

APPENDIX 10

ESCROW COMMITMENT PROCEDURE
(Example of Maximum Mortgage Calculation)

A.	Lesser of as-is value or sales price (line C-1 or D-1 of form HUD 92700)	22,200
B.	Rehabilitation cost (line B-14 of form HUD 92700)	37,791
C.	Total Acquisition cost (A + B above) (line C-3 or D-3 of 92700)	57,991
D.	After-Improved (Market) Value after Rehabilitation (line A-3 of 92700)	75,000
E.	Allowable Closing Costs (line A-5 of 92700, based on line D above)	1,973
F.	Mortgage basis for assuming mortgagor (line D + E above)	76,973
G.	Maximum assumtor mortgage (97/95 of line F above) (line E-1 of 92700 rounded down to 50 increment)	73,600
H.	Maximum investor loan (85% X (line C + E) above) (line C-5 or D-5 of 92700)	50,969
I.	Investor downpayment requirement (line C - H above)	7,022
J.	Excess loan proceeds (line G - C above)	15,609
K.	Investor escrow required (line G - H or line I + J above)	22,631
L.	Actual sales price	70,900
M.	Actual allowable closing costs to assuming mortgagor	1,000
N.	Actual sales price plus allowable closing costs (line L + M above)	71,900
O.	Maximum mortgage amount to be assumed (97/95% of line N above)	68,805
P.	Estimated balance at time of assumption (line G above)	73,600

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Q.	Principal reduction from investor escrow (line P - O above)	4,795
R.	Original investor escrow (K above)	22,631
S.	Release to the investor (line R - Q above)	17,836

1.	Buyer's total aquisition cost, including allowable closing costs (line N above)	71,900
2.	Principal balance being assumed (line O above)	68,805
3.	Buyer's cash to close (not including recurring closing costs)	3,095
4.	Allowable non-recurring closing costs (line M above)	1,000
5.	Funds to the investor from the buyer (line 3 - 4)	2,095
6.	Funds to the investor from the escrow account (line S above)	17,836
7.	Total amount released to the investor (line 5 + 6)	19,931
8.	Original downpayment by the investor (line I above)	7,022
9.	Difference between the estimated Market value after rehabilitation and the actual sales price (line D - L above)	4,100
10.	Investor's gross speculative profit (line D - C above)	17,009
11.	Gross profit by the investor (does not include construction profit) (line 7 - 6 or line 10 - 9 above)	12,909

A mortgage of 68,805 (line O) can be assumed by an owner-occupant acceptable to the Secretary. The investor's speculative profit would be 17,009 (line D minus line C), plus the construction profit for doing the work, provided the property was sold at 75,000 (market value after rehabilitation). The maximum mortgage amount will be reduced accordingly since the property was sold for less than 75,000. The purchaser is required to make a downpayment of 3,095, which includes closing costs.