

**FINN 3261
Real Estate Finance
Spring, 2005**

Professor: Dr. Buttimer
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Hours: W, 3:00-4:30, and Th, 4:00-6:00, and by appointment.
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Texts: Real Estate Finance, Theory and Practice 4th ed., by Claretie and Sirmans

Course Description

This course covers the fundamentals of real estate finance and investment and includes the topics of: real estate capital markets, mortgage markets, mortgage securitization, real estate contracts and leases, investment analysis, valuation and appraisal, return and risk considerations, and the effects of debt financing, taxation and government regulations on real estate investment

Course Objectives

- To present the risks and returns inherent in real estate finance and real estate investments.
- To examine the legal foundation upon which the US real estate finance system is based.
- To examine both the primary and secondary residential mortgage markets.
- To examine the role of Government Sponsored Enterprises in the residential financing system.
- To develop the tools frequently used in the analysis of commercial real estate development.
- To examine the role that taxes and regulation play in the workings of both the residential and commercial real estate finance markets.

About this Syllabus

This syllabus is our class contract. It clearly states the requirements this class places on both you and me, and I will not change the conditions of this contract during the class. This is done to insure fairness and consistency among all members of the class. By staying in this class you accept the conditions of this contract and agree not to ask me for exceptions to the syllabus.

Office Hours

My office hours are from 3:00 – 4:30 (p.m) on Wednesday and 4:00 - 6:00 (p.m.) on Thursday. I will also gladly make other appointments as necessary. I strongly encourage you to take advantage of my office hours. I believe that any student that is taking this class has the ability to learn this material and to do well in this class. If you are having difficulty, I want to help you determine both what the problem is and what needs to be done to correct it. I also want to encourage you to stop in over the first part of the semester to introduce yourself. This helps me to learn your name and determine what your interests are, and it gives you a chance to ask any questions you may have about the course.

Conduct and Academic Honesty Policy

All students in this class must comply at all times with University policies on academic integrity. Any student violating these policies, as defined on pages 275-276 of the Undergraduate Catalog, will be referred to the University administration for disciplinary action. Sanctions for academic dishonesty include, but are not limited to, receipt of an F in this course, suspension, or expulsion from the University.

I take academic honesty very seriously, and I expect you to. On tests and class assignments you may not benefit from any work not produced by your own intellect.

Please note that cell phones, pagers, and other highly portable communication devices may not be used during any exam. **You will be required to turn off cell phones, pagers, etc. during exams, and you must place these devices – camera side down – in plain view on your desk during the exam. My teaching assistant or I will check all cell phones during the exam to insure that they are turned off.**

Grading Policies

There will be three in-class exams and one cumulative final exam. Each test will count for 23% of your final grade, and the cumulative final will count for 31% of your final grade.

I will allow you to replace **one** of your in-class exam grades with your final exam grade, provided your final exam grade is higher. Please note that you cannot replace your final exam grade.

Grading Scale

The lower bounds for final grades of A, B, C, and D will be no higher than 90, 80, 70, and 60 percent of the total available points, respectively. Grades will be curved if necessary.

Exam Format

The exams will be a mixture of short answer, quantitative and essay questions.

Missed Tests

The dates for the tests are firm. Make up exams will not be administered under any circumstances. In the event of absence from an exam due to a University-excused absence, greater weight will be assigned to the final exam. In the event of a missed test, this will count as the exam that you are replacing with your final exam grade. No make-up provision is available for tests missed to oversleeping, lack of preparation, vacation, social events (including weddings), traffic, etc.

Calculators

You will need some kind of calculator for this class. You will not be allowed to use present value tables in this class. Although not mandatory, I recommend using a financial calculator such as the HP 10-B, HP 12-C, or HP-19B II (Texas Instruments, Sharp and Casio also make inexpensive calculators which are equivalent.) You will be required to solve for yields and internal rates of return, and financial calculators greatly simplify this task. Note that it is your responsibility to know how your calculator works. I will not spend class time explaining how to use a calculator. Please note that I do not allow the use of Palm Pilots, notebook or laptop computers during exams. **You may not use a cell phone as your calculator.**

You may program into your calculator any formula you wish. You may not, however, enter text into your calculator. I reserve the right to check your calculator for text at any time during a test or exam. If I find text in your calculator, I will, at a minimum, clear the calculator's entire memory. Note that I consider the entering of text in your calculator to be a violation of Academic Honesty policies.

Electronic Communications

All students at UNC-Charlotte are assigned a student email account, which is the official means of communication between the University and the student. Although I will certainly respond to you if you use another email system, you should be aware that any class-wide announcements that I send through email will be sent to your UNC-Charlotte '49er account. You may get information on this account by going to the web-page: <http://www.express.uncc.edu/cp/home/loginf>.

In the event of inclement weather, please check my web-site for information on whether class will be held or not. Please note that if the University is closed, class will not be held.

Class Readings and Dates

This schedule of readings is tentative and is subject to change. The test dates, however, are firm and not subject to change. You are expected to have read the material **before** coming to class.

<u>Date</u>	<u>Topic</u>	<u>Chapter in Real Estate Finance</u>
Jan. 13	Overview and Introduction	
	Money, Credit and the Determination of Interest Rates	Ch. 1, 2
Jan. 20	Finance Theory and Real Estate	
	Fixed Rate Mortgages	
	Mechanics	Ch. 3, 4
Jan. 27	Fixed Rate Mortgages	Ch. 4,
	Embedded options	pg. 253-254 of Ch.
	Prepayment penalties, points	12.
Feb. 3	Early Residential Mortgage Finance	Ch. 4
	Postwar Residential Finance	Ch. 5
Feb. 10	Adjustable Rate Mortgages	Ch. 6
	Exam #1	
Feb. 17	Adjustable Rate Mortgages	Ch. 6
	Creative Financing	Ch. 7
Feb. 18	Last Day to Drop with a "W".	
Feb. 24	Creative Financing	Ch. 7
	Federal Housing Policies and Income Tax Policy	Ch 8, 9
Mar. 3	Underwriting Residential Loans	Ch. 12, 13, 14
Mar. 10	Spring Break, no class	
Mar. 17	Secondary Mortgage Market	Ch. 10
	Valuation of Mortgage Backed Securities	Ch. 11
Mar. 24	Valuation of Mortgage Backed Securities	Ch. 11
	Exam #2	
Mar. 31	Valuation of Mortgage Backed Securities	Ch. 11
Apr. 7	Commercial Real Estate Finance Introduction	Ch. 15
	Federal Taxes and Commercial Real Estate Finance	Ch. 16
Apr 14	Sources of Funds for Commercial Real Estate Properties	Ch. 17
	Development Financing	Ch. 18
	Permanent Financing	Ch. 19
Apr. 21	Permanant Financing	Ch. 19
	Exam #3	
Apr. 28	REITs	Ch. 20
May 5	No Class	
May 12	Cumulative Final Exam – 7:00 – 10:00 pm	
