibles tax?**

3.13 POINTS

- A \$619.50
- B \$619.20
- C \$774.00
- D \$621.00

i  $\$258,000 \times 80\% = \$201,400 \div 500 = 412.80 \uparrow$  ROUND UP to 413 Taxable Parts  $\times \$1.50 = \$619.50$

**26. If the sales price is \$310,750 and the loan type is a maximum VA, what is the intangibles tax?**

3.13 POINTS

- A \$932.25
- B \$933.00
- C \$930.00
- D \$910.10

i  $\$310,750 \div 500 = 621.50 \uparrow$  Round Up to 622 Taxable Parts  $\times \$1.50 = \$933$

**27. If the sales price is \$110,000, and the loan type is a 90% conventional loan, what is the intangibles tax?**

3.13 POINTS

- A \$250.00
- B \$330.00
- C \$297.00
- D \$316.80

i  $\$110,000 \times 90\% = \$99,000$  Loan Amount  $\div 500 = 198$  Taxable Parts  $\times \$1.50 = \$297.00$

**28. The sales price is \$250,000. The buyer is obtaining an 80% conventional loan for 30 years. The factor to amortize a loan of \$1,000 at a rate of 6.5% is 6.33. The annual taxes total \$3,500 and the annual hazard insurance premium is \$800. What is the buyer's monthly payment?**

3.13 POINTS

- A \$1,266.00
- B \$1,624.34
- C \$1,557.68
- D \$1,332.67



i  $\$250,000 \times 80\% = \$200,000$  Loan Amount  $\div$   $\$1,000$  in the loan = 200 x 6.33 Payment Factor =  $\$1,266$  P&I Payment

$\$3,500$  Annual Taxes  $\div$  12 =  $\$291.67$  Monthly Tax

$\$800$  Hazard Insurance  $\div$  12 =  $\$66.67$

$\$1,266$  P&I +  $\$291.67$  Monthly Tax +  $\$66.67$  Insurance =  **$\$1,624.34$  Total Monthly Payment**

**29. The sales price is \$180,000. The buyer is obtaining a 90% conventional loan for 30 years. The factor to amortize a loan of \$1,000 at a rate of 7.5% is 7.00 and the annual PMI rate is .62%. The annual taxes total \$2,000 and the annual hazard insurance premium is \$650. What is the buyer's monthly payment and the annual PMI rate is .62%?**

3.13 POINTS

A  $\$1,592.51$

B  $\$1,438.54$

C  $\$1,354.84$

D  $\$1,570.84$

i  $\$180,000 \times 90\% = \$162,000$  Loan Amount  $\div$   $\$1,000 = 162 \times \$7.00$  Payment Factor =  $\$1,134$  P&I Payment

PMI  $\$162,000$  Loan Amount X  $.0062 = \$1,004.40$  Annual PMI divided by 12 =  **$\$83.70$  Monthly PMI**

Property Tax  $\$2,000 \div 12 =$   **$\$166.67$  Monthly Tax**

Hazard Insurance  $\$650 \div 12 =$   **$\$54.17$  Monthly Insurance**

$\$1,134 + \$83.70 + \$166.67 + \$54.17 =$   **$\$1,438.54$  Total Monthly Payment**

**30. The sales price is \$150,000. The buyer is obtaining a 90% conventional loan for 15 years. The factor to amortize a loan of \$1,000 at a rate of 7.5% is 9.28 and the annual PMI rate is .60%. The annual taxes total \$1,800 and the annual hazard insurance premium is \$600. What is the buyer's monthly payment and the annual PMI rate is .60%?**

3.13 POINTS

A  $\$1,212.50$

B  $\$1,325.00$

C  $\$1,592.00$

D  $\$1,520.30$

i  $\$150,000 \times 90\% = \$135,000$  Loan Amount  $\div$   $\$1,000 = 135 \times \$9.28$  payment factor =  **$\$1,252.80$  Monthly P&I**

PMI =  $\$135,000$  Loan Amount X  $.0060 = \$810$  Annual PMI divided by 12 =  **$\$67.50$  Monthly PMI**

Property Tax =  $\$1,800 \div 12 =$   **$\$150.00$  Monthly Tax**

Insurance =  $\$600 \div 12 =$   **$\$50.00$  Monthly Insurance**

$\$1,252.80 + \$67.50 + \$150 + \$50 =$   **$\$1,520.30$  Total Monthly Payment**

**31. The buyer is closing on January 28 and the first payment will be due on March 1. The annual tax bill totals \$3,200 and the annual insurance premium is \$950. The lender requires a tax escrow of 10 months and 3 months for insurance. How much is required to set up the buyers escrow account?**

3.13 POINTS

- A \$2,904.17
- B \$636.67
- C \$1,140.00
- D \$2,666.67

i  $\$3,200 \div 12 = \$266.67$  Monthly Tax x 10 months = \$2,666.67  
 $\$950 \div 12 = \$79.17$  Monthly Insurance x 3 month = \$237.50

$\$2,666.67 + \$237.50 = \mathbf{\$2,904.17}$

**32. The buyer is purchasing a home with a sales price of \$260,000 with a 90% conventional loan. The closing is scheduled for August 10th and the first payment will be due on October 1. The annual PMI rate is 0.65%. The annual tax bill is \$2,650.00 and the insurance premium is \$725.00. If the lender requires a 5 month escrow for taxes and 3 months escrow for both hazard and private mortgage insurance, how much is required to set up the buyer's escrow account?**

3.13 POINTS

- A \$1,285.92
- B \$1,478.50
- C \$1,665.67
- D \$1,224.00

i  $\$260,000 \times 90\% = \$234,000$  Loan Amount x .0065 = \$152,100 Annual PMI  $\div 12 = \$126.75$  Monthly PMI x 3 Months = **\$380.25**

$\$2,650$  Annual Tax  $\div 12 = \$220.83$  Monthly Tax x 5 Months = **\$1,104.17**

$\$725$  Hazard Insurance  $\div 12 = \$60.42$  Monthly Insurance x 3 Months = **\$181.25**

$\$380.25 + \$1,104.17 + \$181.25 = \mathbf{\$1,665.67}$