

BUTTE COLLEGE

COURSE OUTLINE

I. CATALOG DESCRIPTION

RLS 40 - Real Estate Finance

3 Unit(s)

Prerequisite(s): RLS 20 (or concurrent enrollment)

Recommended Prep: NONE

Transfer Status: CSU

51 hours Lecture

This course introduces the issues, trends, regulations and procedures relating to real estate financing for all types of real property: residential, multi-family, commercial and special purpose. Topics include types of lenders; lending policies; methods of qualifying for loans; and uses of mortgages, trust deeds, and leases of real property. This course satisfies the California Department of Real Estate (DRE) requirement that students pass a college-level "Real Estate Finance" course prior to taking the Real Estate Broker License Exam. It can also count as the optional course that students must pass prior to taking the California Real Estate Salesperson License Exam.

II. OBJECTIVES

Upon successful completion of this course, the student will be able to:

- A. Critically evaluate the factors that influence the supply and demand for real estate funding sources.
- B. Compare and contrast primary and secondary market sources of mortgage funds.
- C. Solve mathematical problems and perform fundamental calculations used in real estate finance.
- D. Explain the steps in the real estate loan process, including application, appraisal, processing, and award of loan.
- E. Accurately describe (in appropriate sequence) the elements in the closing process of a real estate transaction.
- F. Construct a variety of real estate financing proposals and discuss the advantages and disadvantages of each proposal for the seller, lender and borrower.
- G. Identify and accurately complete the various legal documents typically used in real estate financing transactions.
- H. Identify and analyze special problems associated with construction loans, government guaranteed or insured loans, and income property loans.

III. COURSE CONTENT

A. Unit Titles/Suggested Time Schedule

Lecture	
<u>Topics</u>	<u>Hours</u>
1. Nature and Cycle of California Real Estate Finance	3.00
2. Money and the Monetary System	3.00
3. Fiduciary Sources for Real Estate Finance	4.00
4. Semi-Fiduciary and Non-Fiduciary Sources for Real Estate Finance	3.00
5. Conventional, Insured, and Guaranteed Loans	3.00
6. Financial Agencies and Lending Programs	4.00
7. Junior Loans in Real Estate Finance	3.00
8. Loan Terms and Note Payments	4.00
9. Instruments of Re-Finance	3.00

10. Real Estate Loan Underwriting	5.00
11. Processing Real Estate Loans	3.00
12. The Secondary Mortgage and Trusts Deed Markets	3.00
13. Loan Defaults and Foreclosures	4.00
14. Investment Financing Strategies	3.00
15. Mathematics of Real Estate Finance	3.00
Total Hours	51.00

IV. METHODS OF INSTRUCTION

- A. Lecture
- B. Class Activities
- C. Homework: Students are required to complete two hours of outside-of-class homework for each hour of lecture
- D. Discussion
- E. Demonstrations
- F. Guest speakers from the real estate or financing profession
- G. Case Analysis
- H. Class Project

V. METHODS OF EVALUATION

- A. Exams/Tests
- B. Quizzes
- C. Projects
- D. Homework
- E. Class participation

VI. EXAMPLES OF ASSIGNMENTS

- A. Reading Assignments
 1. Read text material regarding creative financing and prepare for in-class discussion of the benefits to the buyer and seller of a “wrap-around” mortgage (i.e., an all-inclusive deed of trust (AIDT)).
 2. Read the real estate section of the Friday local newspaper, noting sales, financing updates and economic conditions. Prepare for in-class discussion.
- B. Writing Assignments
 1. Write a 3 page paper comparing the characteristics, advantages and disadvantages of FHA-insured, VA-guaranteed loans and conventional financing.
 2. For a prospective buyer:
 - Calculate loan ratios for various sources of funds (e.g., VA, FHA and conventional) to determine the maximum loan amount for which he or she would qualify.
 - Construct a variety of real estate financing proposals for this buyer, who is now interested in buying a particular property (which will be described). For each proposal, identify the advantages and disadvantages to the seller, lender and borrower. Calculate the buyer’s proposed closing costs by completing a HUD/RESPA financial disclosure sheet. This submission will be 2-4 pages long.
- C. Out-of-Class Assignments
 1. Calculate the credit-worthiness of a prospective buyer given specific lender criteria. Conduct an income analysis, calculate his/her net worth and review his/her credit reputation. Create a 1 page summary of this analysis and include all pertinent addenda.
 2. Complete 3-4 pages of real estate finance calculations:
 - Use amortization tables for loan payoff balance, loan payments and discount points

using the matrix provided in the text.

- Calculate capitalization rate, points, discounts, yields, qualification ratios and fees.

VII. **RECOMMENDED MATERIALS OF INSTRUCTION**

Textbooks:

- A. Sirota, PhD, D. and Lush, BA, GRI, ABR, M.. California Real Estate Finance. 7th Edition. Dearborn, 2012.
- B. Bond., R.J., McKenzie, D.J. and Fesler, J. . California Real Estate Finance. 9th Edition. South-Western Educational Publishing, 2012.

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Date: 04/01/2013