

Chicagoland2to4Flats.info

Property Analysis Worksheet

INSTRUCTIONS / OVERVIEW

Provided by: **Bill Bein**
 Keller Williams Realty, 2106 N Clark, Chicago, IL 60614
 Direct/Cell: 773-510-9021; Fax: 773-342-1506;
 Email: bbein@kw.com

Specific Property Data

For each property enter 1) the Expected Purchase Price, 2) the current taxes, 3) the current rents (in some cases, the listing sheet may not furnish this, and you will have to guess at an amount), and 4) the address (if you wish). Be sure to always enter the most expensive rent first--for owner-occupied, that is the unit the lender assumes you will occupy.

Address: **Logan Square 2-flat** **Expected Purchase Amt:** **\$428,000**
Taxes: \$4,200 **Rent (highest 1st):** #1: \$1,400 #2: \$1,200 #3: #4:

Income/Expense Data

| | | |
|--|-----------|----------------|
| Salary 1 (annual) | \$ | 60,000 |
| Salary 2 (annual) | \$ | 40,000 |
| Total Salary (annual) | \$ | 100,000 |
| Salary on MONTHLY basis | \$ | 8,333 |
| Total MONTHLY Debt | \$ | 750 |
| % of Rent factored by lender as income | | 75% |

It is NOT required that you fill in this data unless you want to see whether or not you will prequalify for the purchase. If you do want this, what you must enter here is 1) your family's annual income and 2) an estimate of your total monthly debt (car loans, credit cards, etc.). Note that most lenders allow 75% of the rent you expect to collect as income (for owner-occupied this excludes the owner's unit).

Prequalified Monthly Payment(by the common 36/42 rule*)

This section will self-populate--unless your lender uses something other than the 36% or 42% rules of thumb (most lenders won't want your mortgage payment to be higher than 36% of income without considering debt OR 42% considering debt -- whichever is less).

| | | |
|----------------------|------------|-----------------------------|
| | 36% | 42% |
| Monthly Salary | \$ 8,333 | Monthly Salary \$ 8,333 |
| Rent Added as Income | \$ 900 | Rent Added as Income \$ 900 |
| Max PITI allowed | \$ 3,324 | Other Monthly Debt \$ (750) |
| | | Max PITI allowed \$ 3,128 |

* For pre-qualification, we assume your lender will allow 36% of your income without debt or 42% with debt (whichever is less) and 75% of the rent you expect to collect as income.

Prequalified Max Monthly Payment \$ 3,128

Financing and Insurance Data

| | |
|------------------------------------|----------|
| Down Payment % from cash | 5% |
| What YRS amortization for 1st mtg? | 30 |
| What INTEREST RATE for 1st mtg? | 5.250% |
| Second mtg % (5%, 10%, etc.) | 15% |
| What YRS amortization for 2nd mtg? | I.O. |
| What INTEREST RATE for 2nd mtg? | 5.750% |
| Insurance ANNUALLY | \$ 1,800 |

For insurance, \$1,800 is the preloaded figure, but this will vary enormously by location, size, etc..

There is a separate set of data on "Current Programs / Rates" with common options for different down payment levels and information for the questions, "What YEARS amortization for 1st mtg?" and "What YEARS amortization for 2nd mtg?" as well as what is a common current interest rate for each program.

To fill in this section, enter: 1) the percent of the purchase as cash downpayment, 2) the amortization and interest rate for the first mortgage and 3) the amount, amortization, and interest rate of the 2nd mortgage (if any). Finally, you can either leave the insurance amount at the 1,800 preset level or adjust it to whatever you think it will actually be.

Summary - Mortgage & Cash

You may fix-up or as a cash reserve (which some lenders require). Note that it shows you totals for mortgage(s), down payment, and cash for closing.

| | | |
|-------------------------|----|---------|
| CASH for Down Payment | \$ | 21,400 |
| Cash for closing costs | \$ | 7,510 |
| Cash for fix-up/reserve | \$ | 0 |
| Amount of 1st Mortgage | \$ | 342,400 |
| Amount of 2nd Mortgage | \$ | 64,200 |

If you are not familiar with how a second mortgage can reduce your down payment and avoid PMI, consult your lender on this.

Monthly Payment

The only information you can add is for PMI (Private Mortgage Insurance), which normally doesn't apply--even if you are only putting 5% or 10% down. If you will be paying PMI, you must ask your lender for an estimate of what to expect year one.

| | | |
|--------------------------------|-----------|-----------------|
| Monthly payment- 1st Mortgage | \$ | 1,893.47 |
| Monthly Payment - 2nd Mortgage | \$ | 307.52 |
| PMI (if necessary) | \$ | 0 |
| Monthly PI payments | \$ | 2,200.99 |
| Monthly Taxes | \$ | 350.00 |
| Monthly Insurance | \$ | 150.00 |
| Total Monthly Paymnt | \$ | 2,700.99 |

If you are putting less than 20% down and are either taking on a second mortgage or paying PMI, that will reduce the cash flow of the property. On the other hand, you will still gain full appreciation on the property--and won't be putting so much cash into the purchase.

PITI = P-principal, I-interest, T-taxes, I-insurance.

Closing Costs / Cash Items

| | |
|--|----------|
| Points to be paid (enter as a %) | 0% |
| (Points as a dollar amount) | \$ - |
| Closing Cost est. (.0075% +\$ 2,500) | \$ 5,710 |
| First Year Insurance (paid in advance) | \$ 1,800 |

Will you be paying points to buy down your mortgage rate? (As a rule, this virtually NEVER happens with multi-unit property...)

If you want a more precise idea of closing costs and any cash reserve that will be required, consult your lender.

SUMMARY INFORMATION

Total Cash Required at Closing: \$ 28,910

Do you qualify? Yes, by \$427.01/mo.

Total Rent Potential: \$2,600

Total Monthly Mortgage Payment: \$2,701

Total rent potential vs. monthly payment: Minus -\$101

Gross Depreciation \$/yr

Example of annual depreciation allowance
\$6,020

Net Tax Savings/yr

Example of possible net tax savings
\$9,428

The Total Cash at Closing adds your down payment and whatever the estimate was for closing costs and other cash items.

The "Do you qualify?" question compares the Prequalified Monthly Payment above to the Total Monthly PITI Payment below--and shows whether or not you prequalify for that level of purchase.

The Total Rent Potential looks at ALL units (as if it were non-owner occupied) and compares that to your Total Monthly Payment--to provide an idea of the cash flow capability of the property PRE-TAX. You, of course, will have expenses and vacancies and also substantial tax deductions (depreciation, interest, property taxes, etc.). The final two boxes seek to show potential tax advantages--both for depreciation and for income tax savings. However, note that only your tax professional can forecast what you should expect--there are far too many variables for a generic form like this to provide tax advice to you; our intent is only to show you that many owners of multi-unit properties experience substantial tax savings.