

Saddleback College Business Science Division  
Course Syllabus For RE 175: REAL ESTATE FINANCE: Internet

Orientation is required. You will find the location, date, and time listed in the course information in the current semester's class schedule. This is the only in-person meeting we'll have or there is also an online orientation at: [www.saddleback.edu/faculty/mwelc](http://www.saddleback.edu/faculty/mwelc) if you cannot attend the live Orientation.

You must also complete the Real Estate Department's Online checklist located here: <http://www.saddleback.edu/faculty/mwelc/onlineorientationwelc.htm>.

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Office Hours: M-F, 12-12:30 and 5-5:30 online, [mwelc@saddleback.edu](mailto:mwelc@saddleback.edu)

Course Description:

Analysis of real estate financing, including lending policies and problems in financing transactions in residential, apartment, commercial, and special purpose properties.

Methods of financing properties are emphasized.

Applies toward State's core educational requirements for the broker's examination.

Applies towards DRE (Department of Real Estate) basic education.

Course Objectives:

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

1. Define and apply the real estate finance terminology.
2. Identify and apply basic finance techniques for residential real estate.
3. Analyze real estate finance functions in the working environment of the real estate sales person.
4. Discuss specific real estate finance functions of loan organization, processing, underwriting, and delivery to secondary market.
5. Identify the key characteristics of any investment
6. Explain how home buyers use loans to purchase homes, and how the principles of investment affect residential financing
7. List the types of investments (ownership, debt, and securities)
8. Distinguish between the features and benefits of each investment type
9. Discuss how the key characteristics of investments (safety, liquidity, and yield) interact to affect investment risk
10. Discuss the concept of diversification and how it affects risk
11. Describe the types of risks assumed by mortgage lenders, including risk of default, risk of loss, interest rate risk, and prepayment risk
12. Summarize market interest rates and explain how they affect mortgage lending
13. Recall the two ways in which the federal government influences the cost of

- borrowing money
14. Define fiscal policy and the branches of government that determine and implement it
  15. Describe how government spending and the federal deficit are covered using debt financing
  16. Explain how taxation is used to carry out social policy with respect to real property ownership
  17. Summarize the historical reasons for government regulation of depository institutions
  18. Outline the organization of the Federal Reserve System
  19. Discuss the relationship between the Federal Reserve's actions, inflation, and the health of the economy
  20. List the tools used by the Federal Reserve to implement monetary policy
  21. Describe how lending takes place in the primary market
  22. Discuss the effect of real estate cycles on real estate markets
  23. Explain the relationship between the primary and secondary markets, including how mortgage funds flow from investors to lenders to home buyers
  24. List the major secondary market agencies and explain the concept of a government-sponsored enterprise (GSE)
  25. Explain mortgage-backed securities and their function in the secondary market
  26. Discuss the importance of underwriting guidelines established by secondary market agencies
  27. Give examples of the benefits of secondary market agencies and their efforts to increase the availability of mortgage funds
  28. Summarize the most recent developments with the GSEs in the wake of the mortgage and economic crisis
  29. Explain the basic steps in the mortgage process
  30. Distinguish between different types of loan originators and the ways they help borrowers get funds
  31. Describe new government regulations affecting loan originators at both the national and state level
  32. List the different types of mortgage lenders and the ways their businesses have changed over time
  33. Discuss important historical events in the mortgage industry, including the Depression and the savings and loan crisis, and the government's response to these events
  34. Summarize the factors leading up to the mortgage and financial crisis, and the impact it may have on the mortgage industry
  35. Identify the parties to and the basic provisions of a promissory note
  36. Distinguish between a straight note and an installment note
  37. Explain the purpose of having a security instrument accompany a loan
  38. Define hypothecation and its relationship to the possession of property used as collateral
  39. Compare the parties involved in a mortgage with those involved in a deed of trust

40. Contrast the advantages of judicial foreclosure and nonjudicial foreclosure
41. Describe the three basic alternatives to foreclosure
42. List typical clauses found in real estate finance instruments and describe their effects
43. Discuss how an alienation clause affects the assumption of a loan
44. Name the major types of mortgage loans and identify their characteristics
45. Identify the basic features of a mortgage loan, including amortization, repayment period, loan-to-value ratio, mortgage insurance or guaranty, and fixed or adjustable rate
46. Explain how different forms of amortization work, and the concept of a balloon payment
47. Discuss the relationship between a loan's repayment period and its interest rate
48. Calculate a loan-to-value ratio
49. Explain the purpose of mortgage insurance or loan guaranties
50. Give an example of the restrictions a primary lender might place on secondary financing
51. Name the issues adjustable-rate mortgages were designed to address
52. List the features of an adjustable-rate mortgage, including those used to control interest rate and payment adjustments
53. Describe the circumstances under which negative amortization can result
54. Distinguish between prequalification and preapproval
55. Perform the steps in the prequalification process
56. Understand loan costs, such as origination fees and discount points
57. Discuss the purpose and the requirements of the Truth in Lending Act and RESPA
58. Describe the steps in the loan application process
59. Understand the reasoning behind the underwriting process
60. Explain the purpose of and the procedures used in the closing process
61. Describe the basic steps in the underwriting process
62. Understand the purpose of underwriting (qualifying) standards
63. Define the different classifications used in an automated underwriting report
64. Discuss an underwriter's main considerations: credit reputation, income, and net worth
65. Define quantity, quality, and durability of income
66. List the types of income that qualify as stable monthly income
67. Explain how to use income ratios to measure the adequacy of income
68. Calculate net worth using an applicant's assets and liabilities
69. Understand credit history and credit scores
70. List other underwriting considerations, such as LTV, repayment period, and property type
71. Explain the role of an appraisal in determining a property's market value
72. Describe how loan-to-value ratios affect the lender's risk
73. List the steps in the appraisal process
74. Discuss the three basic methods for estimating a property's value: sales comparison, replacement cost, and income

75. Define the five elements that are considered when evaluating a property's suitability as a comparable
76. Understand the difference between replacement cost and reproduction cost
77. List the three different types of depreciation
78. Calculate a property's value using a gross income multiplier
79. Prevent and/or respond to problems caused by a low appraisal
80. Distinguish between conforming and nonconforming loans
81. List the key features found in most conventional loans
82. Understand conforming loan limits and why they are important
83. Summarize the concept of risk-based loan fees
84. Explain when private mortgage insurance is needed and when it can be canceled
85. Discuss the restrictions commonly placed on secondary financing
86. Calculate the debt to income ratio and housing expense to income ratio
87. List compensating factors that may justify loans with higher ratios
88. Describe ways to make a loan more affordable, such as buydowns and accelerated payment plans
89. Discuss the purpose of the FHA-insured loan program
90. Identify key rules governing FHA-insured loans
91. List the different types of FHA loan programs
92. Understand the role of maximum loan amounts, and how they vary by location
93. Discuss how a borrower can meet the minimum cash investment requirement
94. Calculate upfront and annual mortgage insurance premiums
95. Identify when secondary financing may be used in the context of an FHA loan
96. Explain when an FHA loan may be assumed
97. Describe the underwriting requirements for an FHA loan, including the income ratios
98. List the characteristics that distinguish VA-guaranteed loans
99. Describe the criteria for eligibility for a VA loan
100. Define the role of the VA guaranty and how it affects the VA loan amount
101. Illustrate how a substitution of entitlement works
102. Calculate how much of a downpayment will be needed for a particular loan
103. Describe VA underwriting guidelines
104. List compensating factors that might help a marginal applicant obtain a VA loan
105. Define "seller second" and describe how it can be used to supplement either a new loan or an assumption
106. Understand how seller financing might be used as primary financing
107. Describe how a land contract differs from a mortgage or deed of trust
108. Explain how wraparound financing works
109. List alternatives to seller financing, such as buydowns or lease arrangements
110. Summarize an agent's responsibilities in a seller-financed transaction
111. Describe the purpose of the Equal Credit Opportunity Act
112. List discriminatory acts and protected classes under the Fair Housing Act

113. Explain the goals of the Community Reinvestment Act
114. Discuss the role of the Home Mortgage Disclosure Act in preventing redlining
115. Summarize the purpose of the Truth in Lending Act
116. Describe TILA's disclosure requirements, such as the annual percentage rate and total finance charge, and state how the right of rescission works
117. Explain the disclosure requirements and prohibited practices provisions in the Real Estate Settlement Procedures Act
118. Define predatory lending and give examples of predatory practices
119. Summarize the laws regulating predatory lending

Student Resources:

Required:

*Financing Residential Real Estate*; Dorsey, Megan; Rockwell Publ., latest edition, and *Financing Residential Real Estate: Student Guide and Online Access Code*

Optional:

*Dictionary of Real Estate—A Handy Reference*; Cox/Cox/Silver-Westrick; Bella Vista Publishing Company, ISBN #0-9718225-0-6

*Reference Book A Real Estate Guide*; California Department of Real Estate, ISBN #0-916478-02-5. Free to download from:

[http://www.dre.ca.gov/pub\\_referencebk.html](http://www.dre.ca.gov/pub_referencebk.html)

*Real Estate Law*; California Department of Real Estate. Free to download from:

[http://www.dre.ca.gov/pdf\\_docs/relaw/relaw2011.pdf](http://www.dre.ca.gov/pdf_docs/relaw/relaw2011.pdf)

The telephone number for the Saddleback College Bookstore is (949) 582- 4715.

Students *must* have a reliable Internet connection!

Due Dates :

All online course work (quizzes and final exam) must be completed online by 11:59 pm of the last day of the course as listed in the class schedule. You do NOT need to click on the "submit" button in the online course to receive credit.

The required essay may be submitted by email to [mwelc@saddleback.edu](mailto:mwelc@saddleback.edu) . The essay is due no later than 11:59 pm of the last day of the course as listed in the class schedule.

Please refer to Saddleback's Schedule for the last official day of the course: to get to this information, go to [www.saddleback.edu](http://www.saddleback.edu) then click on class schedules (located in the left column). Then find the term you registered for (pay attention to whether the class you registered for is a 16 week class or a first 8 week class or a second 8 week class). On the next page click on "Real Estate." From there, find the class you registered for (verify the ticket number on your registration (the paper you got from the registrar when you registered at the beginning of the semester) matches the ticket number on this screen so that you get the information for the right class. From there, click "Details." This will take you to the page with information regarding the first and last days of the course.

To obtain a completed course verification form, follow these instructions exactly: 1.

Complete ALL work for the course. 2. Deliver to Professor Welc in person or send by postal mail your essay *together with* the course verification form *and* a self-addressed stamped envelope.

#### Course Requirements and Grading:

You must attend the scheduled Orientation, either the live or the online orientation. You will be responsible for the information provided at the Orientation. If you absolutely cannot attend the scheduled live Orientation, you may send a friend or relative to obtain the Orientation information and materials for you or watch and listen to the online orientation.

You must also complete the Real Estate Department's Online checklist located here: <http://www.saddleback.edu/faculty/mwelc/onlineorientationwelc.htm>. Complete the required reading, that is, the textbook chapters and the online material. Complete the self-assessments, activities, reviews, exercises, case studies, quizzes, etc., in the text and online. All of these will help clarify your understanding of the concepts and calculations, reinforce learning, and enhance mastery. Read all announcements and updates provided in the online course.

Complete all quizzes and Final Exam Sections online. These are the scores that count toward your grade!

Write a 500-word Essay IMPORTANT:

It is graded as satisfactory or not satisfactory.

Grade Computation:

Completion of the Essay PLUS the quiz scores PLUS a final exam score as shown below will be combined to determine your grade.

IMPORTANT:

The Final Exam will count for 75 percent of your grade. The quizzes will count for 20 percent of your grade. The essay will count for 5 percent of your grade.

#### About the Online Course:

Note: We do not use Blackboard for this course! We use ROCKWELL. Getting Started.

To access your course you will need a User ID and

Password. Log onto [www.rockwelleducation.com/cc](http://www.rockwelleducation.com/cc) and enter the key code (found on the cardboard backing of the student guide) and course information in the corresponding fields and selecting the appropriate roster. After click the "Submit" button you will be assigned a User ID and Password. Save this information as it will allow you to log into your account and begin your course.

You are allowed as many hours as you need for completing the course.

#### More How-To:

You will need the textbook, the online access code, and a user name and password. The information for setting up the access to the online course is included with the Student Guide and online access code. Follow those instructions carefully. You cannot enter the online course without this information!

Remember, you will need the textbook, the online access code (called a keycode), and a

user name and password. The information for setting up the access to the online course is included with the Student Guide and online access code. Follow those instructions carefully. You cannot enter the online course without this information! NOTE: You cannot share the keycode with another learner. The keycode is tied to your work in the course, so sharing will not work. ANOTHER NOTE: You need a different keycode for each Rockwell course you take. If you are taking four classes that use the Rockwell system, you will need four different, separate keycodes.

To use the online course, after you have received your password, go to [www.rockwelleducation.com](http://www.rockwelleducation.com) and log on by entering your User ID and password.

The Pre-test does not count toward your grade. It will be used to help you judge your starting knowledge ... and it will help us monitor the effectiveness of the online course.

Please complete the Pre-test as soon as you access the online course.

Recommendation: Work through the course by reading a chapter of the text and doing the exercises. Then do the chapter work online. This will reinforce your learning. Do not try to read the whole book and then start the online work. You will forget what you read early in the book and you won't have the benefit of the reinforcement.

If you experience any difficulties during the registration process, please contact Rockwell at 1-800-221-9347.

And ... Get started right away. Work in small chunks. Take breaks. Do not procrastinate.

And if you need help, send me an email: [mwelc@saddleback.edu](mailto:mwelc@saddleback.edu), [bschermerhorn@saddleback.edu](mailto:bschermerhorn@saddleback.edu), [sgeller@saddlback.edu](mailto:sgeller@saddlback.edu)

#### About the Final:

You have two hours to take the Final. The online system will give you five hours, but your professor allows you only two hours. Your professor can see all your work and time spent.

The Final has 100 multiple choice questions.

Also, please complete the Final exam in *one sitting*, just as you would in a live class. This does not mean you cannot take a break for a few minutes. You may exit the Final if you wish to take a break. The system will remember your answers and you can pick up where you left off.

The system will allow you three attempts on the Final. **ONLY THE FIRST ATTEMPT COUNTS TOWARD YOUR GRADE!**

#### About the Essay:

The essay should be between 500 and 600 words. This is about a page and a half.

Choose one of the following topics:

1. Write an essay demonstrating adequate ability to analyze real estate financing, including lending policies and problems in financing transactions in residential, apartment, commercial, and special purpose properties.
2. Write an essay describing contemporary real estate financing processes and issues.
3. Write an essay demonstrating your knowledge of concepts and procedures related to the processes and implications of defaults and foreclosures.
4. Write an essay describing the steps involved in processing a real estate loan.

5. Write an essay comparing the characteristics of conventional loans with those of FHA-Insured loans and VA-Guaranteed loans.

The required essay may be submitted by email to [mwelc@saddleback.edu](mailto:mwelc@saddleback.edu) . The essay is due no later than 11:59pm of the last day of the course as listed in the class schedule.

#### Grade Computation:

Your grade will be based on your quizzes and Final Exam scores and your essay. The Progress Test ("midterm") does NOT count toward your grade. Your grade will be computed according to the percentage correct/possible of all questions and the essay. The Final exam is 75 percent of your grade. The challenge exercises are worth 20 percent of your grade. The essay is worth 5 percent of your grade.

\*\*\*IMPORTANT GRADE INFORMATION\*\*\* The Family Rights and Privacy Act of 1974 restricts the release of certain student information such as grades. Therefore, please do not call for grade information. Your performance score/grade will be mailed to you if you provide your instructor with a self-addressed, stamped envelope or postcard at the Final Exams, or you may go to <http://www.socccd.org/grades>. If you decide to drop this course, *you* must go to the Office of Admissions and Records in the Student Services Building. If you fail to officially drop and do not complete the course, you will receive an "F" on your permanent record. This is a College rule. Your instructor cannot change it.

90-100%

A

80-89%

B

70-79%

C

60-69%

D

0-59%

F

#### Disability Accommodations:

If you have specific disabilities and require accommodations, please let me know early in the semester, so that your learning needs may be appropriately met. You will need to provide documentation of your disability to the Special Services Office in Student Services Center, Room 113. Students with disabilities, including non-visible disabilities such as chronic diseases, learning disabilities, head injury and attention deficit disorder, are encouraged to contact the instructor to discuss appropriate accommodations that might be helpful to them. Students with disabilities who may need academic accommodations should discuss options with their professors during the first two weeks of class. Any student with a documented disability needing academic adjustments or accommodations is requested to speak with the instructor. All discussions are and will remain confidential.