

REPLACEMENT COST FORMULA

(See format following)

- (1) Determine the sum of all known items including the market price of site.
- (2) Determine the sum of the percentages of all carrying charges and financing expense items that are expressed as percentages of the mortgage loan amount. Multiply this sum by the 90% loan to value ratio. Deduct this resulting percentage total from 100%.
- (3) Divide the final figure in (1) above by the percentage factor found in (2). The result is the replacement cost of the property.
- (4) Multiply the replacement cost as found in (3) by the appropriate loan to value ratio (90%) to obtain the mortgage amount. Round to the next lower \$100 multiple.
- (5) Multiply the individual carrying charges and financing percentages by the appropriate mortgage amount found in (4). Multiply marketing percentage by replacement cost (if applicable).
- (6) Add the dollar amounts found in (5) to the sum of the known items in (1). The result is the replacement cost of the property.

EXAMPLE

- (1) Find the sum of the known items including the land.

For HUD-92264 - Line 50 Total All Improvements	\$ 600,000
54 Taxes	1,800
55 Insurance	1,200
60 Eng. Contract	12,500
62 Title and Recording	8,000
64 Legal	5,200
65 Organization	1,300
72 Land	79,100
	<hr/>
TOTAL OF ALL KNOWN ITEMS	\$ 709,100

REPLACEMENT COST - BY FORMULA

ITEM 50 - Total For All Improvements \$ _____
 ITEM 54 - Taxes \$ _____
 ITEM 55 - Insurance \$ _____
 ITEM 60 - Engineer's Contract (If Any) \$ _____
 ITEM 62 - Title and Recording \$ _____
 ITEM 64 - Legal \$ _____
 ITEM 65 - Organization \$ _____
 ITEM 72 - Land Value \$ _____
 TOTAL OF ALL KNOWN ITEMS = \$ _____

ITEM 53 - Interest Rate / 2 x Const. Time
 expressed as a fraction of a year _____ %
 ITEM 56 - Mortgage Ins. Premium _____ %
 ITEM 57 - Examination Fee _____ %
 ITEM 58 - Inspection Fee _____ %
 ITEM 59 - Financing Fee _____ %
 ITEM 61 - FNMA/GNMA Fee _____ %
 SUBTOTAL _____ %
 SUBTOTAL _____ % x Loan to Cost Ratio 90% = Total Unknowns
 100% - Total Unknowns _____ % = (B) _____ %

Total of All Knowns (A) _____ = Total Project Cost
 100% - Total of All Unknowns (B) _____
 (A) \$ _____ = \$ _____ Total Project Cost

(B) 100% - _____%

Total Project Cost x Loan Cost Ratio = \$_____ Maximum Mortgage
(if based on cost)

Complete Part G of Form HUD-92264 using the above determined "maximum mortgage" rounded to the next lower \$100 multiple. The resulting total project cost, Item 72, should correspond approximately to the total project cost found by the formula.

The above numbers relate to the Form HUD-92264.