

JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS

II. CLASSES AT THE UNIVERSITY OF WISCONSIN--MADISON

- B. Business 522: Real Estate Finance (Also Known as Business 551, as of Semester II, 1974-75)
 - 1. Syllabi (1973) and Exams (1969)

Business 522

REAL ESTATE FINANCE

Spring Semester -- 1973

Nic Maritz for Prof. James A.
Graaskamp

I. COURSE MATERIALS

- (i) (TEXT) Textbook: Mortgage Banking, Pease & Kernwood, (2nd Edition), McGraw-Hill, 1965.
- (ii) (CORE) Collected Readings
- (iii) (BLR) Business School Reserve Library
 - (k) Real Estate Law, Robert Kratovil (5th Ed.), Prentice Hall, 1965.
 - (FEDLO) Guide to Federal Law & Moderate Income Housing and Community Development Programs, National Urban Coalition, 3rd Edition.
- (iv) (BLP) Business School Periodical Library
 - (HH) House and Home. Each member of the class is responsible for major "News and Trends" in Real Estate Finance as reported in House and Home magazine from November 1972 - April 1973.
- (v) (SLB) Savings and Loan Fact Book, 1972.
- (vi) (CLG) Construction Lending Guide, U.S. Savings and Loan League
- (vii) (CHO) Class Handouts

Course materials; TEXT, SLB, CLB, CORE, available from instructor for \$20.
All checks payable to U. W. Real Estate Club.

II. GRADES

- (i) Three 50 minute essay exams
 - (a) First 50 minute exam: February 16, 1973 100 points
 - (b) Second 50 minute exam: March 28, 1973 100 points
 - (c) Third 50 minute exam: May 7, 1972 100 points
- (ii) One problem set: Due April 13, 1972 100 points
- (iii) Total 400 points

Grades to be established on modes of distribution of individual point totals out of a possible 400 points.

III. CLASS SCHEDULE, LECTURE OUTLINE AND READING ASSIGNMENT SHEET

<u>Date</u>		<u>Source</u>
1-15(M)	INTRODUCTION TO REAL ESTATE FINANCE	LECTURE
	A. Chapter 1, "Development of Mortgage Banking" (MG)	TEXT
1-17(W)	DEFINITION OF A MORTGAGE	LECTURE
	A. Chapter 2, "Mortgage Law" (MB)	TEXT
1-19(F)	MORTGAGES CLASSIFIED BY FORM OF REPAYMENT	LECTURE
1-22(M)	MORTGAGES CLASSIFIED BY NATURE OF LIEN	LECTURE
	A. "Wisconsin Mechanic's Lien Law"	CORE - 1
	B. Chapter 19, "Liens", <u>Real Estate Law</u> , 5th Edition, Kratovil	CORE - 2
1-24(W)	PRIORITY OF CLAIM AND SUBORDINATION	LECTURE
	A. "How to Create Leverage With a Subordinated Landlease", <u>The Mortgage and Real Estate Executives Report</u> , December 1, 1971.	CORE - 3
1-26(F)	MORTGAGE FORECLOSURE REMEDIES	LECTURE
	A. Chapter 23, "Foreclosure and Redemption," (K)	BLR
	B. "Foreclosure of the Security," <u>Legal Bulletin</u> , by William C. Prather, May, 1958.	CORE - 4
1-29(M)	LAND CONTRACTS	
	A. "Land Contracts," <u>Real Estate Finance</u> , Hoagland & Stone	CORE - 5
1-31(W)	COST OF MORTGAGE MONEY AND YIELD TO INVESTOR	LECTURE
2-2(F)	SHOPPING FOR MONEY	LECTURE
	A. <u>First Wisconsin Home Buyer's Handbook</u>	CORE - 6
	B. "The Housing Corporation," <u>Urban Trends</u> , April, 1969	CORE - 7
	C. "Associations Learn How to Finance With the Help of the '63 Housing Act," <u>Savings & Loan</u> , Oct., 1968	CORE - 8

- D. "Consumer Protection in Housing" MGIC Newsletter, March, 1970. CORE - 9
- 2-5(M) ORIGINATING THE LOAN-A RISK MANAGEMENT PROCESS LECTURE
- A. Chapter 12, Mortgage Banking TEXT
- B. Part V. Construction Lending Guide CLG
- C. "Evaluating the Individual Risk," Chapter 8, (M) CORE - 10
- D. "Numerical Risk Ratings Aid Loan Credit Analysis," Savings and Loan News, March, 1969. CORE - 11
- 2-7(W) SERVICING THE LOAN-A RISK MANAGEMENT PROCESS LECTURE
- A. "Profit Planning," Chapter 10 (M) CORE - 14
- B. "The Loan Administration Program," Chapter 11, Mortgage Lending, Willis Bryant CORE - 15
- C. Fire Insurance-The Mortgagee Clause-Insurance Principles and Practices, Reigal & Miller CORE - 16
- D. Development and Structure of Mortgage Loan Guaranty Insurance in the U.S., James Graaskamp CORE - 17
- PORTFOLIO RISK CONTROL LECTURE
- 2-9(F) A. "Portfolio Policy and the Supply of Mortgage Funds," Chapter 11, (M) CORE - 18
- 2-12(M) MONEY MARKET RISKS LECTURE
- A. "The Neglected Risks in Home Mortgage Lending," MGIC Newsletter, January, 1971. CORE - 19
- B. "When to Lend, When to Wait," by Richard Pratt, Business and Real Estate, Savings & Loan News, March, 1969 CORE - 20
- C. "How to Analyze a Savings Rate Cut," Savings & Loan News, May, 1971. CORE - 21
- 2-14(W) REFORM OF THE MORTGAGE CONTRACT LECTURE
- A. "What's the Matter With Mortgages?", Quarterly Economic Report, October 14, 1969. CORE - 20
- B. "The Case for Variable Rate Mortgages," by Harmon S. Spolan, Real Estate Review, Summer 1971 CORE - 23

- C. "Fannie Mae Goes Shopping for Conventional Mortgages" by James E. Murray, Real Estate Review, Fall 1971. CORE - 24
- 2-16(F) FIRST 50 MINUTE EXAM
- 2-19(M) GENERAL STRUCTURE OF LENDORS AND SAVINGS IN THE MORTGAGE LECTURE
- A. "Mortgage Loan Investors I, II," Chapters 6 & 7 (MB) TEXT
- B. "Savings and Housing in the Economy," Savings and Loan Fact Book, 1972, pp. 7-52. SLB
- 2-21(W) SAVINGS AND LOAN ASSOCIATIONS - HISTORY AND PRESENT POSITION LECTURE
- A. "The Savings and Loan Business," pp. 53-108, Savings and Loan Fact Book, 1972. SLB
- B. "Diversify or Atrophy," Savings and Loan News, August, 1970. CORE - 25
- C. "Computer Simulation: Management," Savings and Loan News, August, 1970. CORE - 26
- D. "The Rate Game: Offer High, Sell Low," Savings and Loan News, February, 1970. CORE - 27
- E. "Joint Ventures: A Way to Compete for the Big Ones," Savings and Loan News, November, 1968. CORE - 28
- 2-23(F) SAVINGS AND LOAN ASSOCIATIONS - FUTURE PROSPECTS LECTURE
- 2-26(M) S & L REGULATION LECTURE
- A. "Financial Regulation as a Control System Problem: The Case of the Savings & Loan Industry," F. E. Balderston, Management Science, June, 1966. CORE - 29
- B. "The Friend Report," U.S. Savings and News CORE - 30
- 2-28(W) COMMERCIAL BANK MORTGAGE LENDING HISTORY LECTURE
- A. "The Federal Reserve and the Subeconomy of Real Estate," Andrew F. Brimmer, Real Estate Review, Fall 1971. CORE - 31
- B. "Construction Loans," Real Estate Review CORE - 32

3-2(F)	REGULATION OF CURRENT COMMERCIAL LENDING	LECTURE
3-5(M)	INSURANCE COMPANY MORTGAGE LENDING	LECTURE
	A. "Life Insurance Companies," <u>Recent Trends in Real Estate Finance</u> , Bruce Ricks	CORE - 33
	B. "Should Mortgage Loans Be Socially Significant?" Eric Stevenson, <u>Real Estate Review</u> , Winter 1972.	CORE - 34
	C. Chapters 6 & 7, <u>Mortgage Banking</u>	TEXT
3-7(W)	THE MORTGAGE BANKER	LECTURE
	A. Chapters 22-23, <u>Mortgage Banking</u> , then read Chapters 19-21.	TEXT
	B. "There's Money in Mortgage Bank," <u>S & L News</u> , May, 1971.	CORE - 35
	C. "The Changing World of Real Estate Finance," Harold Jensen, <u>Urban Land</u> , June, 1971.	CORE - 36
3-9(F)	THE REAL ESTATE INVESTMENT TRUST	LECTURE
	A. <u>Nareif Handbook of Member Trusts</u>	CORE - 37
	B. REIT's and Savings & Loan, <u>Savings and Loan News</u> , October, 1970.	CORE - 38
	C. "The Real Estate Investment Trust - New Wonderchild," Kenneth D. Campbell, <u>Real Estate Review</u> , Winter, 1972.	CORE - 39
3-12(M)	GENERAL FLOW OF SAVINGS CAPITAL	LECTURE
	A. "The Outlook for Interest Rates," James O'Leary, <u>The MGIC Newsletter</u> , December, 1971.	CORE - 40
	B. "Sources of Housing Funds in the 1970's, a speech by R. Bruce Ricks.	CORE - 41
	C. "Disintermediation," RF #69.	CORE - 42
3-14(W)	INTERMEDIATION AND DISINTERMEDIATION	LECTURE
Fri.	INTRODUCTION TO GOVERNMENT INVOLVEMENT IN REAL ESTATE CREDIT	
3-16	A. "Before HUD" <u>The Department of Housing and Urban Development</u> , John B. Willman	CORE - 43

- B. "How HUD Happened," The Department of Housing and Urban Development, John B. Willman CORE - 44
- C. "Everyman's HUD," Charles L. Edson, Real Estate Review, Winter, 1972. CORE - 45
- Mon. 3-19 GOVERNMENT FISCAL POLICY AND REAL ESTATE FINANCE
- A. "The Federal Budget: Housing and Other Priorities," Otto Eckstein, The Mortgage Banker, April, 1970. CORE - 46
- B. "Government Organizations, Programs and Terms, Savings and Loan News, June, 1969. CORE - 47
- C. "What's Happening at HUD?" Jack Bryan, Journal of Housing, April, 1970. CORE - 48
- D. "Housing Subsidies: Politics vs. Economies," Miles Colean, MGIC Newsletter, April, 1972. CORE - 49
- Wed. 3-21 GOVERNMENT AGENCIES SHAPED BY 1968 HOUSING ACT
- A. "Nobody Pours It Like FANNIE MAE," Gurney Breckenfeld, Fortune, June, 1972. CORE - 50
- B. "Elements of a Plan for GNMA Backed Securities," Eugene C. Zorn, Jr., The Mortgage Banker, April, 1969. CORE - 51
- C. "The Other FHA Is Changing Rural America," James F. Neville, Real Estate Review, Spring 1972. CORE - 52
- D. "For NHP, Everything is Coming Up Roses," Sidney Freidberg, Real Estate Review, Fall 1972 CORE - 53
- Fri. 3-23 GOVERNMENT PROGRAMS FOR HOUSING
- A. Guide to Federal Low & Moderate Income Housing & Community Development Programs, National Urban Coalition, 3rd Edition. BLR
- B. "The Federal Government and the Mortgage Lender." Frederick W. Deming, Real Estate Review, Summer 1971. CORE - 54
- C. "The Section 236 Story: Federal Housing Subsidies in Action," Levy & Meyer & King, Real Estate Review, Summer 1971. CORE - 55

- D. "New Town Money Comes Easier With Uncle Sam's Guarantee," Boykin & Brincefield, Real Estate Review, Spring 1972 CORE - 56

Mon.
3-26

OTHER PROGRAMS FOR GOVERNMENT MORTGAGE LENDING

- A. Housing Mortgage Money From Federal Agencies Other Than HUD. CORE - 57
- B. Commercial & Industrial Mortgage Money From Government Agencies. CORE - 58
- C. "Fifteen State Housing Finance Agencies in Review," Robert Alexander, Journal of Housing, January, 1972. CORE - 59

3-28 (W)

SECOND MINUTE EXAM

3-30 (F)

INVESTMENT PROPERTY LOANS AND LEVERAGE

LECTURE

- A. "Leverage - Magnificent Movers of Real Estate," Wm. Dennison Clark, Jr., Real Estate Review, Winter 1972. CORE - 60
- B. "Mortgage - Equity Capitalization: Ellwood Method," James Gibbons, Appraisal Journal. CORE - 61
- C. Outline of Ellwood valuation approach (with selected Ellwood Tables). CHO - 1
- D. Outline of systematic determination of cash flow and yield. CHO - 2
- E. Ellwood problem sheet. CHO - 3

4-2 (M)

INVESTMENT PROPERTY LOANS AND LEVERAGE (CONT.)

LECTURE

- A. "Caveat emptor in Real Estate Equities," Samuel Hayes & Leonard Harlan, Harvard Business Review, March-April, 1972. CORE - 62

4-4 (W)

UNDERWRITING THE APARTMENT HOUSE LOAN

LECTURE

- A. Chapters 9 & 13, Mortgage Banking. TEXT
- B. "On Submitting Mortgage Applications," Francis Gunning, Shopping Center Report #20. CORE - 63
- C. "Two Apartment Projects - A comparison of Design and Value - Summary Sheet," (to be used in class with slide presentation. CHO - 4

- D. Real Estate Investment Teaching Model - 24-unit apartment building, Case #2 (review of 520). CHO - 5
- 4-6(F) MORTGAGES ON SPECIAL USE INCOME PROPERTY LECTURE
- A. Chapters 10, 11, 14, 15, & 17, Mortgage Banking. TEXT
- B. "A Lender's Examination of Shopping Center Leases," Francis P. Gunning, Shopping Center Report #13. CORE - 64
- C. "Lease Guarantee Insurance," Wm. N. Kinnard, Jr. & Stephen D. Messner. CORE - 65
- 4-9(M) PARTICIPATION LOANS - SUPPLEMENTARY INTEREST LOANS
- A. "Lender-Developer Participation," The Mortgage Banker, September, 1968. CORE - 66
- 4-11(W) "PARTICIPATION" - EQUITY KICKERS AND JOINT VENTURES LECTURE
- A. "Illustrations of Various 'Kickers' and Their Relative Yields as applied when Lender shares in Income Flow." CORE - 67
- 4-13(F) NEW TECHNIQUES IN FINANCE: LEASE-BACKS, BUY-BACKS AND EARN-OUTS LECTURES
- A. "Ground Leasing Makes Dollars & Sense for Developers," Neil Underberg, Real Estate Review, Summer 1971. CORE - 68
- B. "Eight Reasons Why Net Leased Properties are Prime Investments," The Mortgage & Real Estate Executives Report. CORE - 69
- C. "New Issues & Answers about Sale-Leaseback Financing," Mortgage & Real Estate Executives Report. CORE - 70
- D. "Leasebacks of Drive-Ins to Yield 10½%," Mortgage & Real Estate Executives Report. CORE - 71
- E. "Special Report" Eight Ways to Finance Your Next Investment," Mortgage & Real Estate Executives Report. CORE - 72
- F. Ellwood problem sheet is due! No late papers!

- 4-25(W) NEW TECHNIQUES IN FINANCING CONTINUED: GAP LOANS AND WRAP-AROUNDS LECTURE
- A. "New Techniques in Financing," Francis P. Gunning, Shopping Center Report #17. CORE - 73
 - B. "The Wrap-Around Mortgage...Friend or U.F.O.," Francis P. Gunning, Shopping Center Report #22. CORE - 74
 - C. "Here's how to unwrap the new wraparound mortgage," House and Home. CORE - 75
- 4-27(F) SYNDICATIONS AND OTHER FADS LECTURE
- A. "How to Find Tax Shelter as a Limited Partner," Sheldon Schwartz, Real Estate Review, Summer 1972. CORE - 76
 - B. "The Growing Pains of Public Real Estate Syndicates," Don Augustine & Ronald R. Hrusoff, Real Estate Review, Fall 1971. CORE - 77
- 4-30(M) CONSTRUCTION AND DEVELOPMENT LOANS LECTURE
- A. Chapter 18, Mortgage Banking. TEXT
 - B. "Joint Venturing: The Smaller Builder," Robert W. Medearis, House & Home, March 1971. CORE - 78
 - C. "Real Estate Development Financing," R. Bruce Ricks, California Management Review, Spring 1968. CORE - 79
 - D. "Complexities of Financing - The Planned Community," Bruce A. Werlhof, The Mortgage Banker, October, 1968. CORE - 80
- 5-2(W) BIG CAPITAL MARKETS FOR REAL ESTATE LECTURE
- A. Chapter 16, Mortgage Banking. TEXT
 - B. "Real Estate's Quest for Capital", H. S. Jensen, Urban Land, November, 1967. CORE - 81
 - C. "The ABC's of Going Public," David Thaler, House & Home, May, 1970. CORE - 82
 - D. "The Strategy Behind Wall Street's Move Into Real Estate," Frank Lalli, The Institutional Investor, May, 1970. CORE - 83

E. "Corporations in Real Estate," National Real
Estate Investor, March, 1972.

CORE -- 84

5-4(F) REVIEW SESSION

5-7(M) THIRD 50 MINUTE EXAM

50 Minute Exam #3

Real Estate Finance 522

Monday, May 26, 1969

Prof. J. A. Graaskamp

- I. (40%) Define or comment as required on five of the following techniques of real estate finance. Be precise and professional in the use of the English language.

1. The sale and ~~buy-back~~ buy-back.
2. Yield on equity investment.
3. 221(d)3 program.
4. Section 235-1968 National Housing Act.
5. Key factors in investment analysis.
6. True depreciation
7. Syndication
8. Cash flow projection.

- II. (45%) Write an essay on one of the following two questions, using an outline form of analysis if you wish.

1. Describe the form and advantages to each party of the three basic types of equity participation which are found in financing by insurance companies of private capital development projects (from readings and lectures).

OR

2. Discuss how the format and functions performed by the proposed National Housing Corporation systematizes the functions and risks of the individual's real estate financing problems in providing for his housing.

- III. (15%) Briefly discuss the contents of one of the following outside readings and news items in House and Home.

1. Why did the Larwin Group Corporation sell to CNA Financial?
2. How will truth in lending affect mortgage lending?

