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Business 552: Residential Finance and Housing Policy. 1981-1987

Graaskamp, James A.

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REAL ESTATE FINANCE - BUSINESS 552
Residential Finance Syllabus - 1981

Fall Semester 1981

Prof. James A. Graaskamp

I. Course Description:

552 - Real Estate Finance. 11; 3 cr. Mechanisms of real estate finance, sources of funds, loan contracts, principles of mortgage risk analysis, role of governmental agencies. Prereq: Bus. 550.

A. Format

1. Section 1: Residential Finance (Business 552). Two lectures and one quiz section per week. Mon., Wed. 12:05 lecture; quiz section 301, 12:05 Friday.
 2. Section 2: Income Property Finance (Business 551). Two lectures and one quiz section per week. Mon., Wed. 1:20 lecture; quiz section 302, 1:20 Friday. (Req. of MS Real Estate students & Bus. 850).
- B. Student who wishes both sections can take 551 for 3 credits and 552 for 3 credits.
- C. Lectures will develop risks systems and bargaining objectives which link borrowers to lenders, lenders to capital market, and both to government.
- D. Quiz sections will stress Real Estate Finance Arithmetic and Finance.

II. Text Materials:

A. Required:

1. Atteberry, William, Modern Real Estate Finance, 3rd Ed. Grid, Inc. 1980.
 2. Mimeographed readings packet
 3. Goebel, Paul R. and Miller, Norman G. Handbook of Mortgage Mathematics & Financial Tables, Prentice-Hall, 1981.
- B. Mimeo Materials can be purchased from U.W. Real Estate Club in Room 118 at posted hours.

Prices:

Atteberry	Book Store
Goebel & Miller	
Mimeos	

- C. In the event that you elect not to purchase the Atteberry text, several copies will be placed on reserve in the Business School Library. Given the restricted budget, they cannot be replaced if damaged or lost; please respect the needs of your fellow students in this regard.

III. Grading:

Problem Set #1	50 points
Problem Set #2	50 points
Problem Set #3 (Case Study)	100 points
Lab Participation	50 points
Six Weeks Exam	100 points
Twelve Weeks Exam	100 points
Final Exam	150 points
TOTAL	600 points

RESIDENTIAL REAL ESTATE FINANCE - BUSINESS 552

Topic Schedule

Fall 1981

Aug. 31, Mon.	INTRODUCTION TO RISKS OF RESIDENTIAL FINANCE
Sept. 2, Wed.	THE MORTGAGE AGREEMENT AND ENFORCEMENT
Sept. 7, Mon.	-LABOR DAY HOLIDAY-
Sept. 9, Wed.	LAND CONTRACTS AND OTHER INSTRUMENTS
Sept. 14, Mon.	MORTGAGE LENDING PROCESS AND RISK MANAGEMENT
(LAB)	INTRO TO MORTGAGE MATHEMATICS
Sept. 16, Wed.	RESIDENTIAL LOAN APPLICATION PROCESS
Sept. 21, Mon.	RESIDENTIAL LOAN SERVICING PROCESS
(LAB)	RESIDENTIAL LOAN CLOSING PROCESS
Sept. 23, Wed.	DOCUMENTATION AND PUBLIC LIABILITY RISKS INHERENT IN THE LENDING PROCESS
Sept. 25, Fri.	REAL ESTATE ALUMNI SEMINAR - LOWELL HALL
Sept. 28, Mon.	MORTGAGE DEFAULT AND WORKOUTS
(LAB)	COMPUTATION OF PRINCIPAL PAYMENT DUE, PRE-PAYMENT PENALTIES, POINTS, ETC.
Sept. 30, Wed.	FHA, VA, AND FmHA MORTGAGE GUARANTY PROGRAMS
Oct. 5, Mon.	ALTERNATIVE MORTGAGE FORMS - GRADUATED PAYMENT AND CANADIAN ROLL-OVER
(LAB)	PMI MORTGAGE GUARANTY MECHANISMS
Oct. 7, Wed.	VARIABLE RATE MORTGAGES
Oct. 12, Mon.	RISKS OF APPRECIATION, CURRENCY DEVALUATION, AND SHIFTING PURCHASING POWER
(LAB)	MATHEMATICS OF VARIABLE RATE MORTGAGES
Oct. 14, Wed.	!! <u>6 WEEKS EXAM</u> !!

Oct. 19, Mon.	CAPITAL FLOWS AND MONEY MARKET RISKS
(LAB)	MEASURING YIELD ON A MORTGAGE PORTFOLIO; RATES ON WITS, PROBLEM SET NO. 2
Oct. 21, Wed.	THE DEPOSITORY INSTITUTIONS DE-REGULATION AND MONETARY CONTROL ACT OF 1980
Oct. 26, Mon.	BANK AND BANK MORTGAGE COMPANIES
(LAB)	SAVING & LOAN INSTITUTIONS - PAST AND FUTURE
Oct. 28, Wed.	MORTGAGE BANKING - COLLATERAL TRUSTS, MORTGAGE TRUSTS, AND SECONDARY MARKET
Nov. 2, Mon.	SHORT HISTORY OF FEDERAL INTERVENTION INTO RESIDENTIAL LENDING
(LAB)	MATHEMATICS OF RE-FINANCING
Nov. 4, Wed.	SECONDARY MORTGAGE MARKETS
Nov. 9, Mon.	MECHANICS OF HEDGING AND GNMA FUTURE CERTIFICATES
(LAB)	INTRODUCTION TO MRCAP
Nov. 11, Wed.	!! <u>12 WEEKS EXAM</u> !!
Nov. 16, Mon.	CONSTRUCTION MORTGAGES AND BUILDER FINANCING
(LAB)	INTRODUCTION TO MR CAP (continued)
Nov. 18, Wed.	FEDERAL, STATE AND MUNICIPAL FUNDING OF SINGLE FAMILY MORTGAGES
Nov. 23, Mon.	INTRODUCTION TO RESIDENTIAL RENTAL INCOME PROPERTY LOANS
(LAB)	BASIC APARTMENT NUMBER CRUNCHING
Nov. 25, Wed.	RENTAL PRODUCE VS. LOAN PACKAGE (Slide Program)
Nov. 27, Fri.	-THANKSGIVING-
Nov. 30, Mon.	HUD 2013 APARTMENT LOAN FORM
(LAB)	ASSISTANCE WITH PROBLEM SET NO. 3

Dec. 2, Wed.	SOCIAL SOFTWARE OF HUD LENDING PROGRAM
Dec. 7, Mon.	BUILDING PRODUCT REFORM - A FINANCING ALTERNATIVE
(LAB)	RISK MANAGEMENT AND SUBSIDIZED RENTAL HOUSING
Dec. 9, Wed.	RISK MANAGEMENT AND GROUP HOUSING (Condo and Co-op)
Dec. 14, Mon.	<u>SOLUTION OF CASE STUDY 3 MUST BE IN PROF. GRAASKAMP'S</u> <u>MAILBOX BY 12 NOON - NO LATE PAPERS ACCEPTED</u>

FINAL EXAM - AS SCHEDULED IN TIME TABLE

RESIDENTIAL REAL ESTATE FINANCE

BUS 552
Fall Semester 1981

Prof. James A. Graaskamp

<u>Class Period</u>	<u>Readings</u>	<u>Source</u>
Aug. 31, Mon.	INTRODUCTION TO RISKS OF RESIDENTIAL FINANCE	
	A. "An Approach to Real Estate Finance Education by Analogy to Risk Management Principles," J. A. Graaskamp, REAL ESTATE ISSUES, Summer 1977	Mimeo
Sept. 2, Wed.	THE MORTGAGE AGREEMENT AND ENFORCEMENT	
	A. Chapter 1, "Major Instruments of Real Estate Financing," MODERN REAL ESTATE FINANCE, 3rd Edition, William Atteberry.	Text
Sept. 7, Mon.	* * * LABOR DAY HOLIDAY * * *	
Sept. 9, Wed.	LAND CONTRACTS AND OTHER INSTRUMENTS	
	A. Chapters 2 and 4, MODERN REAL ESTATE FINANCE.	Text
	B. "Second Mortgage Conduits: Link to the Capital Markets," Roger Stephens, MORTGAGE BANKER, June 1981, pp. 24-27.	Mimeo
Sept. 14, Mon.	MORTGAGE LENDING PROCESS AND RISK MANAGEMENT	
	A. Chapter 2, "Financing Risks," F. E. Case & J. M. Clapp, REAL ESTATE FINANCING. New York: John Wiley, 1978.	Mimeo
(LAB)	INTRO TO MORTGAGE MATHEMATICS	
	A. Chapter 1, HANDBOOK OF MORTGAGE MATHEMATICS, pp. 1-13.	Text
Sept. 16, Wed.	RESIDENTIAL LOAN APPLICATION PROCESS	
	A. Chapter 9, "Analyzing Borrowers," and Chapter 10, "Residential Loan Analysis," J. P. Wiedemer, REAL ESTATE FINANCE, 2nd edition, Reston, Va.: Reston Publishing Co., 1977, pp. 207-245.	Mimeo
	B. Section 1, "Principles of a Construction Loan to an Owner-occupant," CONSTRUCTION LOAN PROCEDURES, pp. 3-11.	Mimeo

- C. "Why Builders Should Know HOW," David Robert Nelson,
REAL ESTATE REVIEW, Spring 1978, pp. 46-53. Mimeo
- D. "Underwriting Guidelines for Energy Costs in
Residential Finance." Mimeo

Sept. 21, Mon.

THE RESIDENTIAL LOAN SERVICING PROCESS

- A. Chapter 19, "The Management of Portfolio Risks,"
MODERN REAL ESTATE FINANCING, Maisel & Roulac. Mimeo
- B. Chapter 2, "Fundamentals of Servicing," MORTGAGE
LOAN ADMINISTRATION, William I. DeHuszar, 1972,
pp. 13-26. Mimeo
- C. "Decision Tables Aid Mortgage Bankers in Servicing,
Origination, Warehousing," William E. Schmid, THE
MORTGAGE BANKER, December 1975, pp. 54-56. Mimeo

(LAB)

RESIDENTIAL CLOSING PROCESS

- A. Chapter 14, "Settlement Procedures," J. P. Wiedemer,
REAL ESTATE FINANCE, 2nd edition, pp. 303-322. Mimeo
- B. Part 3, "Property Insurance for Your Home,"
Part 4, "Liability Insurance for Your Family,"
Part 5, "The Cost of Insurance for Your Home,"
Chapter 5, "The Mortgagee Clause," pp. 59-71. Mimeo
- C. "Mechanics Liens," MODERN MORTGAGE LAW AND PRACTICE,
Kratovil, pp. 138-148. Mimeo
- D. "Synopsis of the New Construction Lien Law,"
Wisconsin Builders Association. Mimeo
- E. "The Nature of Title Insurance," Harry Mack Johnson,
THE JOURNAL OF RISK AND INSURANCE, pp. 393-402. Mimeo

Sept. 23, Wed.

DOCUMENTATION AND PUBLIC LIABILITY RISKS

- A. "RESPA Refined and Revisited," Robert E. Duffy, Jr.,
REAL ESTATE REVIEW, pp. 82-85. Mimeo
- B. "The Right to Financial Privacy Act, What S&L's
Need to Know," Larry M. Berkow, FHLBB JOURNAL,
March 1979, pp. 18-19. Mimeo

- C. "Fair Housing, Equal Credit, & the Community Investment Act: Tying Them All Together," Lucy H. Griffin, FHLBB JOURNAL, November 1978, pp. 31-33. Mimeo
 - D. "The Impact of Usury Ceilings on Home Financing," James E. McNulty, REAL ESTATE REVIEW, pp. 68-72. Mimeo
- Sept. 25, Fri. REAL ESTATE ALUMNI SEMINAR - LOWELL HALL
- Sept. 28, Mon. MORTGAGE DEFAULTS AND WORKOUTS
 - A. Chapter 3, MODERN REAL ESTATE FINANCE. Text
 - (LAB) COMPUTATION OF PRINCIPAL PAYMENT DUE ETC.
 - A. Chapter 2, pp. 32-46, HANDBOOK OF MORTGAGE MATHEMATICS. Text
- Sept. 30, Wed. FHA, VA, AND FmHA MORTGAGE GUARANTY PROGRAMS
 - A. Chapter 15, "Federal Housing Administration," Atteberry. Text
 - B. Chapter 16, "Mortgage Loans for Veterans," Atteberry. Text
 - C. "The FmHA 502 Rural Housing Guaranteed Loan Program," Robert G. Wolff, MORTGAGE BANKER, June 1980, pp. 49-50. Mimeo
- Oct. 5, Mon. ALTERNATIVE MORTGAGE FORMS - GRADUATED PAYMENT AND CANADIAN ROLLOVER
 - A. "FLIP, A Systems Approach to Marketing, Foremost Guaranty Corporation." Handout
 - B. "Graduated Mortgage Could Loose Wave of New Young Buyers! Here Are Two Plans," pp. 23-24. Mimeo
 - C. "Graduated-Payment Mortgages Help Home Buyers-- at a Cost," Brooks Jackson, THE WALL STREET JOURNAL. Mimeo
 - D. "Joint Purchase, D. H. Dunn, Ed., PERSONAL BUSINESS/ BUSINESS WEEK: Nov. 3, 1980, pp. 113-114. Mimeo
 - E. "SAMS: Recognizing Economic Reality," Fred Reichelt, MORTGAGE BANKING, July 1981, pp. 30-41. Mimeo

- (LAB) PMI MORTGAGE GUARANTY MECHANISMS
- A. Chapter 21, "Private Mortgage Insurance," Atteberry. Text
- Oct. 7, Wed. VARIABLE RATE MORTGAGES
- A. Chapter 3, "A Micro Economic Simulation Model of Savings and Loan Association Portfolios of Variable Rate and Other Indexed Mortgage Loans," Unpublished Dissertation, UW-Madison, J. Vernor. Mimeo
- B. "Bank Board Authorizes Nationwide NRM's, Acts to Aid Savers, FHLBB JOURNAL, June 1979, pp. 2-6. Mimeo
- C. "Do VRMs Really Transfer Interest Rate Risks?" R. Kamath and R. B. Raimor. REAL ESTATE REVIEW, Vol. 11, Spring 1981, pp. 102-108. Mimeo
- Oct. 12, Mon. RISKS OF APPRECIATION, CURRENCY DEVALUATION AND SHIFTING PURCHASING POWER
- A. "How Inflation Erodes the Income of Fixed-Rate Lenders," A. Downs and S. M. Giliberto, REAL ESTATE REVIEW, Spring 1981, pp. 43-51. Mimeo
- B. "That Tricky Housing Market," D. R. Casey. PARADE, April 5, 1981, pp. 16, 18-19. Mimeo
- (LAB) MATHEMATICS OF VARIABLE RATE MORTGAGES
- A. Chapter 1, pp. 14-26, HANDBOOK OF MORTGAGE MATHEMATICS. Text
- Oct. 14, Wed. * * * SIX WEEKS EXAM * * *
- Oct. 19, Mon. CAPITAL FLOWS AND MONEY MARKET RISKS
- A. Chapter 8, "Mortgage Market and Fund Flows," MODERN REAL ESTATE FINANCE, Atteberry. Text
- B. "How Are Interest Rates Determined?" SAVINGS & HOUSING UPDATE, April, May, June 1979. Mimeo
- C. "Housing Finance in the 1980's," Robert Lindsay. JOURNAL OF THE AMERICAN REAL ESTATE AND URBAN ECONOMICS ASSOCIATION, Vol. 8, Spring 1980, pp. 118-147. Mimeo

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|---------------|--|-------|
| | D. "Unrestricted Capital Flow Is Essential to Meet 1980s Housing Demand," SAVINGS & HOUSING UPDATE, April 1980. | Mimeo |
| | E. "Housing and Reindustrialization Go Hand in Hand," SAVINGS & HOUSING UPDATE, December 1980. | Mimeo |
| (LAB) | MEASURING YIELD ON A MORTGAGE PORTFOLIO; RATES ON WITS, PROBLEM SET NO. 2 | |
| | A. Problem Sets 26-31; Problem Sets 51-56. | |
| Oct. 21, Wed. | THE DEPOSITORY INSTITUTIONS DE-REGULATION AND MONETARY CONTROL ACT OF 1980 | |
| | A. THE FEDERAL RESERVE BULLETIN, June 1980, pp. 444-453. | Mimeo |
| | B. "Historic Legislation," by Verle Johnson, FEDERAL RESERVE BANK OF SAN FRANCISCO WEEKLY LETTER, April 4, 1980. | Mimeo |
| Oct. 26, Mon. | MUTUAL BANKS, COMMERCIAL BANKS, AND BANK HOLDING COMPANIES | |
| | A. Chapters 10 and 11, MODERN REAL ESTATE FINANCE. | Text |
| | B. "The Philadelphia Plan: An Approach to Neighborhood Preservation," Elmer Young, Jr., REAL ESTATE REVIEW, Fall 1978, pp. 66-69. | Mimeo |
| | C. "Money Matters," Judith Barnard, CHICAGO, February 1977, pp. 97-104. | Mimeo |
| (LAB) | SAVINGS AND LOAN INSTITUTIONS - PAST AND FUTURE | |
| | A. Chapter 9, "Savings and Loan Associations," Atteberry. | Text |
| | B. Chapter 14, "The Federal Home Loan Bank System and the Federal Savings and Loan Insurance Corporation," Atteberry. | Text |
| | C. "Strong Currents Are Changing the Shape of Financial Markets," Kenneth J. Thygerson & Carroll R. Melton, SAVINGS & LOAN NEWS, Aug. 1979, pp. 40-47. | Mimeo |

	D. "A Look Ahead - The Economic Environment for S&Ls in the 1980s," SAVINGS & HOUSING UPDATE, March 1980.	Mimeo
	E. "Money Market - Mortgage Portfolio Yields Aren't Growing Fast Enough," Dennis Jacobe. SAVINGS & LOAN NEWS, December 1980, pp. 35-37.	Mimeo
	F. "Draft United States League Special Management Bulletin on Service Corporations, Barry Tate, May 1981.	Mimeo
Oct. 28, Wed.	MORTGAGE BANKING	
	A. Chapters 12 and 13, MODERN REAL ESTATE FINANCE.	Text
Nov. 2, Mon.	SHORT HISTORY OF FEDERAL INTERVENTION INTO RESIDENTIAL LENDING	
	A. Chapter 1, "Before HUD," DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, pp. 3-20.	Mimeo
	B. Chapter 11, "How HUD Happened," DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, pp. 21-40.	Mimeo
	C.	
	D. Chapter 11, "Equal Housing Opportunity, pp. 187-201.	Mimeo
	E. "The Devil Theory of Redlining," Pierre de Vise, REAL ESTATE ISSUES, Summer 1977, pp. 1-11.	Mimeo
(LAB)	MATHEMATICS OF REFINANCING	
	A. "Simplifying the Calculation of Yield on New Money," Allen F. Thomas, REAL ESTATE REVIEW, Vol. 9, Spring 1979, pp. 81-84	Mimeo
	B. "The Rollover Illusion," B. Jerremad, REAL ESTATE REVIEW, Spring 1978, pp. 43-45.	Mimeo

Nov. 4, Wed.

SECONDARY MORTGAGE MARKETS

- A. Chapter 17, "Federal National Mortgage Association, Atteberry. Text
- B. Chapter 18, "Government National Mortgage Association, Atteberry. Text
- C. Chapter 19, "Federal Home Loan Mortgage Corporation, Atteberry. Text
- D. "Mortgage-Backed Securities: Financial Alternatives for Savings & Loan Associations," Richard G. Marcis, FHLBB JOURNAL, November 1978, pp. 5-11. Mimeo
- E. "The 'True Yield' of a Pass-Through Security," Dexter E. Senft, MORTGAGE BANKING, September 1979, pp. 15-18. Mimeo

Nov. 9, Mon.

MECHANICS OF HEDGING AND GNMA FUTURE CERTIFICATES

- A. "Successful Developers Are Trading In Interest Rate Futures," Michael P. McCarthy and William C. Handorf, REAL ESTATE REVIEW, Summer, 1981, pp. 29-34 Mimeo
- B. "How Home Builders Use Conventional Forward Take-Out Commitments," J. Garrett. REAL ESTATE REVIEW, Vol. 10, Winter 1981, pp. 72-77. Mimeo
- C. "Two-Way Buy-Sell Mortgage Commitments for Home Builders," J. Garrett. REAL ESTATE REVIEW, Vol. 9, Summer 1979, pp. 63-64. Mimeo

(LAB)

INTRODUCTION TO MRCAP

- A. The Manske Manual to MRCAP Mimeo

Nov. 11, Wed.

* * * TWELVE WEEKS EXAM * * *

Nov. 16, Mon.

CONSTRUCTION MORTGAGES AND BUILDER FINANCING

- A. "Current Business Approaches--Commercial Construction Lending," Colin C. Livingston. Crocker National Bank. Mimeo

- B. "The Care and Feeding of Giants," M. Cheezem and M. Miles. REAL ESTATE REVIEW, Vol. 8, Winter 1979, pp. 57-64. Mimeo
- (LAB) INTRODUCTION TO MRCAP (continued)
- Nov. 18, Wed. FEDERAL, STATE, AND MUNICIPAL FUNDING OF SINGLE FAMILY MORTGAGES
- A. Chapter 20, MODERN REAL ESTATE FINANCE. Text
- B. Wisconsin Housing Finance Authority. Mimeo
- C. "Housing Programs Available in Wisconsin, Dept. of Local Affairs & Development, State of Wis. Mimeo
- D. "Should Local Governments Provide Home Mortgages?," SAVINGS & HOUSING UPDATE, November 1979. Mimeo
- E. "Local Mortgage Bonds Will Provide Limited Support to Housing, Study Says," HOUSING & DEVELOPMENT REPORTER. Mimeo
- F. Chapter 18, "What Can the Governments Do?," Martin Mayer, THE BUILDERS, W. W. Norton & Co. New York, 1978. Mimeo
- G. "Mortgage Bond Plans: \$2.21 in Costs for \$1,00 in Benefits, SAVINGS & LOAN NEWS, July 1979. Mimeo
- Nov. 23, Mon. INTRODUCTION TO RESIDENTIAL RENTAL INCOME PROPERTY LOANS
- A. Chapter 13, "Apartment Buildings," REAL ESTATE FINANCING, Fred Case and John Clapp. Mimeo
- B. "Financing Subsidized Housing With Municipal Bonds," John A. Marr, REAL ESTATE REVIEW, Vol. 9, Summer 1979. pp. 23-30. Mimeo
- C. "Apartment Investments," REAL ESTATE INVESTMENT ANALYSIS, Robert Ellis, Coldwell Banker, pp. 104-118. Mimeo
- (LAB) BASIC APARTMENT NUMBER CRUNCHING

- Nov. 25, Wed. RENTAL PRODUCT VS. LOAN PACKAGE (Slide Program)
- Nov. 27, Fri. THANKSGIVING
- Nov. 30, Mon. HUD 2013 APARTMENT LOAN FORM
- A. Chapters 1 and 2, "Processing Guide for Section 221 (d) (4)," FHA FINANCING FOR RENTAL HOUSING. Mimeo
- (LAB) ASSISTANCE WITH PROBLEM SET NO. 3
- Dec. 2, Wed. SOCIAL SOFTWARE OF HUD LENDING PROGRAM
- A. "Tax Expenditures in Troubled Times: The Future of Tax Incentives for Low-Income Housing," Sheldon S. Cohen, PROCEEDINGS OF 30TH U.S.C. LAW CENTER TAX INSTITUTE, 1978, pp. 971-995. Mimeo
- Dec. 7, Mon. RISK MANAGEMENT AND SUBSIDIZED RENTAL HOUSING
- A. "How to Understand a Subsidized-Housing Syndication," Joseph Miller Blew and Howard H. Stevenson, REAL ESTATE REVIEW, Summer 1978, pp. 42-51. Mimeo
- (LAB) BUILDING PRODUCT REFORM-A FINANCING ALTERNATIVE
- A. "Cooperative Housing: Adapting Europe's Experience to America's Needs," Steven F. Bloomfield, TRANSATLANTIC PERSPECTIVES, No. 3, September 1980, pp. 1-6. Mimeo
- B. "Accessory Housing," Mimeo
- Dec. 9, Wed. RISK MANAGEMENT AND GROUP HOUSING (CONDO AND CO-OP)
- A. Chapter 5, "Cooperatives and Condominiums," pp. 57-94. MODERN REAL ESTATE FINANCE. Text
- B. "How to Tell if Low-Income Housing Rehabs Make Sense," W. Pomeranz, REAL ESTATE REVIEW, Vol. 9, Winter 1980, pp. 87-90. Mimeo
- C. "Financing Resales of Condo and PUD Units," Robert B. Joselow, REAL ESTATE REVIEW, Vol. 9, Spring 1979, pp. 78-80. Mimeo

- D. "Structure That Time-Share Conversion as a Cooperative!," Robert J. Rosen, Vol. 10, Fall 1980, pp. 35-41.

Mimeo

Dec. 11, Fri. FINAL HELP SESSION ON PROBLEM SET NO. 3

Dec. 14, Mon. SOLUTION OF CASE STUDY 3 MUST BE IN PROF. GRAASKAMP'S MAILBOX BY 12 NOON - NO LATE PAPERS ACCEPTED

FINAL EXAM - AS SCHEDULED IN TIME TABLE

area of wilderness evaluation was provided by Professor Bernard Niemann
and Professor Chenoweth

REAL ESTATE FINANCE - BUSINESS 552
Residential Finance Syllabus - 1982

Fall Semester 1982

Prof. James A. Graaskamp

I. Course Description:

552 - Real Estate Finance. II; 3 cr. Mechanisms of real estate finance, sources of funds, loan contracts, principles of mortgage risk analysis, role of governmental agencies. Prereq: Bux. 550.

A. Format

1. Residential Finance (Business 552). Two lectures and one quiz section per week. Mon., Wed. 12:05 lecture; quiz section 301, 12:05 Friday.
2. Lectures will develop risks systems and bargaining objectives which link borrowers to lenders, lenders to capital market, and both to government.
3. Quiz sections will stress Real Estate Finance Arithmetic and Finance.

- B. Student who wishes both residential finance and income property finance can take 551 for 3 credits and 552 for 3 credits.

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1. Atteberry, William, Modern Real Estate Finance, 3rd Ed. Grid, Inc. 1980.
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3. Goebel, Paul R. and Miller, Norman G., Handbook of Mortgage Mathematics & Financial Tables, Prentice-Hall, 1981.

- B. Mimeo Materials can be purchased from UW Real Estate Club in Room 118 at posted hours.

Prices:

Atteberry	Book Store
Goebel & Miller	
Mimeos	

- C. In the event that you elect not to purchase the Atteberry text, several copies will be placed on reserve in the Business School Library. Given the restricted budget, they cannot be replaced if damaged or lost, please respect the needs of your fellow students in this regard.

III. Grading

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Problem Set #2	50 points
Problem Set #3 (Case Study)	100 points
Lab Participation	50 points
Six Weeks Exam	100 points
Twelve Weeks Exam	100 points
Final Exam	<u>150 points</u>
TOTAL	600 points

RESIDENTIAL REAL ESTATE FINANCE - BUSINESS 552

Topic Schedule

Fall 1982

Aug. 30, Mon.	INTRODUCTION TO RISKS OF RESIDENTIAL FINANCE
Sept. 1, Wed.	THE MORTGAGE AGREEMENT AND ENFORCEMENT
Sept. 6, Mon.	-LABOR DAY HOLIDAY-
Sept. 8, Wed.	LAND CONTRACTS AND OTHER INSTRUMENTS
Sept. 13, Mon.	MORTGAGE LENDING PROCESS AND RISK MANAGEMENT
(LAB)	INTRO TO MORTGAGE MATHEMATICS
Sept. 15, Wed.	RESIDENTIAL LOAN APPLICATION PROCESS
Sept. 20, Mon.	RESIDENTIAL LOAN SERVICING PROCESS
(LAB)	RESIDENTIAL LOAN CLOSING PROCESS
Sept. 22, Wed.	DOCUMENTATION AND PUBLIC LIABILITY RISKS INHERENT IN THE LENDING PROCESS
Sept. 27, Mon.	MORTGAGE DEFAULT AND WORKOUTS
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(LAB)	PMI MORTGAGE GUARANTY MECHANISMS
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(LAB)	MATHEMATICS OF VARIABLE RATE MORTGAGES
Oct. 13, Wed.	!! <u>6 WEEKS EXAM</u> !!
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(LAB)	MEASURING YIELD ON A MORTGAGE PORTFOLIO: RATES ON WITS, PROBLEM SET NO. 2
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FINAL EXAM - AS SCHEDULED IN TIME TABLE.

RESIDENTIAL REAL ESTATE FINANCE

Bus 552
Fall Semester 1982

Prof. James A. Graaskamp

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Sept. 15, Wed.	RESIDENTIAL LOAN APPLICATION PROCESS	
	A. Chapter 9, "Analyzing Borrowers," and Chapter 10, "Residential Loan Analysis," J. P. Wiedemer, REAL ESTATE FINANCE, 2nd edition, Reston, Va.: Reston Publishing Co., 1977, pp. 207-245.	Mimeo
	B. Section 1, "Principles of a Construction Loan to an Owner-occupant," CONSTRUCTION LOAN PROCEDURES, pp. 3-11.	Mimeo
	C. "Why Builders Should Know How," David Robert Nelson, REAL ESTATE REVIEW, Spring 1978, pp. 46-53.	Mimeo
	D. "Underwriting Guidelines for Energy Costs in Residential Finance."	Mimeo

Business 552 (Residential)
Fall Semester 1982

Sept. 20, Mon.

THE RESIDENTIAL LOAN SERVICING PROCESS

- A. Chapter 19, "The Management of Portfolio Risks,"
MODERN REAL ESTATE FINANCING, Maisel & Foulac. Mimeo
- B. Chapter 2, "Fundamentals of Servicing," MORTGAGE
LOAN ADMINISTRATION, William I. DeHuszar, 1972,
pp. 13-26. Mimeo
- C. "Decision Tables Aid Mortgage Bankers in Servicing,
Origination, Warehousing," William E. Schmid, THE
MORTGAGE BANKER, December 1975, pp. 54-45. Mimeo

(LAB)

RESIDENTIAL CLOSING PROCESS

- A. Chapter 14, "Settlement Procedures," J. P. Wiedemer,
REAL ESTATE FINANCE, 2nd edition, pp. 303-322. Mimeo
- B. Part 3, "Property Insurance for Your Home,"
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Chapter 5, "The Mortgagee Clause," pp. 59-71. Mimeo
- C. "Mechanics Liens," MODERN MORTGAGE LAW AND PRACTICE,
Kratovil, pp. 138-148. Mimeo
- D. "Synopsis of the New Construction Lien Law,"
Wisconsin Builders Association. Mimeo
- E. "The Nature of Title Insurance," Harry Mack Johnson,
THE JOURNAL OF RISK AND INSURANCE, pp. 393-402. Mimeo

Sept. 22, Wed.

DOCUMENTATION AND PUBLIC LIABILITY RISKS

- A. "RESPA Refined and Revisited," Robert E. Duffy, Jr.,
REAL ESTATE REVIEW, pp. 82-85. Mimeo
- B. "The Right to Financial Privacy Act, What S&L's
Need to Know," Larry M. Berkow, FHLBB JOURNAL,
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- C. "Fair Housing, Equal Credit, & the Community Invest-
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FHLBB JOURNAL, November 1978, pp. 31-33. Mimeo
- D. "The Impact of Usury Ceilings on Home Financing,"
James E. McNulty, REAL ESTATE REVIEW, pp. 68-72. Mimeo
- E. "Adjustable Mortgage Loans as Shaped by FHLMC,"
Douglas S. Bible, REAL ESTATE REVIEW, Spring, 1982. Mimeo

- Sept. 27, Mon. MORTGAGE DEFAULTS AND WORKOUTS
- A. Chapter 3, MODERN REAL ESTATE FINANCE. Text
- (LAB) COMPUTATION OF PRINCIPAL PAYMENT DUE, ETC.
- A. Chapter 2, pp. 32-46, HANDBOOK OF MORTGAGE MATHEMATICS. Text
- Sept. 29, Wed. FHA, VA, AND FmHA MORTGAGE GUARANTY PROGRAMS
- A. Chapter 15, "Federal Housing Administration," Atteberry Text
- B. Chapter 16, "Mortgage Loans for Veterans," Atteberry. Text
- C. "The FmHA 502 Rural Housing Guaranteed Loan Program," Rober G. Wolff, MORTGAGE BANKER, June 1980, pp. 49-50. Mimeo
- Oct. 4, Mon. ALTERNATIVE MORTGAGE FORMS - GRADUATED PAYMENT AND CANADIAN ROLLOVER
- A. "FLIP, A Systems Approach to Marketing, Foremost Guaranty Corporation." Handout
- B. "A Buyer's Guide to the New Mortgages," Robert Runde, Money Magazine, July 1982, pp. 44, 46, 48, 50. Mimeo
- C. Part III - Home Mortgages, Section 2 - Eligible Mortgages, Change 13, 9/27/79. Mimeo
- D. "Joint Purchase," D. H. Dunn, Ed., PERSONAL BUSINESS/BUSINESS WEEK: Nov. 3, 1980, pp. 113-114. Mimeo
- E. "SAMs: Recognizing Economic Reality," Fred Reichelt, MORTGAGE BANKING, July 1981, pp. 30-41. Mimeo
- F. "Florida's RICO Act Creates Title & Conveyancing Problems," Timothy D. Richards, REAL ESTATE REVIEW, Spring, 1982. Mimeo
- (LAB) FMI MORTGAGE GUARANTY MECHANISMS
- A. Chapter 21, "Private Mortgage Insurance," Atteberry. Text
- Oct. 6, Wed. VARIABLE RATE MORTGAGES
- A. Chapter 3, "A Micro Economic Simulation Model of Savings and Loan Association Portfolios of Variable Rate and Other Indexed Mortgage Loans," Unpublished Dissertation, UW-Madison, J. Vernor. Mimeo
- B. "Bank Board Authorizes Nationwide NRM's, Acts to Aid Savers, FHLBB JOURNAL, June 1979, pp. 2-6. Mimeo

- C. "Do VRMs Really Transfer Interest Rate Risks?"
R. Kamath and R. B. Raimer, REAL ESTATE REVIEW,
Vol. 11, Spring, 1981, pp. 102-108.

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Oct. 11, Mon.

RISKS OF APPRECIATION, CURRENCY DEVALUATION AND
SHIFTING PURCHASING POWER

- A. "How Inflation Erodes the Income of Fixed-Rate
Lenders," A. Downs and S. M. Giliberto, REAL
ESTATE REVIEW, Spring 1981, pp. 43-51.

Mimeo

- B. "That Tricky Housing Market," D. R. Casey, PARADE,
April 5, 1981, pp. 16, 18-19.

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MATHEMATICS OF VARIABLE RATE MORTGAGES

- A. Chapter 1, pp. 14-26, HANDBOOK OF MORTGAGE MATHEMATICS

Text

Oct. 13, Wed.

* * * SIX WEEKS EXAM * * *

Oct. 18, Mon.

CAPITAL FLOWS AND MONEY MARKET RISKS

- A. Chapter 8, "Mortgage Market and Fund Flows," MODERN
REAL ESTATE FINANCE, Atteberry.

Text

- B. "How are Interest Rates Determined?" SAVINGS &
HOUSING UPDATE, April, May, June 1979.

Mimeo

- C. "Housing Finance in the 1980's," Robert Lindsay,
JOURNAL OF THE AMERICAN REAL ESTATE AND URBAN
ECONOMICS ASSOCIATION, Vol. 8, Spring 1980,
pp. 118-147.

Mimeo

- D. "Unrestricted Capital Flow is Essential to Meet
1980s Housing Demand," SAVINGS & HOUSING UPDATE,
April 1980.

Mimeo

- E. "Housing and Reindustrialization Go Hand in Hand,"
SAVINGS & HOUSING UPDATE, December 1980.

Mimeo

(LAB)

MEASURING YIELD ON A MORTGAGE PORTFOLIO; RATES ON
WITS, PROBLEM SET NO. 2

- A. Problem Sets 26-31; Problem Sets 51-56.

Oct. 20, Wed.

THE DEPOSITORY INSTITUTIONS DE-REGULATION AND MONETARY
CONTROL ACT OF 1980

- A. THE FEDERAL RESERVE BULLETIN, June 1980,
pp. 444-453.

Mimeo

- B. "Historic Legislation," by Verle Johnson, FEDERAL
RESERVE BANK OF SAN FRANCISCO WEEKLY LETTER,
April 4, 1980

Mimeo

Oct. 25, Mon.	MUTUAL BANKS, COMMERCIAL BANKS, AND BANK HOLDING COMPANIES	
	A. Chapters 10 and 11, MODERN REAL ESTATE FINANCE.	Text
	B. "The Philadelphia Plan: An Approach to Neighborhood Preservation," Elmer Young, Jr., REAL ESTATE REVIEW, Fall 1978, pp. 66-69.	Mimeo
	C. "Money Matters," Judith Barnard, CHICAGO, Feb. 1977, pp. 97-104.	Mimeo
(LAB)	SAVINGS AND LOAN INSTITUTIONS - PAST AND FUTURE	
	A. Chapter 9, "Savings and Loan Associations," Atteberry.	Text
	B. Chapter 14, "The Federal Home Loan Bank System and the Federal Savings and Loan Insurance Corporation," Atteberry.	Text
	C. "Strong Currents Are Changing the Shape of Financial Markets," Kenneth J. Thygerson & Carroll R. Melton, SAVINGS & LOAN NEWS, Aug. 1979, pp. 40-47.	Mimeo
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	E. "Money Market - Mortgage Portfolio Yields Aren't Growing Fast Enough," Dennis Jacobs. SAVINGS & LOAN NEWS, December 1980, pp. 35-37.	Mimeo
	F. "Draft United States League Special Management Bulletin on Service Corporations, Barry Tate, May 1981.	Mimeo
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	A. Chapters 12 and 13, MODERN REAL ESTATE FINANCE.	Text
Nov. 1, Mon.	SHORT HISTORY OF FEDERAL INTERVENTION INTO RESIDENTIAL LENDING	
	A. Chapter 1, "Before HUD," DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, pp. 3-20.	Mimeo
	B. Chapter 11, "How HUD Happened," DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, pp. 21-40.	Mimeo
	C.	
	D. Chapter 11, "Equal Housing Opportunity," pp. 187-201.	Mimeo

- E. "The Devil Theory of Redlining," Pierre de Vise,
REAL ESTATE ISSUES, Summer 1977, pp. 1-11. Mimeo

(LAB)

MATHEMATICS OF REFINANCING

- A. "Simplifying the Calculation of Yield on New
Money," Allen F. Thomas, REAL ESTATE REVIEW,
Vol. 9, Spring 1979, pp. 81-84. Mimeo
- B. "The Rollover Illusion," B. Jerremad, REAL ESTATE
REVIEW, Spring 1978, pp. 43-45. Mimeo

Nov. 3, Wed.

SECONDARY MORTGAGE MARKETS

- A. Chapter 17, "Federal National Mortgage Association,"
Atteberry. Text
- B. Chapter 18, "Government National Mortgage Association,"
Atteberry. Text
- C. Chapter 19, "Federal Home Loan Mortgage Corporation,"
Atteberry. Text
- D. "FNMA Mortgage - Backed Securities," Fed. Nat'l.
Mortgage Assoc., Washington, D.C. Mimeo
- E. "Mortgage-Backed Securities: Financial Alternatives
for Savings & Loan Associations," Richard G. Marcis,
FHLBB JOURNAL, November 1978, pp. 5-11. Mimeo
- F. "Swapping for Liquidity: How to Swap Conventional
Loans for Fannie Mae Mortgage-Backed Securities,"
Fed. Nat'l. Mortgage Assoc., Washington, D.C. Mimeo
- G. "The 'True Yield' of a Pass-Through Security,"
Dexter E. Senft, MORTGAGE BANKING, September, 1979,
pp. 15-18. Mimeo

Nov. 8, Mond.

MECHANICS OF HEDGING AND GNMA FUTURE CERTIFICATES

- A. "Successful Developers Are Trading In Interest
Rate Futures," Michael P. McCarthy and William
C. Handorf, REAL ESTATE REVIEW, Summer, 1981,
pp. 29-34. Mimeo
- B. "How Home Builders Use Conventional Forward
Take-Out Commitments," J. Garrett, REAL ESTATE
REVIEW, Vol. 10, Winter 1981, pp. 72-77. Mimeo
- C. "Two-Way Buy-Sell Mortgage Commitments for Home
Builders," J. Garrett. REAL ESTATE REVIEW, Vol. 9,
Summer 1979, pp. 63-64. Mimeo

(LAB)

INTRODUCTION TO MR CAP

- A. The Manske Manual to MR CAP Mimeo

Nov. 26, Fri. THANKSGIVING

- Nov. 29, Mon. HUD 2013 APARTMENT LOAN FORM
- A. Chapters 1 and 2, "Processing Guide for Section 221 (d) (4), "FHA FINANCING FOR RENTAL HOUSING. Mimeo
- (LAB) ASSISTANCE WITH PROBLEM SET NO. 3
- Dec. 1, Wed. SOCIAL SOFTWARE OF HUD LENDING PROGRAM
- A. "Tax Expenditures in Troubled Times: The Future of Tax Incentives for Low-Income Housing," Sheldon S. Cohen, PROCEEDINGS OF 30TH U.S.C. LAW CENTER TAX INSTITUTE, 1978, pp. 971-995. Mimeo
- Dec. 6, Mon. RISK MANAGEMENT AND SUBSIDIZED RENTAL HOUSING
- A. "How to Understand a Subsidized-Housing Syndication," Joseph Miller Blew and Howard H. Stevenson, REAL ESTATE REVIEW, Summer, 1978, pp. 42-51. Mimeo
- B. "Housing Vouchers Aren't Bane or Panacea, Tryouts Suggest," Robert Guenther, Wall Street Journal, 6/16/82 Mimeo
- (LAB) BUILDING PRODUCT REFORM--A FINANCING ALTERNATIVE
- A. "Cooperative Housing: Adapting Europe's Experience to America's Needs," Steven F. Bloomfield, TRANSATLANTIC PERSPECTIVES, No. 3, Sept. 1980, pp. 1-6. Mimeo
- B. "Accessory Housing,"
- Dec. 8, Wed. RISK MANAGEMENT AND GROUP HOUSING (CONDO AND CO-OP)
- A. Chapter 5, "Cooperatives and Condominiums," pp. 57-94. MODERN REAL ESTATE FINANCE. Text
- B. "How to Tell If Low-Income Housing Rehabs Make Sense," W. Pomeranz, REAL ESTATE REVIEW, Vol. 9, Winter, 1980, pp. 87-90 Mimeo
- C. "Financing Resales of Condo and PUD Units," Robert B. Joselow, REAL ESTATE REVIEW, Vol. 9, Spring 1979, pp. 78-80. Mimeo
- D. "Structure That Time-Share Conversion as a Cooperative!" Robert J. Rosen, Vol. 10, Fall 1980, pp. 35-41. Mimeo
- Dec. 10, Fri. FINAL HELP SESSION ON PROBLEM SET NO. 3
- Dec. 13, Mon. SOLUTION OF CASE STUDY 3 MUST BE IN PROF. GRAASKAMP'S MAILBOX BY 12 NOON - NO LATE PAPERS ACCEPTED

RESIDENTIAL REAL ESTATE FINANCE - BUSINESS 552

Topic Schedule

Fall 1982

Aug. 30, Mon.	INTRODUCTION TO RISKS OF RESIDENTIAL FINANCE
Sept. 1, Wed.	THE MORTGAGE AGREEMENT AND ENFORCEMENT
Sept. 6, Mon.	-LABOR DAY HOLIDAY-
Sept. 8, Wed.	LAND CONTRACTS AND OTHER INSTRUMENTS
Sept. 13, Mon.	MORTGAGE LENDING PROCESS AND RISK MANAGEMENT
(LAB)	INTRO TO MORTGAGE MATHEMATICS
Sept. 15, Wed.	RESIDENTIAL LOAN APPLICATION PROCESS
Sept. 20, Mon.	RESIDENTIAL LOAN SERVICING PROCESS
(LAB)	RESIDENTIAL LOAN CLOSING PROCESS
Sept. 22, Wed.	DOCUMENTATION AND PUBLIC LIABILITY RISKS INHERENT IN THE LENDING PROCESS
Sept. 27, Mon.	MORTGAGE DEFAULT AND WORKOUTS
(LAB)	COMPUTATION OF PRINCIPAL PAYMENT DUE, PRE-PAYMENT PENALTIES, POINTS, ETC.
Sept. 29, Wed.	FHA, VA, AND FmHA MORTGAGE GUARANTY PROGRAMS
Oct. 4, Mon.	ALTERNATIVE MORTGAGE FORMS - GRADUATED PAYMENT AND CANADIAN ROLL-OVER
(LAB)	PMI MORTGAGE GUARANTY MECHANISMS
Oct. 6, Wed.	VARIABLE RATE MORTGAGES
Oct. 11, Mon.	RISKS OF APPRECIATION, CURRENCY DEVALUATION, AND SHIFTING PURCHASING POWER
(LAB)	MATHEMATICS OF VARIABLE RATE MORTGAGES
Oct. 13, Wed.	!! <u>6 WEEKS EXAM</u> !!
Oct. 18, Mon.	CAPITAL FLOWS AND MONEY MARKET RISKS
(LAB)	MEASURING YIELD ON A MORTGAGE PORTFOLIO: RATES ON WITS, PROBLEM SET NO. 2
Oct. 20, Wed.	THE DEPOSITORY INSTITUTIONS DE-REGULATION AND MONETARY CONTROL ACT OF 1980

Oct. 25, Mon.	BANK AND BANK MORTGAGE COMPANIES
(LAB)	SAVING & LOAN INSTITUTIONS - PAST AND FUTURE
Oct. 27, Wed.	MORTGAGE BANKING - COLLATERAL TRUSTS, MORTGAGE TRUSTS, AND SECONDARY MARKET
Nov. 1, Mon.	SHORT HISTORY OF FEDERAL INTERVENTION INTO RESIDENTIAL LENDING
(LAB)	MATHEMATICS OF RE-FINANCING
Nov. 3, Wed.	SECONDARY MORTGAGE MARKETS
Nov. 8, Mon.	MECHANICS OF HEDGING AND GNMA FUTURE CERTIFICATES
(LAB)	INTRODUCTION TO MRCAP
Nov. 10, Wed.	!! <u>12 WEEKS EXAM</u> !!
Nov. 15, Mon.	CONSTRUCTION MORTGAGES AND BUILDER FINANCING
(LAB)	INTRODUCTION TO MR CAP (continued)
Nov. 17, Wed.	FEDERAL, STATE AND MUNICIPAL FUNDING OF SINGLE FAMILY MORTGAGES
Nov. 22, Mon.	INTRODUCTION TO RESIDENTIAL RENTAL INCOME PROPERTY LOANS
(LAB)	BASIC APARTMENT NUMBER CRUNCHING
Nov. 24, Wed.	RENTAL PRODUCE VS. LOAN PACKAGE (Slide Program)
Nov. 26, Fri.	- THANKSGIVING -
Nov. 29, Mon.	HUD 2013 APARTMENT LOAN FORM
(LAB)	ASSISTANCE WITH PROBLEM SET NO. 3
Dec. 1, Wed.	SOCIAL SOFTWARE OF HUD LENDING PROGRAM
Dec. 6, Mon.	BUILDING PRODUCT REFORM - A FINANCING ALTERNATIVE
(LAB)	RISK MANAGEMENT AND SUBSIDIZED RENTAL HOUSING
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Dec. 13, Mon.	<u>SOLUTION OF CASE STUDY 3 MUST BE IN PROF. GRAASKAMP'S MAILBOX BY 12 NOON - NO LATE PAPERS ACCEPTED.</u>

FINAL EXAM - AS SCHEDULED IN TIME TABLE.

RESIDENTIAL REAL ESTATE FINANCE

Bus 552
Fall Semester 1982

Prof. James A. Graaskamp

<u>Class Period</u>	<u>Readings</u>	<u>Source</u>
Aug. 30, Mon.	INTRODUCTION TO RISKS OF RESIDENTIAL FINANCE	
	A. "An Approach to Real Estate Finance Education by Analogy to Risk Management Principles," J. A. Graaskamp, REAL ESTATE ISSUES, Summer 1977	Mimeo
Sept. 1, Wed.	THE MORTGAGE AGREEMENT AND ENFORCEMENT	
	A. Chapter 1, "Major Instruments of Real Estate Financing," MODERN REAL ESTATE FINANCE, 3rd Edition, William Atteberry.	Text
Sept. 6, Mon.	* * * LABOR DAY HOLIDAY * * *	
Sept. 8, Wed.	LAND CONTRACTS AND OTHER INSTRUMENTS	
	A. Chapters 2 and 4, MODERN REAL ESTATE FINANCE	Text
	B. "Second Mortgage Conduits: Link to the Capital Markets," Roger Stephens, MORTGAGE BANKER, June, 1981, pp. 24-27.	Mimeo
Sept. 13, Mon.	MORTGAGE LENDING PROCESS AND RISK MANAGEMENT	
	A. Chapter 2, "Financing Risks," F. E. Case & J. M. Clapp, REAL ESTATE FINANCING. New York: John Wiley, 1978.	Mimeo
(LAB)	INTRO TO MORTGAGE MATHEMATICS	
	A. Chapter 1, HANDBOOK OF MORTGAGE MATHEMATICS, pp. 1-13.	Text
Sept. 15, Wed.	RESIDENTIAL LOAN APPLICATION PROCESS	
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Business 552 (Residential)
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HOUSING UPDATE, April, May, June 1979. Mimeo

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	D. Chapter 11, "Equal Housing Opportunity," pp. 187-201.	Mimeo

- E. "The Devil Theory of Redlining," Pierre de Vise,
REAL ESTATE ISSUES, Summer 1977, pp. 1-11. Mimeo

(LAB)

MATHEMATICS OF REFINANCING

- A. "Simplifying the Calculation of Yield on New
Money," Allen F. Thomas, REAL ESTATE REVIEW,
Vol. 9, Spring 1979, pp. 81-84. Mimeo
- B. "The Rollover Illusion," B. Jerremad, REAL ESTATE
REVIEW, Spring 1978, pp. 43-45. Mimeo

Nov. 3, Wed.

SECONDARY MORTGAGE MARKETS

- A. Chapter 17, "Federal National Mortgage Association,"
Atteberry. Text
- B. Chapter 18, "Government National Mortgage Association,"
Atteberry. Text
- C. Chapter 19, "Federal Home Loan Mortgage Corporation,"
Atteberry. Text
- D. "FNMA Mortgage - Backed Securities," Fed. Nat'l.
Mortgage Assoc., Washington, D.C. Mimeo
- E. "Mortgage-Backed Securities: Financial Alternatives
for Savings & Loan Associations," Richard G. Marcis,
FHLBB JOURNAL, November 1978, pp. 5-11. Mimeo
- F. "Swapping for Liquidity: How to Swap Conventional
Loans for Fannie Mae Mortgage-Backed Securities,"
Fed. Nat'l. Mortgage Assoc., Washington, D.C. Mimeo
- G. "The 'True Yield' of a Pass-Through Security,"
Dexter E. Senft, MORTGAGE BANKING, September, 1979,
pp. 15-18. Mimeo

Nov. 8, Mond.

MECHANICS OF HEDGING AND GNMA FUTURE CERTIFICATES

- A. "Successful Developers Are Trading In Interest
Rate Futures," Michael P. McCarthy and William
C. Handorf, REAL ESTATE REVIEW, Summer, 1981,
pp. 29-34. Mimeo
- B. "How Home Builders Use Conventional Forward
Take-Out Commitments," J. Garrett, REAL ESTATE
REVIEW, Vol. 10, Winter 1981, pp. 72-77. Mimeo
- C. "Two-Way Buy-Sell Mortgage Commitments for Home
Builders," J. Garrett. REAL ESTATE REVIEW, Vol. 9,
Summer 1979, pp. 63-64. Mimeo

(LAB)

INTRODUCTION TO MRCAP

- A. The Manske Manual to MR CAP Mimeo

Nov. 10, Wed. * * * TWELVE WEEKS EXAM * * *

Nov. 15, Mon. CONSTRUCTION MORTGAGES AND BUILDER FINANCING

 A. "Current Business Approaches--Commercial Construction
 Lending," Colin C. Livingston. Croker National
 Bank. Mimeo

 B. "The Care and Feeding of Giants," M. Cheezem and
 M. Miles. REAL ESTATE REVIEW, Vol. 8, Winter 1979,
 pp. 57-64. Mimeo

 (LAB) INTRODUCTION TO MRCAP (continued)

Nov. 17, Wed. FEDERAL, STATE, AND MUNICIPAL FUNDING OF SINGLE FAMILY
 MORTGAGES

 A. Chapter 20, MODERN REAL ESTATE FINANCE. Text

 B. Wisconsin Housing Finance Authority Mimeo

 C. "Housing Programs Available in Wisconsin,"
 Dept. of Local Affairs & Development, State of Wisc. Mimeo

 D. "Should Local Governments Provide Home Mortgages?",
 SAVINGS & HOUSING UPDATE, November 1979. Mimeo

 E. "Local Mortgage Bonds Will Provide Limited Support
 to Housing, Study Says," HOUSING & DEVELOPMENT REPORTER Mimeo

 F. Chapter 18, "What Can the Governments Do?",
 Martin Mayer, THE BUILDERS, W.W.Norton & Co.,
 New York, 1978. Mimeo

 G. "Mortgage Bond Plans: \$2.21 in Costs for \$1.00
 in Benefits, SAVINGS & LOAN NEWS, July 1979. Mimeo

Nov. 22, Mon. INTRODUCTION TO RESIDENTIAL RENTAL INCOME PROPERTY LOANS

 A. Chapter 13, "Apartment Buildings," REAL ESTATE
 FINANCING, Fred Case and John Clapp. Mimeo

 B. "Financing Subsidized Housing With Municipal Bonds,"
 John A. Marr, REAL ESTATE REVIEW, Vol. 9, Summer
 1979. pp. 23-30. Mimeo

 C. "Apartment Investments," REAL ESTATE INVESTMENT
 ANALYSIS, Robert Ellis, Coldwell Banker, pp. 104-118 Mimeo

 (LAB) BASIC APARTMENT NUMBER CRUNCHING

Nov. 24, Wed. RENTAL PRODUCT VS. LOAN PACKAGE (Slide Program)

Nov. 26, Fri. THANKSGIVING

- Nov. 29, Mon. HUD 2013 APARTMENT LOAN FORM
- A. Chapters 1 and 2, "Processing Guide for Section 221
(d) (4), "FHA FINANCING FOR RENTAL HOUSING. Mimeo
- (LAB) ASSISTANCE WITH PROBLEM SET NO. 3
- Dec. 1, Wed. SOCIAL SOFTWARE OF HUD LENDING PROGRAM
- A. "Tax Expenditures in Troubled Times: The Future
of Tax Incentives for Low-Income Housing,"
Sheldon S. Cohen, PROCEEDINGS OF 30TH U.S.C.
LAW CENTER TAX INSTITUTE, 1978, pp. 971-995. Mimeo
- Dec. 6, Mon. RISK MANAGEMENT AND SUBSIDIZED RENTAL HOUSING
- A. "How to Understand a Subsidized-Housing Syndication,"
Joseph Miller Blew and Howard H. Stevenson, REAL
ESTATE REVIEW, Summer, 1978, pp. 42-51. Mimeo
- B. "Housing Vouchers Aren't Bane or Panacea, Tryouts Suggest,"
Robert Guenther, Wall Street Journal, 6/16/82 Mimeo
- (LAB) BUILDING PRODUCT REFORM--A FINANCING ALTERNATIVE
- A. "Cooperative Housing: Adapting Europe's Experience
to America's Needs," Steven F. Bloomfield,
TRANSATLANTIC PERSPECTIVES, No. 3, Sept. 1980,
pp. 1-6. Mimeo
- B. "Accessory Housing,"
- Dec. 8, Wed. RISK MANAGEMENT AND GROUP HOUSING (CONDO AND CO-OP)
- A. Chapter 5, "Cooperatives and Condominiums,"
pp. 57-94. MODERN REAL ESTATE FINANCE. Text
- B. "How to Tell If Low-Income Housing Rehabs Make
Sense," W. Pomeranz, REAL ESTATE REVIEW, Vol. 9,
Winter, 1980, pp. 87-90 Mimeo
- C. "Financing Resales of Condo and PUD Units,"
Robert B. Joselow, REAL ESTATE REVIEW, Vol. 9,
Spring 1979, pp. 78-80. Mimeo
- D. "Structure That Time-Share Conversion as a Cooperative!"
Robert J. Rosen, Vol. 10, Fall 1980, pp. 35-41. Mimeo
- Dec. 10, Fri. FINAL HELP SESSION ON PROBLEM SET NO. 3
- Dec. 13, Mon. SOLUTION OF CASE STUDY 3 MUST BE IN PROF. GRAASKAMP'S
MAILBOX BY 12 NOON - NO LATE PAPERS ACCEPTED
- FINAL EXAM - AS SCHEDULED IN TIME TABLE

RESIDENTIAL REAL ESTATE FINANCE

Bus 552
Spring Semester 1985

Prof. James a. Graaskamp

<u>Class Period</u>	<u>Readings</u>	<u>Source</u>
M, Jan. 21	INTRODUCTION TO RISKS OF RESIDENTIAL FINANCE	
	A. Chapter 1, Morton	Text
	B. "An Approach to Real Estate Finance Education by Analogy to Risk Management Principles," J. Graaskamp, REAL ESTATE ISSUES, Summer 1977. Mimeo	
	C. "Housing: What's the Real Problem?" James E. Mculty, MGIC NEWSLETTER, Jan/Feb 83. Mimeo	
	D. Chapter 2, "Financing Risks," F.E. Case & J.M. Clapp, REAL ESTATE FINANCING, New York, John Wiley, 1978	Mimeo
W, Jan. 23	THE BASIC RESIDENTIAL MORTGAGE AGREEMENT	
	A. Chapter 1, Atteberry	Text
	B. Chapter 2, Morton	Text
(LAB 1)	INTRODUCTION TO MORTGAGE MATHEMATICS	
M, Jan. 28	LAND CONTRACTS AND WRAP AROUNDS	
	A. Chapter 2 and 4, Atteberry Chapter 16, Morton	
	B.	
W, Jan. 30	MORTGAGE DEFAULT AND WORKOUTS	
	A. Chapter 3, Atteberry	
(LAB 2)	COMPUTATION OF PRINCIPAL PAYMENTS, PREPAYMENT PENALTIES, AND DISCOUNT POINTS	
	A. "Decision Tables Aid Mortgage Bankers in Servicing, Origination Warehousing," William E. Schmid, THE MORTGAGE BANKER, December 1975, pp. 34-45.	Mimeo
M. Feb. 4	RESIDENTIAL LOAN APPLICATION PROCESS	
	A. Chapters 11-13, Morton	Text

- B. "Underwriting Guidelines for Energy Costs in Residential Finance." Mimeo
- C. "Change Is In the Air For Mortgage Lenders: Computerized Loan Origination Has Arrived," Marshall W. Dennis, AMERICAN BANKER, October 1984. Mimeo
- D. "Conventional Home Mortgage Summary-Fixed Rate Mortgages and Adjustable Rate Mortgages," THE MORTGAGE CORPORATION, July 1981. Mimeo

W, Feb. 6 RESIDENTIAL LOAN CLOSING PROCESS

- A. Chapter 14, Morton Text
- B. Part 3, "Property Insurance for Your Home," Part 4, "Liability Insurance for Your Family," Part 5, "The Cost of Insurance for Your Home," Chapter 5, "The Mortgagee Clause," pp 59-71. Mimeo
- C. "Mechanics Liens," MODERN MORTGAGE LAW AND PRACTICE, Kratovil, pp 138-148. Mimeo
- D. "Synopsis of the New Construction Lien Law," Wisconsin Builders Association. Mimeo
- E. "The Nature of Title Insurance," Harry M. Johnson, THE JOURNAL OF RISK AND INSURANCE, pp. 393-402. Mimeo

(LAB 3) VARIABLE RATE MORTGAGE MATH

- A. "ARM Pricing Strategy Should be Top Priority," SECONDARY MORTGAGE MARKET ANALYST, Warren, Gorham & Lamont, Inc. Mimeo

M, Feb. 11 DOCUMENTATION AND PUBLIC LIABILITY RISKS TO THE LENDER

- A. "The Right to Financial Privacy Act, What S&L's Need to Know," Larry M. Berkow, FHLBB JOURNAL, March 1979, pp 18-19. Mimeo
- B. "Fair Housing, Equal Credit, & the Community Investment Act: Tying Them All Together," Lucy H. Griffin, FHLBB JOURNAL, November 1978, pp. 31-33. Mimeo
- C. "The Impact of Usury Ceilings on Home Financing," James E. McNulty, REAL ESTATE REVIEW, pp. 68-72. Mimeo
- D. "Florida's RICO Act Creates Title & Conveyancing Problems," Timothy D. Richards, REAL ESTATE REVIEW, Spring 1982. Mimeo

	E. "The Devil Theory of Redlining," Pierre Vise, REAL ESTATE ISSUES, Summer 1977, pp 1-11.	Mimeo
W., Feb. 13	ADJUSTABLE RATE MORTGAGE FORMS	
	A. Chapter 3, Morton	Text
	B. "Advantages and Disadvantages of the Buydown," pp 6-24.	Mimeo
	C. "Essentials of the AML and ARM: An In-Depth Examination," pp 8-41.	Mimeo
	D. "Everything You Always Wanted to Know About ARMs," Diane Cortes, June 1984, pp 21-32.	Mimeo
(LAB 4)	GUEST SPEAKER--PMI UNDERWRITING PROCEDURE	
M. Feb. 18	ADJUSTABLE RATE MORTGAGE FORMS (CONTINUED)	
W. Feb. 20 and M, Feb. 25	FHA, VA AND FMHA GUARANTY PROGRAMS	
	A. Chapters 15 and 16, Atteberry Chapters 6 and 7, Morton	Text
(LAB 5)	MEASURING YIELD ON A MORTGAGE PORTFOLIO	
W, Feb. 27	PMI MORTGAGE GUARANTY	
	A. Chapter 8, Morton Chapter 21, Atteberry	
(LAB 6)	REVIEW	
M, Mar. 4	SIX WEEKS EXAM	
W, Mar. 6	CAPITAL MARKETS AND SUPPLY OF MORTGAGE MONEY	
	A. Chapter 8, Atteberry Chapter 4, 5, and 15, Morton	
(LAB 7)	NO CLASS	
M, Mar. 11	DEPOSITORY INSTITUTIONS DEREGULATORY AND MONETARY CONTROL ACT OF 1980	
W, Mar. 13	DEPOSITORY INSTITUTIONS DEREGULATORY AND MONETARY CONTROL ACT OF 1980 (CONTINUED)	
(LAB 8)	PROBLEM SET #2	
Mar. 16-24	SPRING RECESS	

M, Mar. 25	BANKS AND BANK HOLDING COMPANIES	
	A. Chapter 10, Atteberry	Text
W, Mar. 27	MORTGAGE BANKING--COLLATERAL MORTGAGE TRUSTS AND SECONDARY MARKETS	
	A. Chapters 11 and 12, Atteberry	
(LAB 9)	INCOME TAX TREATMENT OF RESIDENTIAL LOANS: BORROWER AND LENDER	
M, Apr. 1	SAVINGS AND LOAN INSTITUTIONS PAST AND FUTURE	
	A. Chapter 9, Atteberry	
W, Apr. 3	BEGINNING OF THE SECONDARY MARKET	
	A. Chapters 9 and 10, Morton Chapters 17, 18, and 19, Atteberry	
(LAB 10)	INTRODUCTION TO RENTAL INCOME INVESTMENT	
M, Apr. 8	SECONDARY MARKETS (CONTINUED)	
W, Apr. 10	CONSTRUCTION LENDING	
(LAB 11)	ALTERNATIVE METHODS FOR FINANCING RENTAL PROPERTIES	
M, Apr. 15	BUILDER FINANCING	
W, Apr. 17	TAX EXEMPT BOND FINANCING OF RESIDENTIAL MORTGAGES	
(LAB 12)	EXPLANATION OF 2013 HUD APARTMENT LOAN FORM	
M, Apr. 22	INTEREST RISK HEDGING	
W, Apr. 24	TWELVE WEEKS EXAM	
(LAB 13)	ASSISTANCE WITH PROBLEM SET #3	
M, Apr. 29	APARTMENT RENTAL FINANCING	
W, May 1	221D4 FHA APARTMENT LOAN	
(LAB 14)	PROBLEM SET #3 DUE AT BEGINNING OF CLASS: NO LATE PAPERS ACCEPTED	
M, May 6	SOCIAL SOFTWARE OF GOVERNMENT RENTAL PROPERTY LOAN PROGRAMS	
W, May 8	CREDIT ENHANCING TAX EXEMPT FINANCING OF APARTMENT CONSTRUCTION	
(LAB)	REVIEW SESSION	

FINAL EXAM

BUSINESS 552--RESIDENTIAL REAL ESTATE FINANCE

Spring Semester, 1986

Professor James A. Graaskamp

Topic Schedule

W, Jan. 22	INTRODUCTION TO RISKS OF RESIDENTIAL FINANCE
M, Jan. 27	THE BASIC RESIDENTIAL MORTGAGE AGREEMENT Lab One: Mortgage Mathematics
W, Jan. 29	LAND CONTRACTS AND WRAP-AROUNDS
M, Feb. 3	MORTGAGE DEFAULT AND WORKOUTS Lab Two: Computation of Discounts, Premiums, Pre-payment Penalties, etc.
W, Feb. 5	RESIDENTIAL LOAN APPLICATION PROCESS
M, Feb. 10	RESIDENTIAL LOAN CLOSING PROCESS
W, Feb. 12	REGULATION AND COMPLIANCE OF THE RESIDENTIAL MORTGAGE LENDER Lab Three: Variable Rate Mortgage Math
M, Feb. 17	FHA, VA, and FMHA GUARANTY PROGRAMS
W, Feb. 19	Six Weeks Exam Lab Four: PMI Underwriting Procedures (Guest)
M, Feb. 24	ADJUSTABLE RATE MORTGAGE FORMS
W, Feb. 26	ADJUSTABLE RATE MORTGAGE FORMS (Continued) Lab Five: Measuring Yield on a Mortgage Portfolio
M, March 3	PMI MORTGAGE GUARANTY
W, March 5	CAPITAL MARKETS AND SUPPLY OF MORTGAGE MONEY Lab Six: General Discussion of Banking System Structure
M, March 10	THE REVOLUTION IN RESIDENTIAL FINANCE INTERMEDIARIES
W, March 12	THE NEW STRUCTURE OF CAPITAL REAL ESTATE MARKETS Lab Seven: Problem Set No. 2
M, March 17	INTERMEDIARY LENDING RISKS AND HISTORICAL EVOLUTION
W, March 19	HOUSING AFFORDABILITY

Lab Eight: No Class, Spring Vacation

W, April 2 MORTGAGE BANKING--COLLATERAL MORTGAGE TRUSTS AND THE
SECONDARY MARKET

Lab Nine: Financial Characteristics of Secondary Instruments

M, April 7 SECONDARY MORTGAGE MARKET (Guest Speaker)

W, April 9 SECONDARY MARKET (Continued)

Lab Ten: Construction Loan for Custom House Construction

M, April 14 BUILDER FINANCING AND TAX EXEMPT BOND FINANCING OF
RESIDENTIAL MORTGAGES

W, April 16 INTEREST RISK HEDGING FOR LENDERS AND BUILDERS

Lab Eleven: Introduction to Apartment House Investment
Calculations

M, April 21 221D4 FHA APARTMENT LOAN AND 2013 APPLICATION FORM

W, April 23 SOCIAL SOFTWARE OF GOVERNMENT RENTAL PROPERTY PROGRAMS

Lab Twelve: Arithmetic of the Subsidized Apartment Loan

M, April 28 ALTERNATIVE SOURCES OF SUBSIDIZED INTEREST RENTAL PROPERTY
LOANS

W, April 30 PUBLIC POLICY ISSUES OF SUBSIDY TO PROMOTE AFFORDABILITY

Lab Thirteen: Assistance with Problem Set No. 3

M, May 5 CREDIT ENHANCING OF TAX EXEMPT FINANCING OF APARTMENT
CONSTRUCTION

W, May 7 FUTURE TRENDS IN RESIDENTIAL FINANCE

Lab Fourteen: Review Session and Problem Set No. 3 Due

BUSINESS 552--RESIDENTIAL REAL ESTATE FINANCE

Spring Semester, 1986

Professor James A. Graaskamp

Topic Schedule

W, Jan. 22	INTRODUCTION TO RISKS OF RESIDENTIAL FINANCE	
	A. Chapter 1, Morton	Text
	B. "An Approach to Real Estate Finance Education by Analogy to Risk Management Principles," J. Graaskamp, REAL ESTATE ISSUES, Summer 1977.	Mimeo
	C. "Housing: What's the Real Problem?" James E. McNulty, MGIC NEWSLETTER, Jan/Feb '83	Mimeo
	D. Chapter 1, "Supply and Demand for Mortgage Credit in the 1980's, Kinney and Garrigan, <u>The Handbook of Mortgage Banking</u>	Mimeo
	E. Chapter 2, "Financing Risks," F. E. Case & J. M. Clapp, REAL ESTATE FINANCING, New York, John Wiley, 1978	Mimeo
M, Jan. 27	THE BASIC RESIDENTIAL MORTGAGE AGREEMENT	
	A. Chapter 1, Atteberry	Mimeo
	B. Chapter 2, Morton	Text
Lab 1	INTRODUCTION TO MORTGAGE MATHEMATICS	
W, Jan. 29	LAND CONTRACTS AND WRAP-AROUNDS	
	A. Chapters 2 and 4, Atteberry	Mimeo
	B. Chapter 16, Morton	Text
M, Feb. 3	MORTGAGE DEFAULT AND WORKOUTS	
	A. Chapter 3, Atteberry	Mimeo
Lab 2	COMPUTATION OF DISCOUNTS, PREMIUMS, PRE-PAYMENT PENALTIES, AND DISCOUNT POINTS	
	A. "Decision Tables Aid Mortgage Bankers in Servicing, Origination Warehousing," William E. Schmid, THE MORTGAGE BANKER, December 1975, pp. 34-35.	Mimeo

- W, Feb. 5 RESIDENTIAL LOAN APPLICATION PROCESS
- A. Chapters 11-13, Morton Text
 - B. "Underwriting Guidelines for Energy Costs in Residential Finance." Mimeo
 - C. "Change Is in the Air for Mortgage Lenders: Computerized Loan Origination Has Arrived," Marshall W. Dennis, AMERICAN BANKER, October 1984 Mimeo
- M, Feb. 10 RESIDENTIAL LOAN CLOSING PROCESS
- A. Chapter 14, Morton Text
 - B. Part 3, "Property Insurance for Your Home," Part 4, "Liability Insurance for Your Family," Part 5, "The Cost of Insurance for Your Home," Chapter 5, "The Mortgagee Clause," pp. 59-71. Mimeo
 - C. "Mechanics Liens," MODERN MORTGAGE LAW AND PRACTICE, Kratovil, pp. 138-148. Mimeo
 - D. "Synopsis of the New Construction Lien Law," Wisconsin Builders Association. Mimeo
 - E. "The Nature of Title Insurance," Harry M. Johnson, THE JOURNAL OF RISK AND INSURANCE, pp. 393-402. Mimeo
- W, Feb. 12 REGULATION AND COMPLIANCE OF THE RESIDENTIAL MORTGAGE LENDER
- A. Chapters 9 and 10, "The Legal Environment: An Overview" and "The Regulatory Environment: An Overview," Kinney and Garrigan, The Handbook of Mortgage Banking, 1985. Mimeo
- Lab 3 VARIABLE RATE MORTGAGE MATH
- A. "A Micro Economic Simulation Model of Savings and Loan Association Portfolios of Variable Rate and Other Indexed Mortgage Loans," James Vernor Mimeo
- M, Feb. 17 FHA, VA, and FMHA GUARANTY PROGRAMS
- A. Chapters 6 and 7 , Morton Text

W, Feb. 19	S I X W E E K S E X A M	
Lab 4	PMI UNDERWRITING PROCEDURES (Guest)	
M, Feb. 24	ADJUSTABLE RATE MORTGAGE FORMS	
	A. Chapters 3 and 16, Morton	Text
	B. "Advantages and Disadvantages of the Buydown," pp. 6-24.	Mimeo
	C. "Essentials of the AML and Arm: an In-Depth Examination," pp. 8-41.	Mimeo
	D. "Everything You Always Wanted to Know About ARMs," Diane Cortes, June 1984, pp. 21-32.	Mimeo
W, Feb. 26	ADJUSTABLE RATE MORTGAGE FORMS (Continued)	
	A. "Creative Financing Instruments," Fred E. Case, THE REAL ESTATE APPRAISER AND ANALYST, Spring 1982.	Mimeo
	B. "Federal Income Taxes and the Valuation of Alternative Mortgage Instruments," Jeffrey D. Fisher and George H. Lentz	Mimeo
Lab 5	MEASURING YIELD ON A MORTGAGE PORTFOLIO	
	A. Chapter 27, "Determining the Yield," Kinney and Garrigan, <u>The Handbook of Mortgage Banking</u> .	Mimeo
M, March 3	PMI MORTGAGE GUARANTY	
	A. Chapter 8, Morton	Text
	B. Chapter 8, Kinney and Garrigan, <u>The Handbook of Mortgage Banking</u> .	Mimeo
W, March 5	CAPITAL MARKETS AND SUPPLY OF MORTGAGE MONEY	
	A. Chapters 4, 5, and 15, Morton	Text
	B. Chapter 2, Kinney and Garrigan, <u>The Handbook of Mortgage Banking</u>	Mimeo

- Lab 6 GENERAL DISCUSSION OF BANKING SYSTEM STRUCTURE
- M, March 10 THE REVOLUTION IN RESIDENTIAL FINANCE INTERMEDIARIES
- A. Depository Institutions Reregulation and Monetary Control Act of 1980 Mimeo
- B. Chapter 11, "Turmoil Among Financial Institutions," Anthony Downs, The Revolution in Real Estate Financing, The Brookings Institution, 1985. Text
- W, March 12 THE NEW STRUCTURE OF CAPITAL REAL ESTATE MARKETS
- A. Chapters 1 - 6, Downs Text
- M, March 17 INTERMEDIARY LENDING RISKS AND HISTORICAL EVALUATION
- A. Chapter 26, "Mortgage Investment Determinants," Kinney and Garrigan, The Handbook of Mortgage Banking Mimeo
- B. "S&Ls and Interest-Rate Reregulation: The FSLIC as an In-Place Bailout Program," Edward J. Kane, HOUSING FINANCE REVIEW, 1982 Mimeo
- C. Chapter 10, Downs Text
- D. Chapters 9, 11, and 12, Atteberry Mimeo
- W, March 19 HOUSING AFFORDABILITY
- A. Chapters 7-9, Downs Text
- Lab 8 N O C L A S S , S P R I N G V A C A T I O N
- W, April 2 MORTGAGE BANKING--COLLATERAL MORTGAGE TRUSTS AND THE SECONDARY MARKET
- A. Chapters 11 and 12, Atteberry Mimeo
- B. "Fannie Mae's Senior Debentures, STN, and MBS are rated Eligible as Collateral for AAA Structured Financings." Mimeo

Lab 9

FINANCIAL CHARACTERISTICS OF SECONDARY INSTRUMENTS

- A. "The 'True Yield' of a Pass-Through Security,"
Dexter E. Senft, THE MORTGAGE BANKER,
Sept. 1979 Mimeo

M, April 7

SECONDARY MORTGAGE MARKET (Guest Speaker)

- A. Chapters 9 and 10, Morton Text
- B. Chapter 4, "The Role of Mortgage Securities,"
Kinney and Garrigan, The Handbook of Mortgage
Banking Mimeo

W, April 9

SECONDARY MORTGAGE MARKET (Continued)

- A. Chapters 5 and 6, "Conventional Mortgage
Backed Securities," "The Role of the Private
Mortgage Insurance Industry," Kinney and
Garrigan, The Handbook of Mortgage Banking Mimeo
- B. Chapters 18 and 25, "Collateral Management,"
and "Liquifying Portfolio Loans," Kinney
and Garrigan, The Handbook of Mortgage Banking Mimeo
- C. "Analyzing Mortgage Pool Securities (the
right way)," Gregory Hoskinson, MORTGAGE
BANKING, Sept. 1984 Mimeo
- D. "Swapping for Liquidity: How to Swap
Conventional Loans for Fannie Mae
Mortgage-Backed Securities," Federal
National Mortgage Association Mimeo
- E. "FNMA Mortgage-Backed Securities" Mimeo

Lab 10

CONSTRUCTION LOAN FOR CUSTOM HOUSE CONSTRUCTION

- A. "Multifamily Properties: An Attractive
Investment for the 1980's," Richard T.
Garrigan Mimeo
- B. "Apartment Investments--Coldwell Banker" Mimeo
- C. "Program Outline and Summary" Mimeo
- D. Application--Project Mortgage Insurance" Mimeo
- E. "Two Apartment Projects--a Comparison of
Design and Value" Mimeo

M, April 14

BUILDER FINANCING AND TAX EXEMPT BOND FINANCING
OF RESIDENTIAL MORTGAGES

- A. "How to Negotiate with Money Sources,"
HOUSING, August 1982 Mimeo
- B. "Basics of Builder Bonds," REAL ESTATE
FINANCE Mimeo

W, April 16

INTEREST RISK HEDGING FOR LENDERS AND BUILDERS

- A. Chapter 17, "Hedging Alternatives," Kinney
and Garrigan, The Handbook of Mortgage
Banking Mimeo
- B. "Successful Developers Are Trading in
Interest Rate Futures," Michael P. McCarthy
and William C. Handorf, REAL ESTATE REVIEW Mimeo
- C. "How Home Builders Use Conventional Forward
Take-Out Commitments," Joseph Garrett, REAL
ESTATE REVIEW Mimeo
- D. "Two-Way Buy-Sell Mortgage Commitments for
Home Builders," Joseph Garrett, REAL ESTATE
REVIEW Mimeo
- E. "Financial Futures: A Way to Manage Interest
Rate Risks," The First National Bank of
Chicago Mimeo

Lab 11

INTRODUCTION TO APARTMENT HOUSE INVESTMENT CALCULATIONS

M, April 21

221D4 FHA APARTMENT LOAN AND 2013 APPLICATION FORM
Mimeo

W, April 23

SOCIAL SOFTWARE OF GOVERNMENT RENTAL PROPERTY PROGRAMS

Lab 12

ARITHMETIC OF THE SUBSIDIZED APARTMENT LOAN

M, April 28

ALTERNATIVE SOURCES OF SUBSIDIZED INTEREST RENTAL PROPERTY
LOANS

- A. "Section 8 Leased Housing Assistance Payments
Program," The Bureau of National Affairs, Inc.,
1977 Mimeo

M, April 28
(Cont.)

- B. "Financing Subsidized Housing with Municipal Bonds," John A. Marr, REAL ESTATE REVIEW Mimeo
- C. "Zero Coupon Bond Financing," Leon Shilton, Sylvan Lawrence Center, 1984 Mimeo
- D. "Wisconsin Housing Finance Authority" Mimeo
- E. "Housing Programs Available in Wisconsin," Dept. of Local Affairs & Development, Division of Housing Mimeo

W, April 30

PUBLIC POLICY ISSUES OF SUBSIDY TO PROMOTE AFFORDABILITY

- A. "How to Tell If Low-Income Housing Rehabs Make Sense," William Pomeranz, REAL ESTATE REVIEW Mimeo
- B. "Should Local Governments Provide Home Mortgages?" Dr. Victor K. Chou, Savings League of Wisconsin Mimeo
- C. "Tax Expenditures in Troubled Times: the Future of Tax Incentives for Low-Income Housing," Sheldon S. Cohen, U.S.C. Law Center Tax Institute Mimeo
- D. "How to Understand a Subsidized-Housing Syndication," Joseph Miller Blew and Howard H. Stevenson, REAL ESTATE REVIEW Mimeo

Lab 13

ASSISTANCE WITH PROBLEM SET NO. 3

M, May 5

CREDIT ENHANCING OF TAX EXEMPT FINANCING OF APARTMENT CONSTRUCTION

- A. "HUD's New Housing Production Program," Richard Knapp and William Maher, REAL ESTATE REVIEW, Spring, 1985 Mimeo

W, May 7

FUTURE TRENDS IN RESIDENTIAL FINANCE

- A. "Money Matters," Judith Barnard, CHICAGO, February, 1977 Mimeo
- B. "The Philadelphia Plan: An Approach to Neighborhood Preservation," Elmer Young, Jr., REAL ESTATE REVIEW Mimeo

Lab 14

REVIEW SESSION AND PROBLEM SET NO. 3 DUE

RESIDENTIAL REAL ESTATE FINANCE
Business 552

DISCUSSION SECTION TOPIC SCHEDULE

Spring Semester, 1986

T.A.-Dan Guenther

-
- M, Jan. 27 Lab One: Introduction / Mortgage Mathematics
- M, Feb. 3 Lab Two: Computation of Discounts, Premiums,
Prepayment Penalties, & Discount Points
- Problem Set #1 A. William E. Schmid, "Decision Tables Aid
will be distributed. Mortgage Bankers in Servicing, Origina-
tion, and Warehousing," THE MORTGAGE
BANKER, December 1975, pp. 54-56, 58.
- M, Feb. 10 Lab Three: Variable Rate Mortgage Math
- A. James Vernor, "A Microeconomic Simula-
tion Model of S&L Assoc'n Portfolios
of Variable Rate and Other Indexed
Mortgage Loans."
- B. Garrigan and Timms, "The Reduced Rate /
Increased Payment Loan Modification:
Proceed with Caution."
- M, Feb. 17 Lab Four: PMI Underwriting Procedures (Guest)
- Problem Set #1 is due.
- M, Feb. 24 Lab Five: Buydowns, Adjustable Rate Mortgages, et al
- Problem Set #2 will be distributed.
- M, Mar. 3 Lab Six: Construction Loan for Custom House Construction
- A. "Principles of a Construction Loan
to an Owner-occupant."
- M, Mar. 10 Lab Seven: General Discussion of Banking System Structure
- Problem Set #2 A. Chapters 9, 10, 11, and 12 of Atteberry.
is due.
- M, Mar. 17 Lab Eight: Measuring Yield on a Mortgage Portfolio
- A. Chapter 27, "Determining the Yield,"
Kinney and Garrigan, The Handbook of
Mortgage Banking.
- M, Mar. 24 Spring Recess / No Class
- M, Mar. 31 Spring Recess / No Class
- M, Apr. 7 Lab Nine: Financial Characteristics of Secondary
Market Instruments
- Problem Set #3 A. Dexter E. Senft, "The 'True Yield' of a
will be distributed. Pass-through Security," THE MORTGAGE
BANKER, September 1979.

- M, Apr. 14 Lab Ten: Introduction to Apartment House Investment Calculations
- A. Garrigan, "Multifamily Properties: An Attractive Investment for the 1980's,"
- B. Coldwell Banker, "Apartment Investments."
- M, Apr. 21 Lab Eleven: Arithmetic of the Subsidized Apartment Loan
- M, Apr. 28 Lab Twelve: Assistance with Problem Set #3
- M, May 5 Lab Thirteen: Review Session
- Problem Set #3 is due.

CORRECTIONS TO SYLLABUS READING ASSIGNMENT LIST

- W, Feb. 5 Pat Allen, "Appraisal Problems Trigger a Barrage of Criticism." (ADD this article as D.)
- M, Feb. 24 Terrence Clauretje, "ARM's Investment: Variance in Return." (ADD this article as E.)
- W, Feb. 26 Ricardo Capretta, "A Highly-Leveraged Acquisition of Income Property." (ADD this article as C.)
- W, April 9 "New Short-Term Instruments Making a Long-Term Impression on Market" (ADD this article as F.)
- Lab Ten on the original syllabus: SEE Lab Six above / Ignore the reading assignment on the original syllabus.
- M, Apr. 21 "Program Outline & Summary," et al. (ADD this article as A.)

* Articles without a home at this point: (READ before the Final Exam.)

- A. Patrick Hare, "Assessory Apartments."
- B. Patrick Hare, "Ways to Deal with Housing Crisis"
- C. Vivian Carlin, "An Alternative for Elderly Housing: Home Conversion."
- D. Ellen Rand, "In Plainfield: Upstairs, Downstairs."
- E. Lou Cottin, "House Isn't Always Home Forever."
- F. "Home Buyer Preference Survey."
- G. Miscellaneous Articles (pages 401-407)

* Articles that are missing from the Reading Packet: (Will probably be placed on reserve in the Business Library.)

- M, Mar. 10 A. Depository Institutions Deregulation and Monetary Control Act of 1980
- Lab Ten on original syllabus / Now Lab Six: D. "Application -- Project Mortgage Insurance"
- E. "Two Apartment Projects -- A Comparison of Design and Value."
- M, May 5 A. "HUD's New Housing Production Program," Knapp and Maher, REAL ESTATE REVIEW, Spring 1985.

1/20/87

RESIDENTIAL REAL ESTATE FINANCE
BUSINESS 552 Spring 1987
8:25 - 9:40 6112 Social Science
Professor James A. Graaskamp
Rod Matthews - 257-4305

Mailbox - Second set of books.
Required Texts: 1. Residential Mortgage Lending. The
Institute of Financial Education, 1986.
2. Anthony Downs, The Revolution in Real
Estate Finance, The Brookings Institution, 1985.
3. Duplicated material

/
WEEK 1

TUES January 20 INTRODUCTION TO RESIDENTIAL REAL ESTATE
FINANCE AND ITS RISKS
Downs, Chapter 1, Introduction

/
THURS January 22 THE PLAYERS IN RESIDENTIAL REAL ESTATE
FINANCE

RML, Chapter 1, Introduction to Residential Mortgage

/
WEEK 2

TUES January 27 THE TRADITIONAL HOUSING LENDER
RML, Chapter 2, Functions of the Mortgage Loan Department

THURS January 29 RESIDENTIAL REAL ESTATE INVESTMENT LIENS:
TYPES OF MORTGAGES AND LAND CONTRACTS

RML, Chapter 3, The Residential Mortgage
Duplicated material

WEEK 3

TUES February 3 ADJUSTABLE RATE MORTGAGES
RML, Chapter 4, Adjustable Rate Mortgages
Lab: Mortgage Mathematics: Computation of Discounts, Premiums,
Pre-Payment Penalties; and, Measuring Yield on a Mortgage
Portfolio; Variable Rate Mortgages

THURS February 5 RESIDENTIAL LOAN APPLICATION PROCESS
RML, Chapter 5, The Loan Evaluation Process

WEEK 4

TUES February 10 LOANS AND APPRAISALS
RML, Chapter 6, Appraisals
GRAASKAMP

THURS February 12 PRIVATE MORTGAGE INSURANCE
Duplicated material
Guest Speaker

WEEK 5

TUES February 17 RESIDENTIAL LOAN CLOSING PROCESS
RML, Chapter 7, The Loan Closing
Guest Speaker

THURS February 19 SERVICING THE LOAN
RML, Chapter 8, Mortgage Loan Servicing
Guest Speaker

WEEK 6

TUES February 24 RESIDENTIAL MORTGAGE LOAN CASE STUDIES

~~Lab: Apartment and Subsidized Apartment Loan Calculations~~
~~Duplicated material~~

THURS February 26 SIX WEEKS EXAM

WEEK 7

TUES March 3 DEFAULTS AND WORKOUTS: 1987

RML, Chapter 9, Collections, Foreclosure and Real Estate Owned
Guest Speaker

THURS March 5 THE REVOLUTION IN RESIDENTIAL FINANCE INTERMEDIARIES

Downs, Chapter 2, Causes of the Revolution

Downs, Chapter 3, Two Main Effects of the Revolution

Downs, Chapter 4, Fundamental Structure of Real Estate Financial
Markets *in ital*

WEEK 8

TUES March 10 HOUSING AFFORDABILITY

Downs, Chapter 5, More Intensive Use of Space & Greater Emphasis
of Equity Ownership

Downs, Chapter 6, Real Estate Bias of Capital Markets

Downs, Chapter 7, Concept of Housing Affordability

Downs, Chapter 8, Recent Trends in Housing Affordability

Downs, Chapter 9, Managing the Problem of Housing Affordability

10

THURS March 12 REGULATION AND COMPLIANCE OF THE RESIDENTIAL
MORTGAGE LENDER: FHA, VA, and FMHA GUARANTY PROGRAMS

RML, Chapter 10, Government Loan Programs *Chapter 11 RML*

Duplicated material *Secondary Market*

Spring break March 14 - 22

WEEK 9

TUES March 24 THE CURRENT STATE OF THE BANKING SYSTEM
AND THE ROLE OF MORTGAGE BANKING

Downs, Chapter 11, Turmoil among Financial Institutions

Downs, Appendix A

Guest Speaker

THURS March 26 THE CURRENT STATE OF THE SAVINGS AND LOAN
AND THE ROLE OF MORTGAGE BANKING

Duplicated material

Guest Speaker

WEEK 10

TUES March 31 THE NEW STRUCTURE OF CAPITAL REAL ESTATE
MARKETS

RML, Chapter 11, The Secondary Mortgage Market

Guest Speaker

THURS April 2 SECONDARY MORTGAGE MARKET TODAY
Downs, Chapter 12, Nature of Secondary Markets
Downs, Chapter 13, Policies Affecting Secondary Mortgage Markets
Guest Speaker

WEEK 11

TUES April 7 SECONDARY MORTGAGE MARKET TODAY (continued)
Downs, Chapter 12, Nature of Secondary Markets
Downs, Chapter 13, Policies Affecting Secondary Mortgage Markets

THURS April 9 TWELVE WEEKS EXAM

WEEK 12

TUES April 14 1986 FEDERAL INCOME TAX REFORM AS IT RELATES TO
HOUSING AND MORTGAGE BANKING
Duplicated material

THURS April 16 REMICS IN 1987
Duplicated material

WEEK 13

TUES April 21 BUILDER FINANCING AND TAX EXEMPT BOND FINANCING
OF RESIDENTIAL MORTGAGES
GRAASKAMP
Duplicated material

THURS April 23 INTEREST RISK HEDGING FOR LENDERS - THE OPTIONS
MARKET
Guest Speaker
Duplicated material

WEEK 14

TUES April 28 HOUSING PARTNERSHIPS
Guest Speaker
Duplicated material

THURS April 30 FEDERAL HOUSING FINANCE POLICY: 1987
Downs, Chapter 10, Imbalances in the Rewards and Costs of Risk
Taking
Duplicated material

WEEK 15

TUES May 5 FUTURE TRENDS IN RESIDENTIAL FINANCE
Downs, Chapter 14, National Economic Strategy & Financial
Deregulation

THURS May 7 FINAL EXAM

12 Weeks Exam
Residential Finance 552

Wednesday, November 10, 1982

Prof. J. A. Graaskamp
John Hilliard

I. Briefly identify five of the following acronymns and the basic function or purpose of their organization: (25%)

- A. HOLC
- B. FHLBMC
- C. GNMA
- D. FHA
- E. PMI
- F. FNMA R/R

II. Write on one of the following questions: (30%)

- A. Develop a short history of the savings and loan industry as an explanation of its current problems and opportunity in mortgage lending.

OR

- B. Develop a short essay on the origin and function and current difficulties of the mortgage banking sector.

III. Provide a thorough explanation on one of the following topics: (30%)

- A. The mechanics of hedging and Ginnie May future certificates.
- B. The essentials of adjusted rate mortgage, how does it work and what are the trade-offs that must be made in choosing exact plan.
- C. From your readings and lectures, develop a chronological history of federal intervention into residential lending.

IV. In terms of current event readings in October Housing magazine: (15%)

- A. What has been done to improve mortgage funding for remodeling?

OR

- B. What specific provisions in the September tax bill relative to mortgage revenue bonds and tax credit were passed in September?

12 WEEKS EXAM-RESIDENTIAL FINANCE 552

- I.
 - A. HOLC = Home Owners Loan Corporation
 - B. Federal Home Loan Bank Mortgage Corporation
 - C. Government National Mortgage Corporation
 - D. FHA
 - E. Private Mortgage Insurance
 - F. Federal National Mortgage Association Resale and Refinance Program
- II.

S and L Industry-local co-op to pool savings; split between savers and borrowers; regulation Q favors borrowers at the expense of unsophisticated savers; disintermediation during inflation and rising rates; shift to competitive dividend policy requires expansion of lending powers to provide higher income to meet rising costs of capital; shift is retarded by large portfolios at low fixed rates.

 - B. Mortgage bankers were geographic intermediaries between eastern capital and western expansion became active in insurance, property management, and property development to secure additional profit centers gradually replaced by institutional analysts, mortgage banker replaced life insurance company with collateral trusts, mortgage trusts, and asset acquisition for pension trusts.
- III.
 - A. \$100,000 units at fixed interest 90-day puts and calls
 - B. Rate-adjusted mortgage features base rate, index, index date usury ceiling call date. Trade-offs include frequency of rate adjustment, change in payment vs. change in term defining the costs of funds.
 - C. 1840-Nicholas Biddle second bank of the U.S.; World War I 1930s with HOLC and FHA. World War II Recovery Acts, Omnibus Bill and 1949.
- IV.
 - A. Rehab loan program from block grant funds with matching local funds. Freddie Mac will buy home improvement loans second to the first mortgage. Fannie Mae is also moved to buy remodeling loans directly. HUD's Title I program continues to provide funds.
 - B. Tax bill revives mortgage bonds to allow the purchase up to 110% of average price in the area, expected Fall interest rates. Pension plans are exempt from \$50,000 limit and program loans.

Due Noon on Friday, September 12, 1986

Name _____

General Directions: Solutions will be graded on the basis of the four C's (Clarity, Completeness, Conciseness, and Correctness); hence, the solution set you submit should be free of errors; well organized--showing all steps of the solution and the numerical value of each interest factor used; logically concise; and of course, correct.

1. Given a mortgage loan with the following terms, find the portion of the debt service that is principal for the fifth and sixth months during the 15th year of the loan and for the 15th year as a whole.

Type of Loan: Full amortization, monthly payments, fixed rate
Interest Rate: $9\frac{3}{8}\%$
Term of Loan: 25 Years
Loan Amount: \$175,000

2. If the borrower pays off the loan described below as scheduled over the 30-year term, what will be the effective yield to the lender?

Type of Loan: Full amortization, monthly payments, fixed rate
Interest Rate: 10.5%
Term of Loan: 30 Years
Points Charged: $3\frac{1}{2}$ points
Prepayment Penalty: $1\frac{1}{2}\%$ of the outstanding loan balance
Loan amount: \$130,000

3. If the borrower pays off the outstanding balance of the above loan (problem 2) after seven years of timely debt service payments, what will be the lender's effective yield?

4. Suppose instead that the borrower desires a loan with the following terms. Assuming that the borrower will pay off this 10-year loan as scheduled, how many points should the lender charge to achieve a 11.25% effective yield?

Type of Loan: Full amortization, monthly payments, fixed rate
Interest Rate: 9.75%
Term of Loan: 10 Years
Prepayment Penalty: $1\frac{1}{2}\%$ of outstanding loan balance
Loan Amount: \$130,000

5. If the following interest rate changes occur on a variable rate mortgage loan and the loan is paid off early at the end of five years, what will be the lender's effective yield?

Type of Loan: full amortization, monthly payments, variable rate
Interest Rate: Initially 9.5%
Year 2: 10.0%
Years 3&4: 10.25%
Year 5: 11.0%
Term of Loan (fixed): 27 Years
Prepayment Penalty: $2\frac{1}{2}\%$ of outstanding loan balance
Loan Amount: \$135,000
Points Charged: None

6. Eight Years ago the seller of the subject property took out an assumable loan from another financial institution. The new buyer would like to take advantage of the low, fixed interest rate on the assumable loan by obtaining a wraparound mortgage loan from his bank. If the buyer makes the payments on the wraparound loan as scheduled, what will be the new lender's effective yield on the wraparound loan?

Assumable Loan:

Type of loan: Full Amoritization,
 Monthly Payments
 Fixed rate
 Interest Rate: 6.0%
 Term of Loan: 30 Years
 Loan Amount: \$250,000 (Originally)

Wraparound Mortgage Loan:

Type of Loan: Full Amoritization,
 Monthly payments,
 Fixed rate
 Interest Rate: 10.0%
 Term of Loan: 22 Years
 Loan Amount: \$325,000 (Note: this is
 the face amount of
 the new loan)

7. The Seller is asking \$2,725,000 for the subject property. Stabilized NOI is \$255,000. By the end of the anticipated nine year holding period, the property value is expected to have increased by 41%. The buyer requires a 9% before-tax equity yield. Available loan terms are 11% over 28 years (fixed rate, full amortization, monthly payments). Using your knowledge of acceptable levels of financial ratios that concern mortgage lenders ; evaluate whether or not the lender would make a loan for the amount derived from the basic Ellwood equation. Provide support for your answer (i.e., show your supporting calculations).

The Basic Ellwood Equation:

$$R_o = Y_e - M[Y_e + P(A/F, Y_e, h) - f] - app(A/F, Y_e, h)$$

- * If your knowledge is limited in this area, consult your textbook.

PROBLEM SET #3

Professor James A. Graaskamp
Spring Semester 1986

Name _____
Discussion Section 301

1. Given an interest rate of .09, original loan balance of \$50,000, and 40 loans in the mortgage pool, use the GNMA spreadsheet to answer the following questions:
 - a. If the current price of the MBS is .95, then what is:
 - i) the current HTG yield?
 - ii) the current mortgage yield?
 - b. If the market decided that the HTG yield should be 12%, then what would be:
 - i) the new price of the MBS?
 - ii) the mortgage yield at this new security price?
 - c. Determine the following values with respect to the loan as described in part a:
 - i) half life,
 - ii) average life, and
 - iii) pool factor, mortgage balance percentage, and overall prepayment rate as of the end of year 12.

Attach a complete output display for the above computer run.

2. Given an interest rate of .13, original loan balance of \$75,000, and 20 loans in the mortgage pool, use the GNMA spreadsheet to answer the following questions:
 - a. Prepare a schedule of MBS prices and their corresponding mortgage yields for the following HTG yields:
.08, .10, .12, .13, .14, .16, .18
Attach a full computer output display for HTG yield = .13 only.
 - b. Determine both the "duration" and the "modified duration" associated with the MBS when the HTG yield = .13.
 - c. Using the modified duration computed in part b, estimate the new MBS price associated with each of the various HTG yields given in part a. How does each of these estimates compare with the actual MBS price computed in part a? Use a chart to answer this.
 - d. Suppose ten years have passed. If the FHA experience has been as expected, is expected to continue to be as expected, and the market desires an HTG yield of .10, then what will be the new price of the MBS?
3. Detect and explain at least two theoretical flaws in the computer program. How significant is each of these flaws?

Business 552: Residential Real Estate Finance
 Problem Set #3 - - Analysis of GNMA Section 203, 30-year MBS

Student Name: Dan Guenther *

Description of Representative Loan:

Original Loan Balance =	\$100,000.00	*		
Interest Rate =	0.1200	*		
Term (fixed) =	30			
Number of Loans in Pool =	10	*	M.D.S. =	\$1,028.61
Servicing Fee (fixed) =	0.005		A.D.S. =	\$12,343.35
Current Price of MBS =	1.0000	*		
Desired HTG Yield =	0.1100	*		

Individual Loan Amortization Schedule

Year	Reg. of Year Loan Balance	Principal Repayment	Interest Paid	End of Year Loan Balance
0				
1	\$100,000.00	\$362.88	\$11,980.47	\$99,637.12
2	\$99,637.12	\$408.90	\$11,934.45	\$99,228.22
3	\$99,228.22	\$460.76	\$11,882.59	\$98,767.46
4	\$98,767.46	\$519.20	\$11,824.15	\$98,248.26
5	\$98,248.26	\$585.04	\$11,758.31	\$97,663.22
6	\$97,663.22	\$659.24	\$11,684.11	\$97,003.98
7	\$97,003.98	\$742.85	\$11,600.50	\$96,261.13
8	\$96,261.13	\$837.06	\$11,506.29	\$95,424.06
9	\$95,424.06	\$943.22	\$11,400.13	\$94,480.84
10	\$94,480.84	\$1,062.85	\$11,280.50	\$93,418.00
11	\$93,418.00	\$1,197.64	\$11,145.71	\$92,220.35
12	\$92,220.35	\$1,349.53	\$10,993.82	\$90,870.82
13	\$90,870.82	\$1,520.69	\$10,822.66	\$89,350.13
14	\$89,350.13	\$1,713.55	\$10,629.80	\$87,636.58
15	\$87,636.58	\$1,930.87	\$10,412.48	\$85,705.71
16	\$85,705.71	\$2,175.75	\$10,167.60	\$83,529.96
17	\$83,529.96	\$2,451.69	\$9,891.66	\$81,078.27
18	\$81,078.27	\$2,762.63	\$9,580.72	\$78,315.64
19	\$78,315.64	\$3,113.00	\$9,230.35	\$75,202.64
20	\$75,202.64	\$3,507.81	\$8,835.55	\$71,694.83
21	\$71,694.83	\$3,952.68	\$8,390.67	\$67,742.15
22	\$67,742.15	\$4,453.98	\$7,889.37	\$63,288.17
23	\$63,288.17	\$5,018.86	\$7,324.49	\$58,269.31
24	\$58,269.31	\$5,655.38	\$6,687.98	\$52,613.94
25	\$52,613.94	\$6,372.62	\$5,970.73	\$46,241.32
26	\$46,241.32	\$7,180.83	\$5,162.53	\$39,060.49
27	\$39,060.49	\$8,091.53	\$4,251.82	\$30,968.96
28	\$30,968.96	\$9,117.74	\$3,225.61	\$21,851.22
29	\$21,851.22	\$10,274.10	\$2,069.25	\$11,577.11
30	\$11,577.11	\$11,577.11	\$766.24	\$0.00

Current Honest-to-God Yield =	0.1146
Current Mortgage Yield =	0.1147
MBS Price at Desired HTG Yield =	1.0273
Mort. Yield at Desired HTG Yield =	0.1103

Mortgage Pool Cash Flows

Beg. of Year Pool Balance	Interest	Scheduled Principal	Servicing Fee	1982 FHA Experience	Principal Prepayment	Total Cash Flow	End of Year Pool Balance	Mortgage Yield Cash Flows I
\$1,000,000.00	\$119,804.72	\$3,628.79	(\$4,962.88)	1.00000	\$11,219.14	(\$1,000,000.00)	\$985,152.07	(\$1,000,000.00)
\$985,152.07	\$118,000.68	\$4,042.97	(\$4,823.17)	0.98874	\$36,992.20	\$129,689.77	\$944,116.81	\$118,442.58
\$944,116.81	\$113,058.10	\$4,383.93	(\$4,588.09)	0.95146	\$48,613.34	\$154,212.76	\$891,119.52	\$118,461.88
\$891,119.52	\$106,682.25	\$4,684.40	(\$4,316.80)	0.90224	\$50,833.65	\$161,467.30	\$835,601.47	\$118,483.62
\$835,601.47	\$100,004.41	\$4,975.80	(\$4,036.68)	0.85050	\$51,556.41	\$157,883.50	\$779,069.26	\$118,508.12
\$779,069.26	\$93,205.31	\$5,258.84	(\$3,750.56)	0.79771	\$52,653.76	\$152,499.94	\$721,156.67	\$118,535.72
\$721,156.67	\$86,241.61	\$5,522.57	(\$3,464.60)	0.74343	\$50,951.01	\$147,367.34	\$664,683.08	\$118,566.83
\$664,683.08	\$79,450.93	\$5,774.91	(\$3,189.80)	0.69050	\$47,664.32	\$139,250.59	\$611,238.85	\$118,601.88
\$611,238.85	\$73,023.52	\$6,041.81	(\$2,935.22)	0.64055	\$42,346.31	\$129,705.36	\$562,850.72	\$118,641.38
\$562,850.72	\$67,201.35	\$6,331.70	(\$2,705.40)	0.59573	\$37,208.39	\$118,476.43	\$519,310.64	\$118,685.89
\$519,310.64	\$61,959.00	\$6,657.69	(\$2,495.39)	0.55590	\$33,807.98	\$108,036.03	\$478,844.96	\$118,736.04
\$478,844.96	\$57,084.30	\$7,007.32	(\$2,300.87)	0.51924	\$30,332.68	\$99,929.28	\$441,504.97	\$118,792.55
\$441,504.97	\$52,582.99	\$7,388.41	(\$2,122.64)	0.48586	\$26,563.79	\$92,123.42	\$407,552.76	\$1,027,564.43
\$407,552.76	\$48,485.72	\$7,816.01	(\$1,959.64)	0.45613	\$23,434.02	\$84,412.56	\$376,302.72	
\$376,302.72	\$44,710.15	\$8,290.96	(\$1,809.32)	0.42939	\$20,586.51	\$77,776.11	\$347,425.25	
\$347,425.25	\$41,216.39	\$8,819.85	(\$1,669.89)	0.40537	\$18,075.88	\$71,778.31	\$320,529.52	Mortgage Yield Cash Flows II
\$320,529.52	\$37,957.26	\$9,407.88	(\$1,539.44)	0.38373	\$15,875.12	\$66,442.24	\$295,246.51	
\$295,246.51	\$34,888.20	\$10,060.11	(\$1,416.23)	0.36415	\$13,940.18	\$61,700.83	\$271,246.22	(\$1,027,260.63)
\$271,246.22	\$31,969.32	\$10,781.87	(\$1,298.88)	0.34635	\$12,160.27	\$57,472.27	\$248,304.08	\$118,442.58
\$248,304.08	\$29,173.21	\$11,582.07	(\$1,186.50)	0.33018	\$10,424.43	\$53,612.59	\$226,297.58	\$118,461.88
\$226,297.58	\$26,484.31	\$12,476.25	(\$1,078.33)	0.31564	\$8,786.16	\$49,993.20	\$205,035.17	\$118,483.62
\$205,035.17	\$23,878.75	\$13,480.87	(\$967.84)	0.30267	\$7,455.25	\$46,668.38	\$182,099.05	\$118,508.12
\$182,099.05	\$21,074.76	\$14,440.76	(\$850.17)	0.28773	\$6,640.19	\$45,847.04	\$157,968.11	\$118,535.72
\$157,968.11	\$18,131.10	\$15,331.72	(\$727.69)	0.27110	\$5,528.38	\$44,355.54	\$133,108.00	\$118,566.83
\$133,108.00	\$15,105.36	\$16,122.09	(\$602.93)	0.25299	\$4,919.95	\$42,263.52	\$108,065.96	\$118,601.88
\$108,065.96	\$12,064.82	\$16,781.59	(\$478.85)	0.23370	\$7,812.10	\$39,544.46	\$83,472.27	\$118,641.38
\$83,472.27	\$9,086.13	\$17,291.61	(\$358.45)	0.21370	\$6,274.31	\$36,179.66	\$59,906.35	\$118,685.89
\$59,906.35	\$6,234.62	\$17,637.36	(\$244.44)	0.19344	\$4,398.65	\$32,293.61	\$37,870.34	\$118,736.04
\$37,870.34	\$3,586.22	\$17,806.04	(\$137.57)	0.17331	\$2,905.86	\$28,031.19	\$17,158.44	\$118,792.55
\$17,158.44	\$1,135.64	\$17,158.44	(\$42.90)	0.14821	\$0.00	\$24,160.55	\$1,027,564.43	
				0.12674		\$18,251.18	(\$0.00)	