Real Estate Math Exam Cheat Sheet

National / General | 7 scored items | about 6% of all scored items

STUDY RULE

Write the relationship, label the units, convert the percentage to a decimal, and only then calculate. Use the day-count and closing-day convention stated in the question.

What Pearson Tests

- Square footage, acreage, CMA adjustments, NOI, cap rate, equity, and listing price
- Commission, LTV, interest, points, down payment, PITI, buyer cost, and seller net
- Prorations, debits and credits, return, appreciation, depreciation, and property-management calculations

Exam Traps

- Pearson says to memorize 43,560 square feet per acre and 5,280 feet per mile.
- Cap rate uses NOI. GRM uses gross rent. Mixing net and gross figures produces the wrong answer.
- A proration question supplies the required 360-day or 365-day convention and who owns the closing day.

Essential Vocabulary

- Loan-to-value ratio: Loan amount divided by the lender's stated value, expressed as a percentage.
- Proration: Allocation of an expense or income item between parties for their periods of ownership.
- Capitalization rate: NOI divided by value, or the market rate used to convert NOI into value.
- Gross rent multiplier: Sale price divided by gross rent for the stated rental period.
- Ad valorem tax: A tax based on value.
- Mill: One-thousandth of a dollar, equal to $1 of tax per $1,000 of value.
- Debit: An amount charged to a party on a settlement statement.
- Credit: An amount entered in a party's favor on a settlement statement.

Recall Check

- What is the value formula using NOI and cap rate? Answer: Value equals NOI divided by the capitalization rate.
- How many square feet are in an acre? Answer: 43,560.
- Should you assume a 360-day year for every proration? Answer: No. Use the convention stated in the question.

My Miss Log

Write the rule you missed, then schedule the next rep.