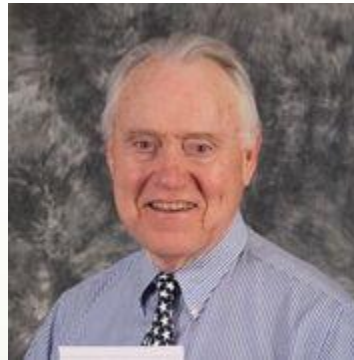


Seiler

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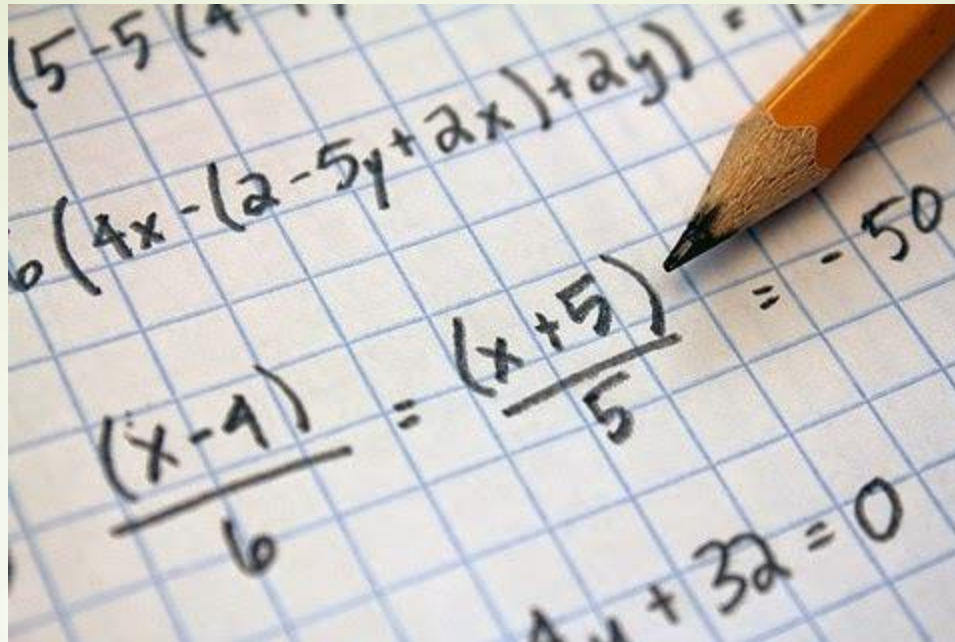


Rick Seiler

Instructor/Broker/Owner

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Proration Quiz # 1 Including Solutions



Proration Customs

- Compute prorations on 360-day year and 30-day month. Unless otherwise instructed.
- Items paid in advance (prepaid) by the Seller are usually, Credit to Seller and Debit to Buyer.
- Items paid in arrears (not delinquent) by the Seller are usually, Debit to Seller and Credit to Buyer.



Prorations Made Easy??

- Calculate the cost per day (per diem)
- Calculate the number of days to be prorated by using
 - The 1st Day of the Unpaid Period (for example if the tenant's rent has been paid for month of August 2018 the 1st Day of UPP = 2018-09-01)
 - The Closing Date ie August 15th = 2018-08-15
- Multiply the cost per day x number of days to arrive at the amount to prorate.
- Determine who to Debit or Credit.



Proration Question # 1

1. ____ Rick sells an Upper Kula cabbage farm on November 10, 2018 . The principal balance on the mortgage as of November 1st is \$68,955. @ 9 5/8% Rick will not be making the November 1st loan payment. Calculate the interest proration.

- A. \$553.08
- B. \$18.44
- C. \$719.16
- D. \$165.96



Solution to Proration Question #1

Year-Mo-Day

- 2018-11-10 Closing Date
- -2018-10-01 First Day of Unpaid Period
- 00-01-09 = 39 Days
- To convert $5/8 = 5$ divided by $8 = .625$
- \$68,955.00
- x 9.625%
- \$6,636.92 year / 360 days in year =
\$18.44 per diem
- \$18.44 x 39 = **\$719.16 = C**



Proration Question #2

2. ___ Dawn paid \$297. for fire insurance policies, which cover a tofu factory for a year and expire July 17, 2019. When the tofu factory sells on November 7, 2018, what are the prorations?

- A. \$207.08 @ credit seller, debit buyer
- B. \$197.30 @ debit buyer, credit seller
- C. \$234.75 @ credit seller, debit buyer
- D. \$282.50 @ debit seller, credit buyer



Solution to Proration

Question #2

Year-Mo-Day

- 2019-07-18 First Day of Unpaid Period
- -2018-11-07 Closing Date
- 00-08-11 = 251 Days
- $\$297.00 / 360 = \underline{.825 \text{ per diem}}$
- $.825 \times 251 \text{ days} = \mathbf{\$207.08} = \underline{\mathbf{A}}$



Proration Question #3

3. ____ Prorate Lonny's (the buyer's) portion of the annual tax bill of \$1,638. (paid in full) for the calendar year when the sale is closed April 17, 2018 .

- A. \$623.35
- B. \$1,155.70
- C. \$409.50
- D. \$482.30



Solution to Proration Question #3

Year-Mo-Day

- 2019-01-01 First Day of Unpaid Period
- -2018-04-17 Closing Date
- 00-08-14 = 254 Days
- $\$1,638.00 / 360 = \underline{\$4.55 \text{ per diem}}$
- $\$4.55 \times 254 \text{ days} = \underline{\$1,155.70} = \underline{\mathbf{B}}$



Proration Question #4

4. ___Graham's Maui Meadows house is sold on May 15, 2018 . The annual taxes (calendar year) \$760. and the annual water costs of \$80. have been prepaid. Your prorations would be:

- A. \$455. @ credit seller, debit buyer
- B. \$527. @ debit buyer, credit seller
- C. \$385. @ credit seller, debit buyer
- D. \$595. @ debit seller, credit buyer



Solution to Proration Question #4

Year-Mo-Day

- 2019-01-01 First Day of Unpaid Period
- -2018-05-15 Closing Date
- 00-07-16 = 226 Days
- $\$760.00 + 80.00 = \$840.00 / 360 = \underline{\$2.33}$
per diem
- $\$2.33 \times 226 \text{ days} = \mathbf{\$526.58} = \mathbf{\underline{B}}$



Proration Question #5

5. _____ Closing date of August 5, 2018; first installment of Maui fiscal year (July 1, 2018 through June 30, 2019) real estate taxes are not paid; assessed value of the property is \$300,000. Don, the seller is 62 years old and an owner occupant. (use a homeowner exemption of \$80,000.) The tax rate is \$7.75 per \$1,000.

- A. \$258.33 @ credit seller, debit buyer
- B. \$161.16 @ debit seller, credit buyer
- C. \$161.16 @ credit seller, debit buyer
- D. \$290.62 @ debit seller, credit buyer



Solution to Proration Question #5

Year-Mo-Day

- 2018-08-05 Closing Date
- -2018-07-01 First Day of Unpaid Period
- 00-01-04 = 34 Days
- $\$300,000. - \$80,000. = \$220,000. /$
 $\$1,000. = 220 \times \$7.75 = \$1,705.00$
- $\$1,705.00 / 360 = \underline{\$4.74 \text{ per diem}}$
- $\$4.74 \times 34 \text{ days} = \mathbf{\$161.16} = \mathbf{\underline{B}}$ Unpaid
so debit seller and credit buyer



Proration Question #6

6. ____ Closing date is April 20, 2018. Mike the Buyer will assume homeowner's insurance that expires December 12, 2018. Premium paid to Bishop Insurance is \$162.

- A. \$162. @ debit buyer
- B. \$104.85 @ debit seller, credit buyer
- C. \$100.35 @ debit seller, credit buyer
- D. \$104.85 @ debit buyer, credit seller



Solution to Proration Question #6

Year-Mo-Day

- 2018-12-13 First Day of Unpaid Period
- -2018-04-20 Closing Date
- 00-07-23 = 233 Days
- $\$162.00 / 360 = \underline{\$0.45 \text{ per diem}}$
- $\$0.45 \times 233 \text{ days} = \mathbf{\$104.85} = \underline{\mathbf{D}}$
- Paid in advance so credit seller, debit buyer



Proration Question #7

7. _____ Michele had paid the annual taxes (Hawaii's fiscal year, July 1, 2018 through June 30, 2019) of \$1,082.40 when the Puunene house closed escrow on February 20, 2019. What are the prorations?
- A. \$301. @ debit buyer, credit seller
 - B. \$394. @ debit buyer, credit seller
 - C. \$451. @ credit seller, debit buyer
 - D. \$692. @ credit seller, debit buyer



Solution to Proration Question #7

Year-Mo-Day

- 2019-07-01 First Day of Unpaid Period
- 2019-02-20 Closing Date
- 00-04-11 = 131 Days
- $\$1,082.40 / 360 = \underline{\$3.01 \text{ per diem}}$
- $\$3.01 \times 131 \text{ days} = \underline{\$394.31} = \underline{\mathbf{B}}$



Proration Question #8

8. ____ Mark has sold a Haiku property and will close escrow November 23, 2018. After making the November loan payment the outstanding balance is \$125,560. at 10 7/8%; Calculate the interest due at closing.

- A. \$834.46
- B. \$303.44
- C. \$1,972.34
- D. \$1,137.89



Solution to Proration Question #8

Year-Mo-Day

- 2018-11-23 Closing Date
- -2018-11-01 First Day of Unpaid Period
(Interest paid in arrears)
- 00-00-22 = 22 Days
- $\$125,560. \times 10.875\% = \$13,654.65 / 360 =$
 $\$37.93$ per diem
- $\$37.93 \times 22 \text{ days} = \mathbf{\$834.46} = \mathbf{\underline{A}}$



Proration Question #9

9. _____ Cindy, the landlord has collected the June rent from all five tenants: two at \$345. and three at \$425. Compute the rent proration to the buyer if the sale is closed June 19, 2018.

- A. \$786.
- B. \$872.45
- C. \$1,244.50
- D. \$1,425.40



Solution to Proration Question #9

Year-Mo-Day

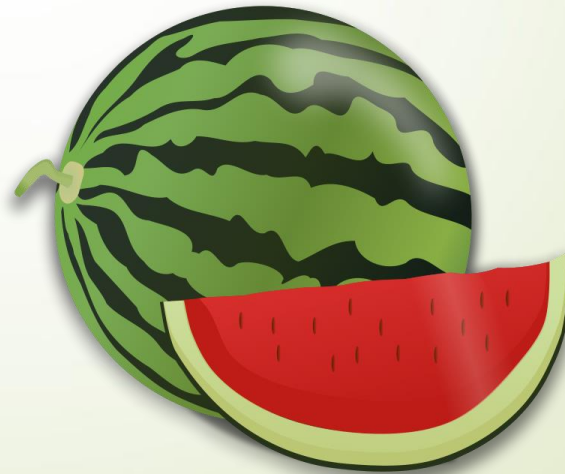
- 2018-07-01 First Day of Unpaid Period
- -2018-06-19 Closing Date
- 00-00-12 = 12 Days
- $\$345.00 \times 2 = \690.00
- $\$425.00 \times 3 = \$1,275.00$
- $\$690.00 + \$1,275 = \$1,965.00 / 30 =$
 $\$65.50$ per diem
- $\$65.50 \times 12 \text{ days} = \mathbf{\$786.00} = \mathbf{\underline{A}}$



Proration Question #10

10. ___ Ken closes escrow September 21, 2018 on the sale of a watermelon farm on Molokai. The annual county water bill of \$1,900. has been prepaid through the fiscal year. (July 1st through June 30th) The buyer will give Ken enough melons @ \$3.50 to offset the proration.

- A. 224 melons
- B. 1,478 melons
- C. 422 melons
- D. 543 melons



Solution to Proration Question #10

Year-Mo-Day

- 2019-07-01 First Day of Unpaid Period
- -2018-09-21 Closing Date
- 00-09-10 = 280 Days
- $\$1,000.40 / 360 = \underline{\$5.28 \text{ per diem}}$
- $\$5.28 \times 280 \text{ days} = \$1,478.40 / \$3.50 =$
422.4 = C



Proration Question #11

11. _____ Shawneen is assuming the seller's mortgage loan balance of \$24,569.20 @ 9%. The closing date is June 3, 2018. The seller has paid the June 1st mortgage payment of \$265.42; The interest proration is:

- A. \$12.28 @ credit seller
- B. \$26.54 @ debit buyer
- C. \$20.45 @ debit seller
- D. \$12.28 @ debit seller



Solution to Proration Question #11

Year-Mo-Day

- 2018-06-03 Closing Date
- -2018-06-01 First Day of Unpaid Period
- 00-00-02 = 2 Days
- $\$24,569.20 \times 9\% = \$2,211.23$ year / 360 days in year = $\$6.14$ per diem
- $\$6.14 \times 2 = \mathbf{\$12.28} = \mathbf{\underline{D}}$
- Interest Paid in Arrears so Debit Seller & Credit Buyer



Proration Question #12

12.____The tax year is January 1st through December 31, 2018. Tammy has paid taxes of \$252. in full and the property is sold April 15, 2018. What is the unused portion?

- A. \$73.50
- B. \$179.20
- C. \$199.50
- D. \$157.50



Solution to Proration Question #12

Year-Mo-Day

- 2019-01-01 First Day of Unpaid Period
- - 2018-04-15 Closing Date
- 00-08-16 = 256 Days
- $\$252.00 / 360 = \underline{\$0.70 \text{ per diem}}$
- $\$0.70 \times 256 \text{ days} = \mathbf{\$179.20} = \underline{\mathbf{B}}$



Proration Question 13

13. ____ Harold sells an oceanfront Wailea Point condo for \$40,000. by way of a mortgage assumption. Harold makes the August 1, 2018 mortgage payment and the principal balance is now \$26,310. What is/are the proration(s) if the interest rate is 8% and closing August 15, 2018?

- A. \$52.62 @ debit seller
- B. \$116.93 @ debit seller, credit buyer
- C. \$81.90 @ debit seller, credit buyer
- D. \$88.89 @ credit buyer, debit seller



Solution to Proration Question #13

Year-Mo-Day

- 2018-08-15 Closing Date
- -2018-08-01 First Day of Unpaid Period
- 00-00-14 = 14 Days
- $\$26,310.00 \times 8\% = \$2,104.80$ year / 360 days in year = $\$5.85$ per diem
- $\$5.85 \times 14 = \mathbf{\$81.90} = \underline{\underline{C}}$
- Interest Paid in Arrears so Debit Seller



Proration Question #14

14. ___ Closing date of November 1, 2018. Stacey, the seller has paid the real property taxes of \$240.40 in full for the calendar year.

- A. \$40.20 @ credit seller, debit buyer
- B. \$242. @ debit buyer
- C. \$48.40 @ credit buyer, debit seller
- D. \$242. @ debit seller



Solution to Proration Question #14

Year-Mo-Day

- 2019-01-01 First Day of Unpaid Period
- -2018-11-01 Closing Date
- 00-02-00 = 60 Days
- $\$240.40 / 360 = \underline{\$0.67}$ per diem
- $\$0.67 \times 60 \text{ days} = \underline{\$40.20} = \underline{\mathbf{A}}$

