The University of Memphis
Fogelman College of Business & Economics
Department of Finance, Insurance & Real Estate

Course Syllabus
FIR 4320/6320-M50
Real Estate Finance
Spring 2016

I am Mark Sunderman and I will be your guide on this exciting journey this semester. Even though I feel like an "old timer" when it comes to online education (I have been teaching online since Spring 1999), I am still learning more every semester (I try not to make the same mistake twice). Since many of you may be new to online instruction, I am sure this will be a learning experience for all of us. One thing I have learned while teaching online - that is to be FLEXIBLE. I have also learned how critical communication (i.e., e-mail, the class message center, threaded discussion, chat room) is in online education.

You will notice that when possible I stress the quantitative aspects of this subject. WHY? I have talked to different real estate professionals in Memphis and have asked them what one item could I teach my classes to make my students more marketable. Everyone has stressed the importance of being able to work the "numbers" and understand numerical concepts like time value of money. Understanding concepts is fine, but being able to understand and
of money. Understanding concepts is fine, but being able to understand and work the numbers is critical.

Let me stress that online education has many benefits. But it is still in many respects self-directed learning. It requires a high level of responsibility, dedication and self-discipline on your part. Even though we do not have class meetings, there are still weekly assignments and deadlines to meet. In this class you will be responsible for your own work, your own progress, and your own grade. What you get from this class will be in direct relationship to what you put in! I really enjoy the flexibility of online education, but it is also VERY easy to get behind. I have tried to design this class so it is easy to succeed, but it requires you to be involved in the class and complete the assignments.

**Syllabus**

**Professor:** Dr. Mark Sunderman  
Professor and Morris Fogelman Real Estate Chair of Excellence

**TA:**  
Xiaohu Guo  
Jared Linna  
Wei Sun

**Mailing Address:**  
Mark Sunderman  
University of Memphis  
Department of Finance, Insurance and Real Estate  
Memphis, TN 38152-3120

**Office:**  
Fogelman College Administration Building, Room 436

**Office Hours:** Since I am only teaching online, I do not have any set office hours. However, I am on campus usually everyday. My office number is 678-5142; however, the best way to reach me is with class e-mail (sent from the class shell). If we need to talk or meet, a time can be arranged.

**Office Phone:** (901) 678-5142 (with voice mail)

**E-Mail:** Please use my e-mail from within the class shell. Do not use my University of Memphis e-mail address with my online classes since it is too easy for me to loss track of your correspondence. Also, I want my TA's to have access to the e-mail!

**FAX:** (901) 678-1714 or (901) 678-2685
A calculator in this class is required. A financial calculator is not mandatory, but one is helpful (if you are planning to purchase one, the HP-12C is recommended). Calculators will be needed to work the quizzes and the problems assigned in class.


Course Overview

A major objective of this class is to provide the student an understanding of the mechanics of a mortgage, as well as, the legal environment. Analysis of the borrower and the property will also be considered. In addition, the nature of institutions and the instruments that have been developed will be studied; however, the approach will be analytical and quantitative whenever possible. Real estate finance is a field of study that requires an understanding of many important subjects: property law, mortgage underwriting practices, mortgage insurance programs, financial analysis, valuation principles, federal income tax laws, investment analysis, financial institutions, real estate development, and capital markets. FIR 4320 / 6320 is designed to provide the student a foundation in each of these areas. Finance 4320 / 6320 is an advanced course in real estate, as such; topics in real estate finance (introduced in FIR 3310 - Real Estate Principles) are examined in more detail. However, FIR 3310 is not required for success in this class. For success in this field of real estate, an understanding of concepts is fine, but being able to understand and work the numbers is critical.

Course Objective

By successfully completing this course, students will be able to:

1. Have an understanding of the relationship between finance and real estate, as well as the role that financial markets play in real estate finance.

2. Understand how the general economy impacts the level of interest rates and how the level and volatility of interest rates have an effect on real estate activity and markets.

3. Understand and be able to calculate time value of money concepts as they are applied to real estate finance.

4. Understand the mechanics and terms of the standard fixed-rate mortgage.

5. Understand how the federal government regulates mortgage lenders and the regulatory responsibilities of the various government agencies involved in this regulation.
6. Understand how Federal laws have influenced the financing of residential property. Further, how federal laws protect the home buyer from discrimination in sales and financing, the theories of discrimination, and what types of discrimination that have occurred in the housing market.

7. Understand the workings and the importance of the secondary mortgage market in developing a more efficient allocation of funds in the real estate market.

8. Understand how agency problems and the sub-prime mortgage crisis of 2007 to 2010 affected the major secondary mortgage market entities.

9. Have an understanding of how lenders control default risk through the use of borrower qualification, loan underwriting and contractual relationships.

10. Have an understanding of the steps involved in processing a loan application and closing of a mortgage.

11. Understand the impact that different forms of real estate financing can have on the success of a real estate investment project.

12. Understand how income tax impacts a real estate investment decision.

**Fogelman College: Learning Outcomes for Your Degree**

This course is designed to help you to meet the overall learning objectives for the BBA, as well as the MBA and MS degrees offered by the Fogelman College. You should take the time to become familiar with the overall learning objectives as a student in your degree program. College degree outcomes are located at: [Fogelman College Degree Outcomes](#).

**Course Requirements**

1. There will be 7 quizzes (there will be a quiz for each unit of material). Each quiz will be worth 50 points and can be taken a total of three times. You are not required to take a quiz more than once. Your grade with be the average of your attempts. When the quiz is retaken, even though most of the questions remain the same, there will be some variation. Feel free to use your text / notes while taking these quizzes. Again, these quizzes are individual assignments -- **teamwork is not permitted.**

2. An important aspect of this class will be communication. Your involvement in this class, through conference threads, will be evaluated at the end of each unit. 25 points are available for Units 1 through 7 (and the Introduction Thread) for a total of 200 points for the course. To receive credit for your threaded discussion, your posts must be made by
3. In addition to the above, there will be two problem sets due during the semester. Each problem set will be worth 100 points. Late assignments will not be accepted. After the due date the solutions to the problem set will be posted. It is suggested you make a copy of your assignment prior to turning it in (with electronic submission of assignments - things can go wrong). Assignments will be uploaded into the class Dropbox.

4. For those registered in FIR 6320, there will be a graduate project worth 100 points. Details on this project will be given later in the semester.

5. There is no final exam in this class. The last unit of material will be due during final exam week.

6. Assignments and projects may be submitted anytime up to and including the date due. Please review all information in this syllabus and related “Class Schedule” for all due dates. Unless arrangements have been made in advance due to a reported illness or absense, late assignments will not be accepted.

7. There is no extra credit offered in this course. Your final grade will be computed based on your work on the formal/assessed activities previously described in this syllabus.

Course Outline

- **Unit 1 -- Finance and Real Estate**
  - Real Estate Finance: An Overview (Chapter 1)
  - Money, Credit, and the Determination of Interest Rates (Chapter 2)
  - Finance Theory and Real Estate (Chapter 3)

- **Unit 2 -- Residential Real Estate Finance - Part 1**
  - Residential Mortgage Financing in the United States (Chapter 4)
  - Fixed-Rate Mortgage Mechanics (Chapter 5)

- **Unit 3 -- Residential Real Estate Finance - Part 2**
  - Alternative Mortgage Instruments (Chapter 6)
  - Federal Regulation of Financial Institutions Related to the Mortgage Market (Chapter 7)

- **Unit 4 -- Residential Real Estate Finance - Part 3**
- Controlling Default Risk through Borrower Qualification, Loan Underwriting, and Contractual Relationships (Chapter 12)
- Loan Origination, Processing, and Closing (Chapter 13)
- Mortgage Default Insurance, Foreclosure, and Title Insurance (Chapter 14)

• **Unit 5 -- Commercial Real Estate Finance - Part 1**
  - Value, Leverage, and Capital Structure (Chapter 15)
  - Federal Taxation and Real Estate Finance (Chapter 16)
  - Sources of Funds for Commercial Real Estate Properties (Chapter 17)

• **Unit 6 -- Commercial Real Estate Finance - Part 2**
  - Acquisition, Development, and Construction Financing (Chapter 18)
  - Permanent Financing of Commercial Real Estate Properties (Chapter 19)
  - Ownership Structures for Financing and Holding Real Estate (Chapter 20)

• **Unit 7 -- Federal Housing Policy and the Secondary Mortgage Market**
  - Federal Housing Policies: Part 1 (Chapter 8)
  - Federal Housing Policies: Part 2 (Chapter 9)
  - The Secondary Mortgage Market (Chapter 10)
  - Mortgage Derivative Securities and Structured Finance (Chapter 11)

**Grading Policy (FIR 4320)**

This course will have a total of 750 possible points. The breakdown of these points are:

- Unit Quizzes (7 @ 50 pts each) 350
- Introduction Thread 25
- Conference Threads (7 units @ 25 pts each) 175
- Problem Sets (2 @ 100 pts each) 200

**Grading Policy (FIR 6320)**

This course will have a total of 850 possible points. The breakdown of these points are:

- Unit Quizzes (7 @ 50 pts each) 350
- Introduction Thread 25
Conference Threads (7 units @ 25 pts each) 175
Problem Sets (2 @ 100 pts each) 200
Graduate Project 100

**Grading Scale**

Total points earned by the student will determine the grade assigned. I intend to use a 90 / 80 / 70 / 60 percent grading scale. Individual assignments may be curved; however, at no time will the final grading scale exceed the above listed scale.

**Course Policies**

As with any course, there are policies that need to be followed. With an online class, since we never meet face to face, these policies tend to be even more important.

**Communication Expectations**

Since this class meets over the Internet, it is critical that constant communication is maintained. For my part, I will check my e-mail daily (Monday through Friday), usually late afternoon, and will check the Threaded Discussions at least three times a week. From past experience, **e-mail communication works best** since I am not always in my office (I also enjoy the flexibility of online teaching!) and my TA will have access to my e-mail. To better serve you, PLEASE include in the subject line of your e-mail "FIR 4320" or "FIR 6320". Also, please make sure to include your name in your message - it is often hard knowing who you are when all I have is an e-mail address! This makes it easier to identify each of you. If at all possible, I will respond to your questions / problems within 36 hours. To send me e-mail - be sure to send it too me from within the online course.

Don't be surprised if you hear from one of my TA. They will be helping me teach this class this semester.

**E-mail Policies**

To contact me (or my TA), please e-mail me from within the course shell. This makes sure that ALL my online e-mail
communication goes to one location. This way it makes it easier for me (and my TAs) to have access to JUŚT my online class correspondence. PLEASE do not use my University of Memphis e-mail address - it is too easy for me to loss track of your correspondence! You will receive all official course correspondence at this email account. Any inability to receive incoming mail in a timely fashion (e.g., not regularly checking your email, having a “full mailbox” condition, etc.) is the student’s responsibility.

E-mail can be a valuable tool; however, it can be easily abused. Each of you has the option to e-mail the entire class; however, PLEASE keep these messages related to course content. Also, I suggest that you do not give the entire class your phone number or address. If you want to share this selectively, that is fine. These policies are designed so each of you are not inundated with junk mail and you are able to maintain some degree of privacy. Further, often posting your question / comment in the threads is better than sending an e-mail message to the entire class.

Finally, please realize that the University of Memphis or this instructor cannot and will not be held responsible for the content of any personal messages which are sent from one student directly to another student using the online e-mail delivery system. It is expected that all students will adhere to accepted codes of ethical, personal, and civil conduct when conversing online using e-mail or engaging in any real time online chat sessions. Failure to abide by such codes of conduct and etiquette will result in expulsion from the course with a failing grade.

**Threads Policies**

I will not place limits on the use of conference threads other than to clearly state that I will not tolerate rudeness or inconsiderate comments being posted. Please treat each others views with the same amount of respect that you would want your views handled. Remember, it is VERY easy to be guilty of "flaming" in a thread situation. If handled properly, you may find that the "threads" are the most enjoyable aspect of the class.

**Grammar / Spelling**

There is a tendency to become lax when posting responses to threaded discussions and when sending e-mail. This is not an English class; however, I still expect proper grammar and spelling to be used. I do not intend to grade participation based on the quality of your writing style; however, it is disconcerting when it is HARD to understand what someone is expressing because their writing is unclear. As a suggestion, you may want to compose your threaded comments or e-mail messages in a word processing program where you can check spelling, edit, and revise your writing. Once you are finished, you can cut and paste the work into the threaded discussion or into e-mail.

**File Format of Assignments**
When I deliver material to the class for downloading, I will save text files in "pdf" format. This is an easy format to read with a free Adobe Acrobat reader. You can download this reader at [http://www.adobe.com/prodindex/acrobat/readstep.html](http://www.adobe.com/prodindex/acrobat/readstep.html). Non-text files will be saved in Microsoft Office format. To send files to me, you can send files in either WordPerfect / Word / Adobe Acrobat or Excel format. If you have any concerns regarding my ability to read a file, please contact me. Again, I am very flexible!

**Technical Problems**

If you have technical problems with the course platform, there is information on the initial login screen at eCourseware. In essence, you can contact the ITD help-desk at 901-678-8888. If you have continual problems, please let me know.

If you have problems with the course content, please contact me.

Unfortunately, Internet Service Providers (ISP) periodically have problems. I have also found that all ISPs are not "created equal" - many class problems have resulted from an inferior ISP. These problems are not an excuse for failing to complete assignments or for turning them in late, not being involved in threaded discussion, or having no e-mail access. Since computer crashes and disasters are bound to happen, I encourage you to make hard copies of your assignments and communication. If you have problems with your ISP, notify them immediately. If problems persist, you may have to access this course from another computer or through another ISP. Keep in mind that your ISP is your only link to this class.

**Access to Course**

The way this class is designed, you are not permitted to work ahead; however, I have provided some overlap of the units for flexibility (please check out the schedule shown under "Class Schedule"). After each unit is completed, you will still have access to it; however, work done on prior units (involvement in past threads and quizzes) will not be graded.

**Reporting Illness or Absence**

Due dates and deadlines have been established for each graded assignment. In this course, deadlines are taken very seriously. Please do not wait until the last day to submit assignments or to take quizzes and exams. If an emergency should arise, it is the student's responsibility to contact the instructor prior to the deadline to discuss the matter. A deadline extension will be considered only if all of the following conditions are met: (1) Extreme emergency and (2) Instructor contacted prior to the due date.
Personal Involvement and Time

There is often a misperception that taking a course online is easier since you don't have to physically go to a classroom. It is true that there are some things that become easier for online students. However, it is also easier to get behind. Even though you have flexibility in attending class, the work still needs to be done. Further, you have to take more responsibility for your learning. Finally, an online course requires more personal involvement where participation is the KEY. For success, don't put off your assignments. When possible, get an early start on each unit of material.

You are expected to stay active and engaged throughout the academic term and keep up with the schedule of activities. Your full engagement in the class begins on the first day of the semester and should be maintained until the last assignment is submitted. For students receiving federal student loans, any lack of engagement in the course may be treated as non-attendance and potentially impact access to student loans in the future.

How much you learn in this class will be in direct relationship to the amount of time spent on this material. Even though this class will be a lot of work, I also hope it can be an enjoyable experience!

Finally, I ask that you check your e-mail daily. I may be making adjustments to the course from time to time depending on the needs of the class. I will use e-mail and the message center to keep you informed. Also, I ask that you access conference threads several times during the week. Don't be surprised if you find most of your learning results from this form of communication.

Class Attendance / Involvement

This is NOT A CORRESPONDENCE class! We don't have class meetings, but we have weekly assignments AND deadlines! We will move through this material AS A CLASS, not as individuals. You will find that I stress communication. This is not possible if everyone is at a different place in the material. My TA and I are here to help you, but you will likely find your classmates can help a lot as well! Get to know them.

I would suggest that you set aside a time each day that you plan on working on this class. If you need to miss a day, that is fine, but the work still needs to be done! The way this class is designed, you have approximately 17 days to complete a unit of material. Even though this may sound like a lot of time, it really isn't considering the amount of material that needs to be covered in each unit. I had considered breaking these units up into smaller pieces; however, leaving them larger gives each of you more flexibility (or more rope to hang yourself with!).

I realize that problems occur. I am usually fairly flexible; however, if you are having problems (technical or otherwise) it is YOUR responsibility to contact me.
Student Services

Please access the FCBE Student Services page for information

- Students with Disabilities
- Tutoring and other Academic Assistance
- Advising Services for Fogelman Students
- Technical Assistance

Syllabus Changes

The instructor reserves the right to make changes as necessary to this syllabus. If changes are necessitated during the term of the course, the instructor will immediately notify students of such changes both by individual email communication and posting both notification and nature of change(s) on the course bulletin board.

Class Schedule

Shown below is the schedule we will be following this semester. Remember, you cannot enter a unit until the "Beginning Date". Even after a unit is completed, you can still access it; however, any work done AFTER the "Ending Date" will not be graded.

<table>
<thead>
<tr>
<th>Unit - Material Covered</th>
<th>Beginning Date (at 8:00 AM)</th>
<th>Ending Date (at Midnight)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit 1 - Chapters 1, 2 and 3</td>
<td>Wednesday, 1/20</td>
<td>Saturday, 2/6</td>
</tr>
<tr>
<td>Unit 2 - Chapters 4 and 5</td>
<td>Friday, 1/29</td>
<td>Monday, 2/15</td>
</tr>
<tr>
<td>Unit 3 - Chapters 6 and 7</td>
<td>Friday, 2/12</td>
<td>Monday, 2/29</td>
</tr>
<tr>
<td>---------------------------</td>
<td>--------------</td>
<td>--------------</td>
</tr>
<tr>
<td><strong>Unit 4 - Chapters 12, 13, and 14</strong></td>
<td>Friday, 2/26</td>
<td>Monday, 3/21</td>
</tr>
<tr>
<td><strong>Unit 5 - Chapters 15, 16 and 17</strong></td>
<td>Friday, 3/18</td>
<td>Monday, 4/4</td>
</tr>
<tr>
<td><strong>Unit 6 - Chapters 18, 19 and 20</strong></td>
<td>Friday, 4/1</td>
<td>Monday, 4/18</td>
</tr>
<tr>
<td><strong>Unit 7 - Chapters 8, 9, 10 and 11</strong></td>
<td>Friday, 4/15</td>
<td>Monday, 5/2</td>
</tr>
</tbody>
</table>

Except for Unit 1, new units will open on Friday and are due 17 days later, on a Monday (by midnight). Due to Spring Break, I have allowed for an extra week in Unit 4. Note that there is some overlap in the units to provide more flexibility - however, please do not leave the material to the last day! Even though I have attempted to have these units approximately of equal amount of material, you will find that some are harder than others. To be able to schedule the extra week for Spring Break, Unit 1 opens on Wednesday, January 20th and it (and the introduction thread) will close 17 days later on Saturday, February 6th. Note that Unit 1 and Unit 2 will both be open from January 29th till February 6th - SORRY.

Syllabus Updated on January 9, 2016