

San Bernardino Valley College
Course Outline for REALST 101
Real Estate Loan Processing Fundamentals

I. CATALOG DESCRIPTION:

REALST 101: Real Estate Loan Processing Fundamentals

3 hours lecture = 3 units

This course covers the fundamentals of processing real estate mortgage loans. Course content includes the basics of processing a conforming mortgage loan starting with the application taken by a loan officer through the funding and closing of the mortgage loan. It is designed for entry-level employment into the real estate field.

Prerequisites: None.

Departmental Recommendation: REALST 100

II. NUMBER OF TIMES COURSE MAY BE TAKEN FOR CREDIT: One

III. EXPECTED OUTCOMES FOR STUDENTS:

Upon successful completion of the course, the student should be able to:

- A. read and critically evaluate the TRW reports and their credit scoring system;
- B. analyze the validity of corporate and personal tax returns and know how to calculate the debt ratio and housing expense;
- C. recognize, explore, and verify real estate documentation needed to process the loan package;
- D. define, analyze, discuss, and explain all the real estate financing compliance laws including how to calculate the borrowers good faith estimate costs;
- E. recognize and explain how to pre-qualify the borrowers and identify the different loan products there are to offer;
- F. evaluate the validity of loan applications, real estate forms, and appraisals;
- G. explain and discuss the merits of the Equal Credit Opportunity Act and Fair Credit Reporting Act;
- H. research escrow instructions and preliminary title reports.

IV. CONTENT.

- A. Introduction: An overview of processing real estate loans and how they contribute to helping the borrowers qualify for the right loan that will fit their needs.
- B. Collateral/Cash: Analysis of the four C's of mortgage lending which is the capacity of cash and collateral, credit reports and how the credit grading system works, character of customer and the ability to repay the mortgage payments, and the characteristics of the loan products.

- C. Documentation: Understanding the different documentation of verifying the customer's capacity and character.
- D. Property: The characteristics of processing the conforming loan products and identifying the properties that the lender can lend upon.
- E. Pre-qualifying: How to calculate monthly housing payments, verifying down payments, and understanding what the Seller's net is.
- F. Compliance: The Real Estate laws which consists of Real Estate Settlement and Procedures Act (RESPA), settlement costs, Truth in Lending, Equal Credit Opportunity, and Good Faith Estimates.
- G. Applications and Forms: Processing the borrower's 1003 application form and other verification forms.
- H. Escrow: How escrow works with borrowers, agents, and lenders.
- I. Title Reports: A study of title companies, preliminary title reports, title insurance policies, and endorsements.
- J. Appraisals: Evaluate and understand how the appraiser derives value.
- K. Equal Credit Opportunity Act and Fair Credit Reporting Act
- L. Submissions and Approvals

V. METHODS OF INSTRUCTION

- A. Lecture
- B. Demonstrations
- C. Research
- D. Role Playing
- E. Exercises for Processing Loans

VI. TYPICAL ASSIGNMENTS:

- A. Research the property where you live and determine the value. Show how you determined this value using comparable sales.
- B. Solve the income to debt ratio problems with the following facts given to you:
 - He makes \$21.50 per hour and works 36 hours per week.
 - She makes \$750 every two weeks
 - She receives child support of \$400 per month and the child is 16 years old
 - He pays child support of \$350 per month and the child is 11 years old
 - They have credit card debt in the amount of \$3,500.
 - He has a car payment of \$250
 - She does not have any car payment.
- C. Research the type of lenders available in the Inland Empire.

VII. EVALUATION:

A. Methods of Evaluation

1. Graded assignments
2. Class participation
3. Examinations (midterm, final)

Examinations: Multiple choice questions

Sample:

What is "grossing up" income?

- a) taking non-taxable income and multiply by 125% to obtain the correct income for DTI purposes.
- b) subtracting the utilities to obtain a back-end ratio.
- c) taking the Schedule C information from the 1040's for the last 2 years and divide by 24
- d) None of the above

Fill in the blank:

Sample:

Name the three Repositories

1. _____
2. _____
3. _____

Vocabulary

Sample:

Give the definition for the following:

1. DTI
2. LTV
3. Negative amortization

Essay

Sample:

What does RESPA stand for and what is the purpose of this law?

B. Frequency of Evaluation

1. At least five graded assignments
2. One midterm examination
3. One final examination

VIII. TYPICAL TEXTS:

Clauretje, Terrence M. and G. Stacy Sirmans. Real Estate Finance: Theory and Practice, Third Edition. New Jersey: Prentice Hall, 1998.

Major, John B. and Fung-Shine Pan. Contemporary Real Estate Finance. New Jersey: Prentice-Hall, 1998.

Dennis, Marshall W. and Michael J. Robertson. Residential Mortgage Lending, Fourth Edition. New Jersey: Prentice-Hall, 1994.

IX. OTHER SUPPLIES REQUIRED OF STUDENTS:

Financial Calculator