

**FINC 381**  
**REAL ESTATE FINANCE**  
**Spring 2007**

**Professor: Justin Benefield, Ph.D.**

**Office Hours:** Mondays from 12:00 to 3:00  
Tuesdays from 1:00 to 3:00  
Other times by appointment  
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**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 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. Students will also be able to determine the feasibility, as well as expected return, of proposed real estate projects and/or investments.

**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 201, ECON 202, FINC 303, FINC 375, MATH 104 or MATH 250, or permission of the instructor.

**Text:**

Real Estate Finance and Investments, 13th ed., W.B. Brueggman and J.D. Fisher, McGraw-Hill Irwin.

**Calculator:**

This class requires extensive use of a financial calculator. In class, I use the TI 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. This document is available at:  
<http://www.llr.state.sc.us/POL/RealEstateCommission>.

Barron's Real Estate Handbook, 5<sup>th</sup> ed, J.C. Harris and J.P. Friedman, editors, Barron's.

Real Estate Principles, 10<sup>th</sup> ed., C.J. Jacobus, Southwestern Publishing.

Income Property Valuation, J.D. Fisher and R.S. Martin, Dearborn.

Mortgage and Mortgage-Backed Securities Markets, F.J. Fabozzi and F. Modigliani, Harvard Business School Press.

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 WebCT or the library's electronic reserves (usually both). Examples of such materials would include the course syllabus, chapter outlines, copies of notes that I use in class, and old exams. Please check both websites 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 FINC 381 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](http://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 and Economics 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:**

Four exams will be given. The three midterm exams each account for 17.5% of your final grade. The final is non-comprehensive and will also account for 17.5% 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, April 9, 2007 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 15% of your grade.

The dates of the exams are as follows:

Midterm 1	Monday, February 5, 2007
Midterm 2	Wednesday, February 28, 2007
Midterm 3	Monday, April 2, 2007
Final	Monday, April 30, 2007 from 8:00 – 11:00

**Paper:**

The paper can be on any topic of your choosing that is related to the material we cover in this class. Prior to beginning work on the paper, you should discuss your topic with me. The paper has two parts. First, on Monday, February 19, 2007, a summary of your topic is due. This summary will account for 15% of your grade on the paper. Make sure you check to see if there is information available related to your chosen topic, because there will be no topic-switching allowed after the summary has been turned in. The databases in the library contain a wealth of information from a wide variety of sources – use them.

The second part of the paper, due Monday, April 9, 2007, is the paper itself, which should be 12 – 15 pages long, excluding the title page, the above-mentioned summary, any graphs or charts, and any references. The references can be done in any format with which you are comfortable (APA, MLA, etc), but I do expect to see appropriate citations throughout. Plagiarism is a form of academic misconduct, as is having someone else write your paper for you; neither of these activities will be tolerated (please see the section on the Academic Honor Code). If you are unsure whether what you are doing constitutes plagiarism, talk to me. A late penalty of 5 points per day (including weekends) will be assessed for papers turned in after the due date.

**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.

**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 and pagers 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. On exams, you may not use a graphing calculator of any variety. In addition, 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 on Tuesday, February 20, 2007. 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 4:30 p.m., Tuesday, February 20, 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.

**Other Important Dates:**

Friday, January 12	Last day of drop/add
Monday, January 15	No class – Martin Luther King, Jr. Holiday
Thursday, February 1	Graduation application deadline for Spring 2007
Monday, March 5	No class – Spring Break
Wednesday, March 7	No class – Spring Break
Friday, March 9	No class – Spring Break

**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](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 with disabilities are encouraged to register with the Center for Disability Services, located in Suite 104 of the Lightsey Center (843-953-1431). Thereafter, students are invited to schedule an appointment to see me to discuss accommodations and other special needs.

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**

<b><u>Subject</u></b>	<b><u>Chapter</u></b>
Review of Real Estate Basics	Notes and Ch. 1 & 2
Review of Interest Factors	Ch. 3
Mortgages	Ch. 4 & 5
Residential Analysis	Ch. 6 & 7
Underwriting	Ch. 8
Pass-Through Securities	Ch. 19
CMOs and Other Derivatives	Ch. 20
Real Estate Investment Trusts	Ch. 21
Real Estate Portfolio Considerations	Ch. 22