

States with Low and High Average Closing Costs

Low Closing Costs	High Closing Costs	
STATE	STATE	STATE
Arizona	Alabama	Montana
California	Alaska	North Carolina
Colorado	Arkansas	North Dakota
Guam	Connecticut	Nebraska
Idaho	District of Columbia	New Hampshire
Illinois	Delaware	New Jersey
Indiana	Florida	New York
New Mexico	Georgia	Ohio
Nevada	Hawaii	Oklahoma
Oregon	Iowa	Pennsylvania
Utah	Kansas	Puerto Rico
Virgin Islands	Kentucky	Rhode Island
Washington	Louisiana	South Carolina
Wisconsin	Massachusetts	South Dakota
Wyoming	Maryland	Tennessee
	Maine	Texas
	Michigan	Virginia
	Missouri	Vermont
	Minnesota	West Virginia
	Mississippi	

Attachment B
Mortgage Calculation Examples

- 1. The property sold for and is appraised at \$100,000. The homebuyer is paying \$1,000 in closing costs. It is located in a high closing costs state.**

The maximum mortgage is first calculated at \$97,750 ($\$100,000 \times 97.75\%$), and the borrower must have *at least* 3 percent cash into the property (excluding prepaid expenses) totaling \$3,000.

The acquisition cost to the borrower is \$101,000 with a maximum mortgage of \$97,750, yielding \$3250 cash investment, exclusive of prepaid expenses. Since the \$3250 represents at least 3 percent of the sales price, no further mortgage amount calculation is necessary.

- 2. The property sold for and is appraised at \$100,000. The homebuyer is paying \$1,000 in closing costs. It is located in a state with low average closing costs.**

The maximum mortgage is first calculated at \$97,650 ($\$100,000 \times 97.65\%$), and the borrower must have *at least* 3 percent cash into the property (excluding prepaid expenses) totaling \$3,000.

The acquisition cost to the borrower is \$101,000 with a maximum mortgage of \$97,650, yielding \$3350 cash investment, exclusive of prepaid expenses. Since the \$3350 represents at least 3 percent of the sales price, no further mortgage amount calculation is necessary.

- 3. The property sold for and is appraised at \$100,000. Closing costs are being paid partially by the seller with the remaining costs paid through premium pricing. The property is located in a state with high average closing costs.**

The maximum mortgage calculation applied solely to the sales price/appraised value generates a maximum mortgage amount to \$97,750. However, this would yield a cash investment of only \$2250 ($\$100,000$ minus $\$97,750$) or \$750 less than the 3 percent of the \$100,000 sales price that is required. Therefore, the actual maximum mortgage must be reduced to \$97,000 to ensure that at least \$3000 exclusive of prepaid expenses is invested into the property. The required investment must be from the borrower's own funds, a bona fide gift, a loan from a family member, or from a governmental agency or instrumentality; it may not come from premium pricing, loans from other sources, the seller, builder, etc.

- 4. The property sold for \$100,000 and was appraised for \$103,250. The buyer is paying \$2000 in closing costs, but the seller has offered a “decorating allowance” of \$1000. The property is located in a high closing costs state.**

Decorating allowances and other inducements to purchase, as described in the mortgage credit analysis handbook, as well as sales concessions exceeding 6 percent, must be subtracted from the lesser of sales price or value in calculating the maximum mortgage amount. In this case, the mortgage basis is determined to be \$99,000 (\$100,000 minus the \$1000 allowance). That amount is then multiplied by the maximum LTV factor of 97.75 percent, yielding a mortgage of \$96,773. The inducement results in an additional cash investment requirement.

- 5. The property sold for \$82,000 but was only appraised for \$80,000. Nevertheless, the homebuyer wants the property and premium pricing is being used to pay the closing costs. It is located in a State with high average closing costs.**

The maximum mortgage amount must be calculated on the *lesser* of the value or sales price, in this case, \$80,000, yielding a mortgage amount of \$78,200 ($\$80,000 \times 97.75\%$). The difference between the sales price (\$82,000) and the calculated maximum mortgage (\$78,200) yields a minimum cash investment of \$3800.

- 6. The borrower’s previous residence was destroyed and was located in a Presidentially-declared disaster area. The borrower is eligible for 100 percent financing on a new home under FHA’s Section 203(h) program. The borrower’s closing costs are \$2000 on the \$80,000 purchase price.**

Neither the 3 percent cash investment requirement nor the State maximum LTV multipliers are to be used. As shown on the worksheet, 11d is to be modified to show 100 percent financing of the sales price and closing costs.

FHA Maximum Mortgage and Cash Needed Calculator

10. Statutory Investment Requirements	
a. Contract Sales Price	\$100,000
b. Borrower-Paid Closing Costs	\$1,000
c. Acquisition (before adjustments) (10a+10b)	\$101,000
d. Statutory Investment Req. (10a X 0.03)	\$3,000
11. Maximum Mortgage Calculation	
a. Lesser of Sales Price (10a) or Value	\$100,000
b. Required Adjustments (+/-) *	\$0
c. Mortgage Basis (11a ± 11b)	\$100,000
d. Max Mort. (11c x LTV Factor Below _____%)	\$97,750
Select Appropriate Maximum Loan-to-Value Factor	
<i>If State Avg. Closing Costs Are High, for Line 11d use</i>	
0.9875 if Line 11a is \$50,000 or less	<input type="radio"/> 0.9875
0.9775 if Line 11a > \$50,000	<input checked="" type="radio"/> 0.9775
<i>If State Avg. Closing Costs Are Low, for Line 11d use</i>	
0.9875 if Line 11a is \$50,000 or less	<input type="radio"/> 0.9875
0.9765 if Line 11a is >\$50,000 up to \$125,000	<input type="radio"/> 0.9765
0.9715 if Line 11a is >\$125,000	<input type="radio"/> 0.9715
Maximum LTV Multiplier	0.9775
12. Actual Cash Investment Requirements	
a. Down Payment (10c-11d)	\$3,250
(This amount must equal or exceed 10d!!) **	
b. Prepaid Expenses	\$0
c. Discount Points	\$0
d. Repairs/Improvements (Non-Financeable)	\$0
e. MIP Paid in Cash	\$0
f. Non-Realty and Other Items	\$0
g. Total Cash to Close (Sum of 12a thru 12f)	\$3,250
Mortgage Reduction to (if Required per Line 12a)**	\$0

FHA Maximum Mortgage and Cash Needed Calculator

10. Statutory Investment Requirements	
a. Contract Sales Price	\$100,000
b. Borrower-Paid Closing Costs	\$1,000
c. Acquisition (before adjustments) (10a+10b)	\$101,000
d. Statutory Investment Req. (10a X 0.03)	\$3,000
11. Maximum Mortgage Calculation	
a. Lesser of Sales Price (10a) or Value	\$100,000
b. Required Adjustments (+/-) *	\$0
c. Mortgage Basis (11a ± 11b)	\$100,000
d. Max Mort. (11c x LTV Factor Below _____ %)	\$97,650
Select Appropriate Maximum Loan-to-Value Factor	
<i>If State Avg. Closing Costs Are High, for Line 11d use</i>	
0.9875 if Line 11a is \$50,000 or less	<input type="radio"/> 0.9875
0.9775 if Line 11a > \$50,000	<input type="radio"/> 0.9775
<i>If State Avg. Closing Costs Are Low, for Line 11d use</i>	
0.9875 if Line 11a is \$50,000 or less	<input type="radio"/> 0.9875
0.9765 if Line 11a is >\$50,000 up to \$125,000	<input checked="" type="radio"/> 0.9765
0.9715 if Line 11a is >\$125,000	<input type="radio"/> 0.9715
Maximum LTV Multiplier	0.9765
12. Actual Cash Investment Requirements	
a. Down Payment (10c-11d)	\$3,350
(This amount must equal or exceed 10d!!) **	
b. Prepaid Expenses	\$0
c. Discount Points	\$0
d. Repairs/Improvements (Non-Financeable)	\$0
e. MIP Paid in Cash	\$0
f. Non-Realty and Other Items	\$0
g. Total Cash to Close (Sum of 12a thru 12f)	\$3,350
Mortgage Reduction to (if Required per Line 12a)**	\$0

FHA Maximum Mortgage and Cash Needed Calculator

10. Statutory Investment Requirements	
a. Contract Sales Price	\$100,000
b. Borrower-Paid Closing Costs	\$0
c. Acquisition (before adjustments) (10a+10b)	\$100,000
d. Statutory Investment Req. (10a X 0.03)	\$3,000
11. Maximum Mortgage Calculation	
a. Lesser of Sales Price (10a) or Value	\$100,000
b. Required Adjustments (+/-) *	\$0
c. Mortgage Basis (11a ± 11b)	\$100,000
d. Max Mort. (11c x LTV Factor Below _____ %)	\$97,750
Select Appropriate Maximum Loan-to-Value Factor	
<i>If State Avg. Closing Costs Are High, for Line 11d use</i>	
0.9875 if Line 11a is \$50,000 or less	<input type="radio"/> 0.9875
0.9775 if Line 11a > \$50,000	<input checked="" type="radio"/> 0.9775
<i>If State Avg. Closing Costs Are Low, for Line 11d use</i>	
0.9875 if Line 11a is \$50,000 or less	<input type="radio"/> 0.9875
0.9765 if Line 11a is >\$50,000 up to \$125,000	<input type="radio"/> 0.9765
0.9715 if Line 11a is >\$125,000	<input type="radio"/> 0.9715
Maximum LTV Multiplier	0.9775
12. Actual Cash Investment Requirements	
a. Down Payment (10c-11d)	\$2,250
(This amount must equal or exceed 10d!!) **	
b. Prepaid Expenses	\$0
c. Discount Points	\$0
d. Repairs/Improvements (Non-Financeable)	\$0
e. MIP Paid in Cash	\$0
f. Non-Realty and Other Items	\$0
g. Total Cash to Close (Sum of 12a thru 12f)	\$2,250
Mortgage Reduction to (if Required per Line 12a)**	\$97,000

FHA Maximum Mortgage and Cash Needed Calculator

10. Statutory Investment Requirements	
a. Contract Sales Price	\$100,000
b. Borrower-Paid Closing Costs	\$2,000
c. Acquisition (before adjustments) (10a+10b)	\$102,000
d. Statutory Investment Req. (10a X 0.03)	\$3,000
11. Maximum Mortgage Calculation	
a. Lesser of Sales Price (10a) or Value	\$100,000
b. Required Adjustments (+/-) *	-\$1,000
c. Mortgage Basis (11a ± 11b)	\$99,000
d. Max Mort. (11c x LTV Factor Below _____ %)	\$96,773
Select Appropriate Maximum Loan-to-Value Factor	
<i>If State Avg. Closing Costs Are High, for Line 11d use</i>	
0.9875 if Line 11a is \$50,000 or less	<input type="radio"/> 0.9875
0.9775 if Line 11a > \$50,000	<input checked="" type="radio"/> 0.9775
<i>If State Avg. Closing Costs Are Low, for Line 11d use</i>	
0.9875 if Line 11a is \$50,000 or less	<input type="radio"/> 0.9875
0.9765 if Line 11a is >\$50,000 up to \$125,000	<input type="radio"/> 0.9765
0.9715 if Line 11a is >\$125,000	<input type="radio"/> 0.9715
Maximum LTV Multiplier	0.9775
12. Actual Cash Investment Requirements	
a. Down Payment (10c-11d)	\$5,228
(This amount must equal or exceed 10d!!) **	
b. Prepaid Expenses	\$0
c. Discount Points	\$0
d. Repairs/Improvements (Non-Financeable)	\$0
e. MIP Paid in Cash	\$0
f. Non-Realty and Other Items	\$0
g. Total Cash to Close (Sum of 12a thru 12f)	\$5,228
Mortgage Reduction to (if Required per Line 12a)**	\$0

Mortgage Credit Analysis Worksheet

Purchase Money Mortgages

U.S. Department of Housing and Urban Development
Office of Housing
Federal Housing Commissioner

OMB Approval No. 2502-0059 (exp. 7/31/2000)

See back of page for Public Burden and Sensitive Information statements

All numbered entries in \$ except where noted.

Case number Ex. #4 Section of the Housing Act _____ Check one
 Existing Construction Proposed Construction

1a. Borrower's name		2a. Social Security Number	
1b. Co-Borrower's name		2b. Social Security Number	
3a. Mortgage without Upfront MIP	3b. Total UFMP	3c. Mortgage with UFMP	4. Appraised Value (without CC) <u>\$103,250</u>
6. Current housing expenses			5. a. Total Closing Costs (CC) <u>\$2000</u> b. Less Paid by Seller _____ c. Equals Borrower's CC <u>2000</u>
7. Term of loan _____ years	8. Interest rate _____ %	9. Adj. buy-down interest rate _____ %	

10. Statutory Investment Requirements

a. Contract Sales Price	<u>100,000</u>
b. Borrower-Paid Closing Costs (from 5c)	<u>2,000</u>
c. Unadjusted Acquisition (10a + 10b)	<u>102,000</u>
d. Statutory Investment Requirement (10a x 0.03)	<u>3,000</u>

14. Debts & Obligations

	Monthly Payment	Unpaid Balance
a. Total installment debt		
b. Child support, etc.		
c. Other		
d. Total monthly payments		

11. Maximum Mortgage Calculation

a. Lesser of Sales Price (10a) or Value (from 4)	<u>\$100,000</u>
b. Required Adjustments (+/-) <u>Dec. Allowance</u>	<u>-1,000</u>
c. Mortgage Basis (11a + 11b)	<u>99,000</u>
d. Mort Amt. (11c x LTV Factor % or Less)	<u>96,773</u>

15. Future monthly payments

a. Principal & interest - 1st mortgage	
b. Monthly MIP	
c. Homeowners Association Fee	
d. Ground rent	
e. Principal & interest - 2nd mortgage	
f. Hazard insurance	
g. Taxes & special assessments	
h. Total mortgage payment	
i. Recurring expenses (from 14d)	
j. Total fixed payment	

12. Cash Investment Requirements

a. Minimum Down Payment (10c-11d) (This amount must equal or exceed 10d)	<u>5,227</u>
b. Prepaid Expenses	<u>700</u>
c. Discount Points	<u>-</u>
d. Repairs/Improvements (Non-Financeable)	<u>-</u>
e. Upfront MIP Paid in Cash	<u>-</u>
f. Non-Realty and Other Items	<u>-</u>
g. Total Cash to Close (Sum of 12a thru 12f)	<u>\$5927</u>
h. Amount Paid (Earnest Money, etc.)	<u>1300</u>
i. Amount of Gift Funds [Source _____]	<u>-</u>
j. Assets Available	<u>7,000</u>
k. 2nd Mort (if applicable) [Source _____]	<u>-</u>
l. Cash Reserves (Sum 12h thru 12k, minus 12g)	<u>2373</u>

16. Ratios

a. Loan-to-value (11d divided by 11a)	<u>96.77%</u>
b. Mortgage Payment-to-income (15h divided by 13f)	_____ %
c. Total fixed payment-to-income (15j divided by 13f)	_____ %

13. Monthly Effective Income

a. Borrower's base pay	
b. Borrower's other earnings (explain)	
c. Co-borrower's base pay	
d. Co-borrower's other earnings (explain)	
e. Net income from real estate	
f. Gross monthly income	

17. Borrower rating (enter "A" for acceptable or "R" for reject)

a. Credit characteristics	
b. Adequacy of effective income	
c. Stability of effective income	
d. Adequacy of available assets	

18. Borrower's CAIVRS Number _____ Co-borrower's CAIVRS Number _____

LDP/GSA (page no. & date) _____ LDP/GSA (page no. & date) _____

Attachment A Information

A1. Contract Sales Price of Property (line 10a above) _____

A2. 6% of line A1 _____

A3. Total Seller Contribution _____

A4. Excess Contribution _____

Remarks (attach additional paper if needed)

17. Final application decision <input type="checkbox"/> Approve <input type="checkbox"/> Reject	18. Examiner's signature & date X	19. Underwriter's signature & date X	CHUMS ID Number
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FHA Maximum Mortgage and Cash Needed Calculator

10. Statutory Investment Requirements	
a. Contract Sales Price	\$80,000
b. Borrower-Paid Closing Costs	\$2,000
c. Acquisition (before adjustments) (10a+10b)	\$82,000
d. Statutory Investment Req. (10a X 0.03)	\$2,400
11. Maximum Mortgage Calculation	
a. Lesser of Sales Price (10a) or Value	\$80,000
b. Required Adjustments (+/-) *	\$0
c. Mortgage Basis (11a ± 11b)	\$80,000
d. Max Mort. (11c x LTV Factor Below _____ %)	\$78,200
Select Appropriate Maximum Loan-to-Value Factor	
<i>If State Avg. Closing Costs Are High, for Line 11d use</i>	
0.9875 if Line 11a is \$50,000 or less	<input type="radio"/> 0.9875
0.9775 if Line 11a > \$50,000	<input checked="" type="radio"/> 0.9775
<i>If State Avg. Closing Costs Are Low, for Line 11d use</i>	
0.9875 if Line 11a is \$50,000	<input type="radio"/> 0.9875
0.9765 if Line 11a is >\$50,000 up to \$125,000	<input type="radio"/> 0.9765
0.9715 if Line 11a is >\$125,000	<input type="radio"/> 0.9715
Maximum LTV Multiplier	0.9775
12. Actual Cash Investment Requirements	
a. Down Payment (10c-11d)	\$3,800
(This amount must equal or exceed 10d!!) **	
b. Prepaid Expenses	\$0
c. Discount Points	\$0
d. Repairs/Improvements (Non-Financeable)	\$0
e. MIP Paid in Cash	\$0
f. Non-Realty and Other Items	\$0
g. Total Cash to Close (Sum of 12a thru 12f)	\$3,800
Mortgage Reduction to (if Required per Line 12a)**	\$0

Mortgage Credit Analysis Worksheet

Purchase Money Mortgages

U.S. Department of Housing and Urban Development
Office of Housing
Federal Housing Commissioner

OMB Approval No. 2502-0059 (exp. 7/31/2000)

See back of page for Public Burden and Sensitive Information statements

All numbered entries in \$ except where noted.

Case number Ex 6	Section of the Housing Act	Check one <input type="checkbox"/> Existing Construction <input type="checkbox"/> Proposed Construction
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1a. Borrower's name		2a. Social Security Number		
1b. Co-Borrower's name		2b. Social Security Number		
3a. Mortgage without Upfront MIP	3b. Total UFMP	3c. Mortgage with UFMP	4. Appraised Value (without CC)	5. a. Total Closing Costs (CC) 2,000
				b. Less Paid by Seller —
				c. Equals Borrower's CC 2,000
6. Current housing expenses	7. Term of loan years	8. Interest rate %	9. Adj. buy-down interest rate %	

10. Statutory Investment Requirements			14. Debts & Obligations		Monthly Payment	Unpaid Balance
a. Contract Sales Price		\$80,000	a. Total installment debt			
b. Borrower-Paid Closing Costs (from 5c)		2,000	b. Child support, etc.			
c. Unadjusted Acquisition (10a + 10b)		82,000	c. Other			
d. Statutory Investment Requirement (10a x 0.03)		-0-	d. Total monthly payments			

11. Maximum Mortgage Calculation			15. Future monthly payments			
a. Lesser of Sales Price (10a) or Value (from 4)		\$80,000	a. Principal & interest - 1st mortgage			
b. Required Adjustments (+/-) <i>c.c. for Sec. 2034</i>		2,000	b. Monthly MIP			
c. Mortgage Basis (11a + 11b)		82,000	c. Homeowners Association Fee			
d. Mort Amt. (11c x LTV Factor <i>100%</i> or Less)		82,000	d. Ground rent			

12. Cash Investment Requirements			16. Ratios			
a. Minimum Down Payment (10c-11d) (This amount must equal or exceed 10d)		0	a. Loan-to-value (11d divided by 11a)			%
b. Prepaid Expenses			b. Mortgage Payment-to-income (15h divided by 13f)			%
c. Discount Points			c. Total fixed payment-to-income (15j divided by 13f)			%
d. Repairs/Improvements (Non-Financeable)			17. Borrower rating (enter "A" for acceptable or "R" for reject)			
e. Upfront MIP Paid in Cash			a. Credit characteristics			
f. Non-Realty and Other Items			b. Adequacy of effective income			
g. Total Cash to Close (Sum of 12a thru 12f)			c. Stability of effective income			
h. Amount Paid (Earnest Money, etc.)			d. Adequacy of available assets			
i. Amount of Gift Funds [Source _____]			18. Borrower's CAIVRS Number			
j. Assets Available			Co-borrower's CAIVRS Number			
k. 2nd Mort (if applicable) [Source _____]			LDP/GSA (page no. & date)		LDP/GSA (page no. & date)	
l. Cash Reserves (Sum 12h thru 12k, minus 12g)			Attachment A Information			

13. Monthly Effective Income			Attachment A Information			
a. Borrower's base pay			A1. Contract Sales Price of Property (line 10a above)			
b. Borrower's other earnings (explain)			A2. 6% of line A1			
c. Co-borrower's base pay			A3. Total Seller Contribution			
d. Co-borrower's other earnings (explain)			A4. Excess Contribution			
e. Net income from real estate						
f. Gross monthly income						

Remarks (attach additional paper if needed)

17. Final application decision <input type="checkbox"/> Approve <input type="checkbox"/> Reject	18. Examiner's signature & date X	19. Underwriter's signature & date X	CHUMS ID Number
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