

| Formula   | Description  | Goal        | Exp.         | Example   | Calculation   |
|---|--|-------------|--------------|---|---|
| <b>LTV</b><br>= LA / >(SP or AV)  | Ratio of amount borrowed compared to lower of appraised value or sale price.                                       | Assess risk | %            | LA = \$175,000<br>SP = \$220,000<br>AV = \$240,000          | \$175,000 / \$220,000 = 79.5%                         |
| <b>CLTV</b><br>= BD / >(SP or AV)<br><br><b>BD</b><br>= FMB + SMB   | LTV calculation if property purchase price is funded from a combination of more than one loan.                     | Assess risk | %            | PLA = \$300,000<br>SLA = \$20,000<br>BD = \$320,00          | \$320,000 / \$360,000 = 88%                           |
| <b>M(argin)</b><br>= SR + 100 BPS - PR  | Amount a lender adds to index on ARM to establish adjusted interest rate.  | Profit.     | Dec. (rate)  | SR = 7.25<br>PR = 4.20<br>Spread = 1.00                     | (7.25 + 1.00) - 4.20 = 4.05                           |
| <b>BPS</b><br>= BPS / 100   | Basis points (used when referring rate).   | Calc.       | #            | 37.5 BPS  | 37.5 / 100 = .375                                     |
| <b>Monthly payment</b><br>= P + I   | Borrower's monthly payment including principle and interest.   | Calc.       | \$           | P = \$1500<br>I = \$200                                     | Monthly payment = \$1700                              |
| <b>NOI*</b><br>= GRI - OE<br><br><b>GRI</b><br>= R + PT - V   | Income from a rental property after operating expenses are deducted from Gross Rental Income.                      | Assess risk | \$           | R = 6 units @750<br>PT = \$300<br>V = 1 unit<br>OE = \$3200 | GRI = \$4800<br>NOI = \$4800 - \$3200<br>NOI = \$1600 |
| <b>DTI</b><br>= MD / GMI  | Compares the borrower's anticipated monthly long term payments to monthly interest.                                | Assess risk | % (ratio)    | MD = \$2000<br>GMI = \$6000                                 | DTI = \$2000/\$6000 = 2/6 = 1/3 = .333 = 33%          |
| <b>DSCR*</b><br>= NOI / MP  | Examines the ratio of net income in relation to debt.  | Assess risk | Dec. (ratio) | NOI = \$1600<br>MP = \$1330                                 | \$1600/\$1330 = 1.20                                  |
| <b>20 Year</b><br>= .25% + (IR + M)<br><b>25 Year</b><br>= .30% + (IR + M)<br><b>30 Year</b><br>= .50% + (IR + M) | Amount borrowed is paid including interest, where interest starts as greater % of payment and gradually decreases. | Calc.       | Dec. (rate)  | IR = 6.99   | 20 Year = 7.24<br>25 Year = 7.29<br>30 Year = 7.49    |
| <b>IO (Interest-only)</b><br>= (LA * IR) / 12   | Mortgage in which only interest is paid (no principle).  | Calc.       | \$           | LA = \$300,000<br>IR = 8.75%                                | Monthly payment = \$2187.50                           |

| Abbreviations                      |
|------------------------------------|
| ARM - Adjustable Rate Mortgage     |
| AV - Appraised Value               |
| BD - Balance of Mortgage Debt      |
| BPS - Basis points                 |
| DSCR - Debt service coverage ratio |
| DTI - Debt to income ratio         |
| FMB - First Mortgage Loan          |
| GMI - Gross monthly income         |
| GRI - Gross rental income          |
| I - Interest                       |
| IO - Interest only loan            |
| IR - Interest rate                 |
| LA - Loan Amount (PAR)             |
| M - Margin                         |
| MD - Monthly debt                  |
| MP - Mortgage payment(s)           |
| NOI - Net operating income         |
| OE - Operating expenses            |
| P - Principle                      |
| PR - Prime rate (see Matrix)       |
| PT - Pass through (recovery)       |
| R - Rent                           |
| SMB - Second Mortgage Loan         |
| SP - Sale Price                    |
| SR - Start Rate                    |
| # - Whole number                   |

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(OE examples: management, taxes, utilities, insurance, reserves, maintenance, etc.)

\*Usually calculated on a yearly basis,