COMPUTATION OF INCREASED INTEREST PAYMENTS

PROJECT NUMBER:	**PROJECT LOCATION:**
CONTROL NUMBER:	**TRACT:**
NAME:	

A. GENERAL
The payment for increased mortgage interest cost shall be the amount which will reduce the mortgage balance on the new mortgage to an amount which could be amortized with the same monthly payment for principal and interest as that for the mortgage(s) on the displacement dwelling. This is referred to as the "buy down amount."

The payment is to be calculated using any financial calculator or software program that is designed to calculate the unknown amount when you know three of the following four items: 1)present value of the mortgage 2) the interest rate 3) the number of periods of the mortgage or term and 4) the principal and interest payment.

B. MORTGAGE PAYMENT
In order to recalculate the actual remaining term of the existing loan, in step E1, it is necessary to know the actual amortized principal and interest payment required for the existing mortgage.

1	**Existing mortgage payment $**

C. INTEREST RATES
The difference between the interest rates of the existing and new loans is one of the basic factors in the calculation of the payment. The actual rate of the existing loan is used. On the new loan, the rate used is the actual rate, not to exceed the rate currently charged by mortgage lending institutions in the vicinity of the replacement property, referred to as the prevailing interest rate.

1	**Existing interest rate %**	2	**New interest rate %**	3	**Prevailing interest rate %**

D. MORTGAGE BALANCE
The payment shall be based on the unpaid mortgage balance(s) on the displacement dwelling; however in the event the person obtains a smaller mortgage than the mortgage balance(s) computed in the buy down determination, step G2, the payment will be prorated and reduced accordingly, step H.

1	**Existing mortgage balance $**	2	**New mortgage balance $**

E. MORTGAGE TERM
The payment shall be based on the remaining term of the mortgage(s) on the displacement dwelling or the term of the new mortgage, whichever is shorter. Because additional principal payments may have been made during the term of the mortgage, it is more reliable to compute the remaining term for the existing mortgage based on the balance in D1, the interest rate in C1 and the principal and interest payment in B1. Enter this amount in E1.

If the term on the new mortgage is shorter, and therefore, used in the determination of the payment, it will be necessary to recalculate a new monthly principal and interest payment for the displacement dwelling based on the interest rate and mortgage balance(s) on the displacement dwelling and the term of the new mortgage. This is done in step G1.

1	**Existing mortgage term (calculated) months**	2	**New mortgage term months**

F. POINTS AND LOAN ORIGINATION FEES
Purchaser's points and loan origination or assumption fees, but not seller's points, shall be computed based on the unpaid mortgage balance on the displacement dwelling, less the amount determined for the reduction of such mortgage balance, which is the amount in G2.

1	**Points: %**	2	**Loan origination fees: %**	3	**Assumption fee: $**

G. COMPUTATION

1	Determine the principal & interest payment for the displacement dwelling based on the interest rate on C1, the mortgage balance on D1 and the lesser term in E.	**$**
2	Determine the amount of the reduced loan for the monthly principal & interest payment from G1, with the lesser term from E, at the new interest rate from C2 (not to exceed the prevailing rate).	**$**
3	The actual mortgage reduction payment is the difference between the existing mortgage balance in D1 and the amount computed in G2.	**$**
4	Determine the amount for discount points and loan origination fee noted in F1&2 by multiplying those percentages by the reduced loan amount determined in G2.	**$**
5	**Assumption Fee, if applicable**	**$**
6	**TOTAL INTEREST DIFFERENTIAL** is the sum of G3and G4.	**$**

H. PRORATA COMPUTATIONS, if required
If the new mortgage is less than the amount computed in G2 above, the following calculation applies:

1	Divide the new mortgage balance from D2 by the amount from G2 to develop the ratio.	**.**
2	Multiply the ratio from H1 by the amount calculated in G5 for the **prorata payment.**	**$**

Remarks:

AGENT:	**DATE:**