

**FI 436**

**REAL ESTATE FINANCE**

Tuesdays & Thursdays

9:30 to 10:45 AM

115 Bidgood Hall

**Fall 2009**

Instructor: Dr. Leonard V. Zumpano

Office: 233 Alston

**Course Description:** This course examines the legal, economic, institutional, quantitative, strategic, and investments elements of the real estate financing process, including both residential and income property financing instruments.

**Course Objectives:** To provide students with the necessary knowledge to understand the institutional and dynamic aspects of mortgage markets, effectively evaluate different loan alternatives, choose the most appropriate financing technique for given borrowing situations, and to understand the tax and investment implications of such decisions.

**Text:** Real Estate Finance and Investments by W.B. Brueggeman and J.D. Fisher. Irwin, Inc., 13th edition. In addition, academic and professional journal articles, handouts, and selected chapters and/or sections from textbooks will also be assigned periodically throughout the semester. These readings will be available either in the stacks, online, or at the reserve desk in the library. There are problem solutions for chapters 3, 4, 5, and 12 at the course website on e-learning.

**Exams:** There will be two exams during the regular semester and a final. Tentative exam dates are Thursday, September 24<sup>th</sup>, Thursday, November 5<sup>th</sup>, with the final exam on Monday, December 7<sup>th</sup> at 8 a.m.

**Grades:** Graduate students will be required to complete a research project or paper, worth 20% of their final grade, on a topic chosen with the advice and consent of the instructor. Exams will be equally weighted and makeup 100% of the final grade for undergraduate students and 80% of the final grade for graduate students. A special comprehensive final exam will be available for anyone who misses a regularly scheduled exam. The weight of the comprehensive will be based upon the number of regular exams missed by the student.

**Prerequisites:** FI 331 and FI 302

**Office Hours:** Mondays and Wednesdays, 10:30 to 12 noon and by appointment.

## TOPIC OUTLINE/READING ASSIGNMENTS

<u>Chapter</u>	<u>Topic</u>
1	Legal Concepts  Property Rights and Estates; Assurance of Title Limitations on Ownership
2,	The Mortgage Loan  The Mortgage Instrument and the Promissory Note Foreclosure
3	The Interest Factor in Financing
4	Financing Residential Properties  Fixed Rate Mortgage Loans (Constant Payment vs Constant Amortization) Development of Alternative Loan Patterns
5	Adjustable Rate and Variable Payment Mortgage Loans
6	Residential Financial Analysis  Incremental Borrowing Costs, Loan Assumptions, and Refinancing
7	The Single-Family Housing Market  Pricing, Investment and Tax Considerations
8	Underwriting Residential Properties  Default Risk Classification of Home Mortgage Loans The Underwriting and Closing Process
9	Financing Income Producing Properties  Property Types & Underwriting Considerations Supply & Demand Analysis

- 12 \* Financial Leverage and Financing Alternatives  
Wrap-around mortgages, land contracts and leasehold mortgages,  
pp.166-169 in Chapter 6, and assigned readings
- 13 Risk Analysis  
The Sources of Risk, pp. 384 – 387  
Due Diligence & Risk Reduction Techniques, pp.387- 396.
- 14 Disposition, Refinancing, and Renovation
- 15 Financing Corporate Real Estate
- 19 The Secondary Mortgage Market: Pass-Through Securities
- 20 CMOs and Derivative Securities
- 21 Real Estate Investment Trusts

\* Supplemental reading material, handouts, and lectures