

JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS

V. INDUSTRY SEMINARS AND SPEECHES - SHORT TERM

I. Other Presentations In Which Either The Date And /
Or Sponsoring Organization Is Missing

6. Real Estate Finance/Mortgage Banking/Mortgage
Guaranty Insurance

m. "Apartment House Mortgage Lending", no
date

APARTMENT HOUSE MORTGAGE LENDING

- I. Repayment of income property loan depends on:
 - A. Quality of income
 - B. Motivation of borrower (rewards, penalties)
 - C. Resale value in event of foreclosure

- II. Quality of income
 - A. Type of apartment units
 1. Rent per square foot per month
 2. Turn over rate - term of lease
 3. Percent of renewals
 4. Percent of rent allocated to
 - a. Space
 - b. Utilities
 - c. Furnishings
 - d. Special services
 5. Unit mix
 - B. Tenant mix in terms of age, employment, education, family status
 - C. Operating expense characteristics
 1. Fixed costs
 2. Maintenance costs
 3. Utility costs
 4. Labor costs
 5. Releasing expenses
 6. Upgrading repair program
 - D. Management credibility
 1. Indices of efficiency
 - a. Turn over
 - b. Vacancy
 - c. Expense norms
 - d. Fee schedule
 - e. Hidden incentives (resale commissions, competitive projects, management contract incentives)

- III. Resale potentials
 - A. Comparable sales indexes
 1. Gross rent and net income multipliers
 2. Market price per apartment, per room, per bedroom
 - B. The problem in standardizing room counts
 - C. Terms of sale
 - D. Cash equivalency prices
 1. Discounting to market interest
 2. Removing arbitrage premium for condo conversion or syndication
 - E. Other market price distortions
 1. Utility hookups
 2. Furnishing premium
 3. Opportunity to raise rent roll or alter service package
 4. Exposure to public relations problems

- F. Community rent control prospects and demographics
 - 1. Blue collar or student population
 - 2. Liberal or conservative voting history
 - 3. Nature of city council for demand supply relationship

- IV. Tax shelter investment attributes
 - A. Age of building
 - B. Land to building ratio
 - C. Existing borrower tax trap potential

- V. Borrower motivation
 - A. Construction project profits
 - B. Property management, leasing, insurance fees
 - C. Cash income
 - D. Rent escalation with inflation
 - E. Tax shelter
 - F. Conversion
 - G. Occupation