REAL 410-001
REAL ESTATE FINANCE
Fall 2017

Professor: Chris Cain, J.D., Ph.D, CFA
Office: J.C. Long 308
Office Hours: M&W 1:00-3:00 PM, T 1:00-3:00 PM, Or by appointment
Phone: 843-953-1063
Email: caincl@cofc.edu (preferred contact method)
Class Times: MWF 9:00-9:50AM Beatty 218

Course Description:

The College of Charleston Undergraduate Course Catalog describes this course as a course that “presents the fundamental concepts of real estate finance. The course provides a framework for understanding the flow of funds into the various real estate markets and how lenders assess risks and price their loans. The course will provide students with practical knowledge to make more informed career choices and an understanding of the institutions and instruments used to finance residential and commercial real estate.”

Essentially, this class is the study of the institutions of real estate finance, factors affecting the flow of funds, underwriting analysis, and the ultimate investment outlet for many of the financing products studied. Real estate basics will be briefly reviewed. The main focus will be on the legal, economic, institutional, quantitative, and strategic elements of the real estate financing process for both residential and commercial properties.

Course Learning Objectives:

At the conclusion of the semester, students will be able to value a wide variety of mortgage instruments and make financing decisions based on those calculations. They will also understand the legal and institutional framework of primary and secondary mortgage markets in the United States, with a particular focus on valuing secondary mortgage market securities. Students will be able to determine the feasibility of proposed real estate projects and/or investments, and they will be knowledgeable of the operating environment of real estate investment trusts.
Relationship to School of Business and Economics Learning Goals:

Communication Skills – The course requires a 12 – 15 page term paper, described below, which is graded quite stringently for composition as well as content.

Global and Civic Responsibility – The secondary mortgage market securities discussed in the latter third of the course are some of the most actively traded securities in the world. A thorough understanding of these financial instruments requires an understanding of the currency risk inherent in trading in something other than one’s home currency. Recent events, including ethical lapses, in the mortgage markets will be discussed along with their costs to society.

Quantitative Fluency – The course requires intensive calculations from the individual borrower’s perspective, the lender’s perspective, the mortgage pooler’s perspective, and the pool investor’s perspective. Problem solving ability is honed extensively.

Course Prerequisites:

According to the College of Charleston Undergraduate Course Catalog, the prerequisites for this course include junior standing and successful completion of ACCT 203, ACCT 204, ECON 200, ECON 201, FINC 303, REAL 310, MATH 104 or MATH 250, or permission of the instructor.

Text:

Calculator:
This class requires extensive use of a financial calculator. In class, I use the Texas Instruments BA II Plus Financial Analyst to work problems. You may use any financial calculator you wish, but I will support the TI BA II Plus in class.
Supplementary Texts:
State of South Carolina License Law, Rules and Regulations by the South Carolina Real Estate Commission.
Barron’s Real Estate Handbook, 5th ed, J.C. Harris and J.P. Friedman, editors, Barron’s.
Income Property Valuation, J.D. Fisher and R.S. Martin, Dearborn.
Real Estate Finance, P.T. Kolbe, G.E. Greer, and H.G. Rudner, III, Dearborn Real Estate Education.

Additional Resources:
1. I will sometimes make important course materials available to you on the internet via OAKS. Examples of such materials would include the course syllabus, chapter outlines, copies of notes that I use in class, and old exams. Please check regularly for the most recent additions.
2. The Center for Student Learning at the Addlestone Library (843-953-5635) offers a wide variety of assistance to students. Even though REAL 410 is not a course normally covered by their regular tutors, you can still get tutoring assistance for this class by making a request online at www.cofc.edu/~csl. They also offer numerous study skills seminars on such topics as time management, note taking, and test taking. Finally, if you are thinking about graduate school, they offer several study groups for various graduate school entrance exams.
3. The School of Business Career Services Office (843-953-4966) on the first floor of the Beatty Center offers help with resumés, cover letters, and interviewing skills. They are also your source for information about internship opportunities and upcoming career fairs, on-campus recruiting, and organization meetings. Whether you are planning to enter the workforce or go on to graduate school right away, the help available in the Career Services Office can be invaluable to you.

Grading:
Three exams will be given. The two midterm exams each account for 25% of your final grade. The final is non-comprehensive and will also account for 25% of your final grade. Exams are a mixture of short answer, problem solving, and essay. A paper related to the material we cover will be due Monday, December 4, 2017 and will make up 15% of your grade (see the Paper section below for further detail). Finally, homework will be assigned periodically. Some will be collected; some will not. The homework is primarily geared toward increasing your proficiency with Microsoft Excel. The assignments that are collected will determine the remaining 10% of your grade.

The dates of the exams are tentatively as follows:
CHECK THE FINAL EXAM SCHEDULE NOW! In the past I have tried to accommodate students on final exam times, but my classes are usually very full. That either means that I have people sitting in classes with no seats, or I am scheduling multiple exam times for several different people. Such scheduling quickly becomes unworkable, as once an exception is given for one person it becomes difficult to deny another. Therefore, I am planning to closely follow the final exam schedule this semester. Book your flights, weddings, vacations, etc. accordingly.

Paper:
The paper will be related to your homework assignments. Both the homework assignments and the paper will be group projects. Over the first few weeks of class, I encourage you to create your own group of between 3-5 people. After the first few weeks, I will help coordinate group assignments for anyone still not in a group. There are people from a variety of backgrounds in this class, I encourage you to mix up your skillsets so there are people with excel skills and people with writing skills in each group.

Over the course of the semester, we will build spreadsheets to answer Real Estate Finance questions. The paper will use those assignments, and perhaps a few additions, to answer a larger hypothetical problem. The purpose of the paper is twofold. The first reason is to give you an opportunity to work on your writing skills. Employers consistently state that they need employees who can communicate effectively in writing. By basing this paper on a hypothetical example, instead of having you write a research paper, I hope to help you practice a type of writing you may be asked to perform on the job. The second reason is to give you an opportunity to deal with a confusing or muddled problem. The assignment will probably be a little vague or even contradictory. That’s how the real world usually works. You will probably have to cover multiple possibilities in your discussion. That’s also how the real world usually works. By their nature, tests problems usually have to be clear cut, with definite answers. This assignment will probably not work that way, and that is intentional.

More details will follow later in the semester, but it should be noted that the final project is a paper, which will require a written document at the end, not just excel spreadsheets. Failure to include an actual written document will negatively impact your grade on this assignment.
Make-Up Policy:
Exams are given in class, so time conflicts should not occur. If extenuating circumstances cause you to miss an exam, then you must contact the professor or the Department of Economics and Finance secretarial staff (843-953-8100) by 4:30 p.m. the day following the exam, including weekends. If no contact is made, then your exam grade is a zero and cannot be made up. If you make contact, and the extenuating circumstances you describe are deemed valid, then you will be allowed to take a comprehensive make-up during the regularly scheduled final exam time that will count as both the missed exam and the final exam. If you miss the final, and make contact as required above, then you will be allowed to take a comprehensive make-up at a time to be determined, assuming a valid excuse is present.

Letter grades, with associated +’s or –’s, will be assigned according to the following scale.

<table>
<thead>
<tr>
<th>% Average</th>
<th>Letter Grade</th>
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<tbody>
<tr>
<td>90-100</td>
<td>A</td>
</tr>
<tr>
<td>88-89.99</td>
<td>A-</td>
</tr>
<tr>
<td>86-87.99</td>
<td>B+</td>
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<tr>
<td>83-85.99</td>
<td>B</td>
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<tr>
<td>80-82.99</td>
<td>B-</td>
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<tr>
<td>76-79.99</td>
<td>C+</td>
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<tr>
<td>72-75.99</td>
<td>C</td>
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<tr>
<td>70-71.99</td>
<td>C-</td>
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<tr>
<td>60-61.99</td>
<td>D-</td>
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<tr>
<td>59.99 and below</td>
<td>F</td>
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Other Policies:
1. Attendance at regular class meetings is strongly encouraged, but is not required. However, please bear in mind that attendance has been shown to correlate strongly with performance on assignments.
2. If you must come in late or leave early, please do so quickly and quietly.
3. To appeal your grade on an exam, write down the reason you feel you deserve more points on a particular question and turn in your reason, along with the exam, to the professor within one calendar week of the exam being returned to you. Appeals made after the one-week deadline (e.g. at the end of the semester) will not be considered.
4. Cell phones, pagers, and digital music equipment are to be turned off and put away before class, especially during exams. It is disruptive to the professor and to the rest of the class to have a phone suddenly ring.
5. You may not use a cell phone or a PDA as a calculator on exams.
6. I do not send out grades of any variety via e-mail, so do not ask me to send you your score on a test or your final grade in the class. I cannot.

7. The last day to normally drop this course is the close of business, usually 4:30 P.M., on Thursday, October 26, 2017. Any student withdrawing by this date will receive a “W” on the transcript. To drop the course before this date, you may either use Cougar Trail or submit the required paperwork to the Registrar’s Office in 281 Lightsey Center (843-953-5668). After the deadline, students normally are not permitted to drop a course. Students with extenuating circumstances may present a written petition to drop this course to the Director of Undergraduate Academic Services in 206 Randolph Hall (843-953-5674). Petitions to the Director must be accompanied by significant supporting documents to verify the circumstances cited in the petition. Students must be aware that claims cited in the petition will be verified BEFORE completion of the drop is permitted. Generally, the drop will only be granted if continuing in the course would be detrimental to the student’s health or if the extenuating circumstances prevent the student’s continued enrollment. Poor academic performance is not sufficient justification to drop any course and the professor must approve the drop.

**Academic Honor Code Statement:**
Lying, cheating, attempted cheating, and plagiarism are violations of our Honor Code that, when identified, are investigated. Each incident will be examined to determine the degree of deception involved.

Incidents where the professor determines the student’s actions are clearly related more to a misunderstanding will be handled by the professor. A written explanation designed to help prevent the student from repeating the error in the future will be given to the student by his or her professor. The explanation, submitted by form and signed by both the professor and the student will be forwarded to the Dean of Students and placed in the student’s file.

Cases of suspected academic dishonesty will be reported directly by the professor and/or others having knowledge of the incident to the Dean of Students. A student found responsible by the Honor Board for academic dishonesty will receive a XF in the course, indicating failure of the course due to academic dishonesty. This grade will appear on the student’s transcript for two years, after which the student may petition for the X to be expunged. The student may also be placed on disciplinary probation, suspended (temporary removal), or expelled (permanent removal) from the College by the Honor Board.

Students should be aware that unauthorized collaboration – working together without permission – is a form of cheating. Unless the professor specifies that students can work together on an assignment and/or test, no collaboration is permitted. Other forms of cheating included possessing or using an unauthorized study aid (such as a PDA), copying from others’ exams, fabricating data, and giving unauthorized assistance.

Research conducted and/or papers written for other classes cannot be used in whole or in part for any assignment in this class without obtaining prior permission from the professor.
Students can find the complete Honor Code and all related processes in the Student Handbook at http://www.cofc.edu/studentaffairs/general_info/studenthandbook.html.

**Equal Education Opportunity:**
- The College of Charleston abides by Section 504 of the Rehabilitation Act of 1973 and the Americans with Disabilities Act that stipulates no students shall be denied access to an education “solely by reason of a handicap.” Disabilities covered by law include, but are not limited to, learning disabilities and hearing, sight, or mobility impairments. Students should apply at the Center for Disability Services / SNAP, located on the first floor of the Lightsey Center, Suite 104. Students approved for accommodations are responsibility for notifying me as soon as possible and for contacting me one week before accommodation is needed.

The College of Charleston and this professor are committed to equal opportunity in education and do not discriminate on the basis of race, color, religion, national origin, sex, age, or against qualified handicapped persons, disabled veterans, or veterans of the Vietnam era, as identified and defined by law.

**Topic Outline and Reading Assignments**

<table>
<thead>
<tr>
<th>Subject</th>
<th>Chapter</th>
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<tbody>
<tr>
<td>Interest Rate and Mortgage Basics</td>
<td>Ch 1-4, Outside Material</td>
</tr>
<tr>
<td>Mortgage Financing</td>
<td>Ch. 5,6,10,11</td>
</tr>
<tr>
<td>Getting a Mortgage</td>
<td>Ch. 7-9, 12, part of 14</td>
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<tr>
<td>Closing</td>
<td>Ch. 13</td>
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<tr>
<td>Commercial Financing</td>
<td>Ch. 15-20</td>
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<tr>
<td>Mortgage Backed Securities</td>
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<tr>
<td>Other topics as time allows</td>
<td></td>
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