

<b>Sample Calculation: Equity and Appreciation Allocation Through Refinances</b>						
		<b>First REFI</b>				
<b>Item #</b>	<b>Date</b>	<b>Description</b>	<b>Amount</b>	<b>CP equity</b>	<b>SP equity</b>	<b>Comments</b>
1	10/10/90	Carry in from MM Calc				
2	10/10/90	Property Value	\$ 250,000.00			** Value at first refi
3	10/10/90	Old Loan Balance	\$ 30,000.00			** Exhibit "A" - Item 7
4	10/10/90	SP Equity	\$ 140,000.00		\$ 140,000.00	** Exhibit "A" - Item 25
5	10/10/90	CP Equity	\$ 80,000.00	\$ 80,000.00		** Exhibit "A" - Item 25
6						
7	10/10/90	New Loan	\$ 100,000.00			
8						
9	10/10/90	Cash out	\$ 70,000.00			** Item 7 - Item 3
10						
11	10/10/90	Post Loan Equity	\$ 150,000.00	\$ 10,000.00	\$ 140,000.00	** Item 2 - Item 7 - CP loan charged to CP
12	10/10/90	Allocated loan		\$ 100,000.00	\$ -	** No erosion of SP equity;100% allocated to CP
13						
14	10/10/90	Percentage of value		\$ 0.44	\$ 0.56	** Items 11 + 12 ÷ Item 2 respectively
15						
16		<b>Second REFI</b>				
17						
18	03/07/96	Hypo Sale/Refi Value	\$ 450,000.00			
19	03/07/96	Loan Bal	\$ 50,000.00			
20	03/07/96	Net Sale proceeds	\$ 400,000.00			** Item 18 - Item 19
21						
22		<b>Knowns</b>				
23	03/07/96	Loan paydown	\$ 50,000.00	\$ 50,000.00		** Item 7 - Item 19
24	03/07/96	Hard equity	\$ 150,000.00	\$ 10,000.00	\$ 140,000.00	** Item 11
25	03/07/96	Appreciation	\$ 200,000.00	\$ 88,000.00	\$ 112,000.00	** Item 18 - Item 2; Item 25 x Item 14 respectively
26	03/07/96	Total	\$ 400,000.00	\$ 148,000.00	\$ 252,000.00	** Equals Item 20
27						
28	03/07/96	New Loan	\$ 360,000.00			
29						
30	03/07/96	Cash out	\$ 310,000.00			** Item 28 - Item 19
31						
32	03/07/96	New post Loan Equity	\$ 90,000.00		\$ 90,000.00	** Item 18 - Item 28 - SP eroded
33	03/07/96	Allocated loan		\$ 198,000.00	\$ 162,000.00	** Entries equal Item 28; SP = Item 26 - Item 32
34						
35	03/07/96	Percentage of value		\$ 0.44	\$ 0.56	** Items 32 + 33 ÷ Item 18 respectively
36						

Item #	Date	Description	Amount	CP equity	SP equity	Comments
37		<b>Third REFI</b>				
38						
39	06/24/00	Hypo Sale/Refi Value	\$ 600,000.00			
40	06/24/00	Loan Bal	\$ 300,000.00			
41	06/24/00	Net Sale proceeds	\$ 300,000.00			** Item 39 - Item 40
42						
43		Knowns				
44	06/24/00	Loan paydown	\$ 60,000.00		\$ 60,000.00	** Item 28 - Item 40
45	06/24/00	Post Loan Equity	\$ 90,000.00		\$ 90,000.00	** Item 32
46	06/24/00	Appreciation	\$ 150,000.00	\$ 66,000.00	\$ 84,000.00	** Item 39 - Item 18; Item 46 x Item 32 respectively
47	06/24/00	Total	\$ 300,000.00	\$ 66,000.00	\$ 234,000.00	** Equals Item 41
48						
49	06/24/00	New Loan	\$ 480,000.00			
50						
51	06/24/00	Cash out	\$ 180,000.00			** Item 49 - Item 40
52						
53	06/24/00	New post Loan Equity	\$ 120,000.00	\$ -	\$ 120,000.00	** Item 39 - Item 49; SP eroded
54	06/24/00	Allocated loan		\$ 366,000.00	\$ 114,000.00	** Entries equal Item 49; SP = Item 47 - Item 53
55						
56	06/24/00	Percentage of value		\$ 0.61	\$ 0.39	** Items 53 + 54 ÷ Item 39 respectively
57						
58		<b>Date of Trial</b>				
59						
60	11/01/04	Hypo Sale/Refi Value	\$ 750,000.00			
61	11/01/04	Loan Bal	\$ 450,000.00			
62	11/01/04	Net Sale proceeds	\$ 300,000.00			** Item 60 - Item 61
63						
64		Knowns				
65	11/01/04	Loan paydown	\$ 30,000.00		\$ 30,000.00	** Item 49 - Item 61
66	11/01/04	Hard equity	\$ 120,000.00	\$ -	\$ 120,000.00	** Item 53
67	11/01/04	Appreciation	\$ 150,000.00	\$ 91,500.00	\$ 58,500.00	** Item 60 - Item 39; Item 67 x Item 56 respectively
68	11/01/04	Total	\$ 300,000.00	\$ 91,500.00	\$ 208,500.00	** Equals Item 69
69						
70		<b>Recap/Reconciliation</b>				
71						
72	11/01/04	Community Equity	\$ 91,500.00			** Item 67
73	11/01/04	Separate Equity	\$ 208,500.00			** Item 67
74	11/01/04	Loan Balance	\$ 450,000.00			** Item 61
75	11/01/04	<b>Total</b>	\$ 750,000.00			** Equals Item 60



## Assumptions and Methodology

- 1 The loan proceeds received during marriage are presumed to be community property.
- 2 At the first refinance, the owner spouse could sell his or her property instead and realize the net proceeds of sale less the community's accrued Moore/Marsden interest. At the time of any subsequent refinance, the owner spouse could sell the property and realize his or her separate equity accrued at the time of the refinance.
- 3 Separate equity will be maintained if possible. Separate equity should not be charged with the community's "cash out" unless unavoidable.
- 4 After the first refinance, strict Moore/Marsden formula cannot be used because the loans are no longer "loans by which the property was purchased." However the spirit and intent of the formula is maintained by allocating appreciation based upon equity percentages of total value at each refinance. Total value equates to "purchase price" in the original Moore/Marsden formula.
- 5 Accrued community and/or separate equity may be eroded by the "cash out." If so, debit against community equity first, and only if community equity is exhausted will separate equity be eroded.
- 6 If separate equity is eroded, allocate that amount from community loan proceeds to the owner spouse for the purpose of calculating the percentage of total value, which will be used to allocate appreciation.
- 7 As to pay-downs of principal, credit to eroded separate equity first and if the pay-down is greater than the eroded separate equity, then credit to the community. If pay-down is less than eroded separate equity, separate equity permanently loses the difference. This approach is equitable, because:
  - All separate equity is included in the calculation to determine percentage of total value, which in turn gives a greater percentage of the appreciation;
  - The separate equity is partially restored by the principal reductions, which have been paid by the community;
  - As a member of the community, the owner spouse has presumably benefited from the "cash out," including the amount attributable to any separate equity that may be permanently lost.