



El Camino College
COURSE OUTLINE OF RECORD – Official

Course Acronym:	RE
Course Number:	14B
Descriptive Title:	Advanced Real Estate Finance
Division:	Business
Department:	Real Estate
Course Disciplines:	Real Estate
Catalog Description:	<p>This course provides instruction on the more advanced methods of financing real estate projects, including non-residential commercial and industrial property. Emphasis is placed on the instruments of finance, types of structured loans, discounting leases, and the sale-leaseback transaction.</p> <p>Note: The California Department of Real Estate (DRE) has approved this course as one of the elective courses for the real estate broker and salesperson license. This course is also approved by the California Bureau of Real Estate Appraisers (BREA) for credit hours towards the appraisal license.</p>
Prerequisite:	Real Estate 14A with a minimum grade of C
Co-requisite:	
Recommended Preparation:	
Enrollment Limitation:	
Hours Lecture (per week):	3
Hours Laboratory (per week):	0
Outside Study Hours:	6
Total Course Hours:	54
Course Units:	3
Grading Method:	Letter Grade only
Credit Status:	Credit, degree applicable
Transfer CSU:	Yes
Effective Date:	fall 1995
Transfer UC:	No
Effective Date:	
General Education:	ECC
Term:	
Other:	

CSU GE:	
Term:	
Other:	
IGETC:	
Term:	
Other:	
Student Learning Outcomes:	<p>SLO #1 Build Vocabulary</p> <p>Students will define, describe and differentiate between various real estate standard terminology showing comprehension and knowledge of real estate vocabulary used in the workplace to assist and prepare each student from the diverse student body to gain confidence in their ability to effectively communicate and collaborate in a real estate sales, property management, appraisal, loan or investment to work with both licensees and a diverse public in a typical real estate transaction.</p> <p>SLO #2 Industry Forms and Documents</p> <p>Students show the ability to prepare and complete standard real estate industry forms and documents as found in diverse real estate sales, rental, finance, appraisal or investment business transactions.</p> <p>SLO #3 Mathematical Computations</p> <p>Students will demonstrate the ability to calculate typical real estate mathematic computational problems as found in diverse real estate business areas of sales, leases, prorations, finance, appraisal, property management, investments and capitalization, land or structure area and taxation.</p>
Course Objectives:	<ol style="list-style-type: none"> 1. Differentiate advanced methods of financing commercial, industrial and residential-income property. 2. Assess the phrases contained in clauses found in financial instruments. 3. Analyze sources of financing. 4. Identify uses of tax-deferred exchanges and how it affects real estate finance. 5. Analyze discounted cash flows when financial instruments are discounted, using Internal Rate of Return (IRR), Net Present Value (NPV), and similar methods. 6. Examine the financial aspects of leases. 7. Evaluate the methods of depreciation recapture and components. 8. Appraise the types of problems associated with ground lease financing. 9. Analyze sale-leaseback financing. 10. Examine sample problems that incorporate calculations of investment analysis, loan constant, yields and taxation. 11. Assess beneficiary rights on loan documents according to the method of stated vesting and how the parties are taking title. 12. Relate professional standards of practice to license laws, fair housing and ethics.
Major Topics:	<p>I. Review of financing methods for home and small income units (4 hours, lecture)</p> <ol style="list-style-type: none"> A. Conventional financing B. Alternative financing C. Government programs

II. Property qualification (4 hours, lecture)

- A. The appraisal process
- B. Lender perception of value
- C. Appraisal approaches
 - 1.
 - 1. Market
 - 2. Cost
 - 3. Income

III. Other financial considerations (3 hours, lecture)

- A. Depreciation and recapture of income property
- B. Tax deferred exchanges

IV. Real estate business reports (4 hours, lecture)

- A. Profit/loss statements
- B. Analysis of operating expenses

V. Loans (6 hours, lecture)

- A. Restructure process
- B. Participation
 - 1. Buy-downs
 - 2. Assumptions
 - 3. Reductions
- C. Balloon payments

VI. Calculating return (4 hours, lecture)

- A. Net Present Value (NPV)
- B. Future Value (FV)
- C. Annuity
- D. Internal Rate of Return (IRR)

VII. Loan negotiations (5 hours, lecture)

- A. Loan financing
- B. Leases
- C. Sale-leaseback
- D. Ground Leases

VIII. Creative financing (5 hours, lecture)

- A. Wrap-around
- B. Land contracts
- C. Swing loans

IX. Finance of commercial and industrial property (6 hours, lecture)

- A. Land contracts

	<p>B. Lease/options C. Appraisal</p> <p>X. Business finance opportunities (3 hours, lecture)</p> <p>A. Broker's role B. Contracts C. Financial analysis</p> <p>XI. Market interest rates, discounting notes, cash (6 hours, lecture)</p> <p>A. Discounts B. Compound interest C. Effective interest rate D. Negative cash flow E. Cash flow analysis (even and uneven)</p> <p>XII. Ethics (4 hours, lecture)</p> <p>A. Uniform standards of professional practices B. Fair housing C. Risk management</p>
Total Lecture Hours:	54
Total Laboratory Hours:	0
Total Hours:	54
Primary Method of Evaluation:	2) Problem solving demonstrations (computational or non-computational)
Typical Assignment Using Primary Method of Evaluation:	On January 1, Mr. Milan purchases real property for \$200,000 in cash. He then sells this real property for \$1,000,000 cash in ten years. Calculate the Internal Rate of Return (IRR) for this investment. Submit your findings in a written report of no more than two pages that labels each item and shows all calculations.
Critical Thinking Assignment 1:	In a one- to two-page paper, label each item and show all calculations for determining the back-end ratio for loan pre-qualification for an individual property purchaser with a monthly gross income of \$3,800, loan payment (PITI) of \$1,150 and long term monthly debt.
Critical Thinking Assignment 2:	<p>A buyer and seller agree on a \$500,000 sales price, with the buyer placing \$100,000 down payment, using the proceeds from the sale of the buyer's condominium, and obtaining a new, 30 year, fixed rate trust deed for \$480,000 at 6% interest, payable monthly with amortization of principal plus interest due, and having the seller carry back a second trust deed at 8% amortized over 15 years and due in five years. In a one- to two-page paper, label each item and show all calculations for determining the:</p> <p>(1) Maximum commission the broker may charge, and cite the rule applicable under Article 7 of the Loan Broker Law.</p> <p>(2) Monthly payment for the buyer for the first trust deed.</p>

	<p>(3) Monthly payment for the buyer for the second trust deed.</p> <p>(4) Unpaid loan balance on the second trust deed on the due date.</p> <p>(5) Lender's loan fee of 1 point when the loan was originally obtained.</p> <p>(6) Rate of return on the second if an investor purchased that loan for \$10,000 at the end of the second year and before the first payment on the third year.</p>
Other Evaluation Methods:	Homework Problems, Matching Items, Multiple Choice, Other Exams, True/False, Written Homework
Instructional Methods:	Discussion, Lecture, Multimedia presentations
If other:	
Work Outside of Class:	Problem solving activity, Required reading, Study
If Other:	
Up-To-Date Representative Texts:	
Alternative Texts:	
Required Supplementary Readings:	
Other Required Materials:	
Requisite:	Prerequisite
Category:	sequential
Requisite course(s): List both prerequisites and corequisites in this box.	Real Estate-14A
Requisite and Matching skill(s): Bold the requisite skill. List the corresponding course objective under each skill(s).	<p>Identify and describe loan types and their features.</p> <p>RE 14A -Analyze and evaluate loan types, features of various loans, and loan alternatives.</p> <p>RE 14A -Compare and contrast the various loan programs that are appropriate for both the property and the borrower.</p> <p>Differentiate and explain institutional and non-institutional lender criteria.</p> <p>RE 14A -Compare and contrast institutional and non-institutional lender criteria for loan submission and types of loan preferences.</p> <p>Use a financial calculator to compute loan payment and unpaid loan balance.</p> <p>RE 14A -Analyze and calculate problems pertaining to basic real estate mathematics, such as calculating the down payment, mortgage insurance, and monthly payment for a buyer.</p>
Requisite Skill:	
Requisite Skill and Matching Skill(s): Bold	

the requisite skill(s). If applicable	
Requisite course:	
Requisite and Matching skill(s): Bold the requisite skill. List the corresponding course objective under each skill(s).	
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Enrollment Limitations and Category:	
Enrollment Limitations Impact:	
Course Created by:	J. Koenig
Date:	09/01/1973
Original Board Approval Date:	
Last Reviewed and/or Revised by:	John Yeressian
Date:	09/18/2023
Last Board Approval Date:	12/18/2023
Effective Term:	FALL 2024