



RLS 40 - Real Estate Finance

Catalog Description

Transfer Status: CSU

Prerequisite: RLS 20 (or concurrent enrollment)

Unit(s): 3.00

Lecture: 51.00 Contact hours/102.00 Out of class hours/153.00 Total hours/3.00 Unit(s)

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Course Description: This course introduces the issues, trends, regulations and procedures relating to real estate financing for all types of real property: residential, multi-family, commercial and special purpose. Topics include types of lenders; lending policies; methods of qualifying for loans; and uses of mortgages, trust deeds, and leases of real property. This course satisfies the California Department of Real Estate (DRE) requirement that students pass a college-level "Real Estate Finance" course prior to taking the Real Estate Broker License Exam. It can also count as the optional course that students must pass prior to taking the California Real Estate Salesperson License Exam.

Objectives

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

- 1. Critically evaluate the factors that influence the supply and demand for real estate funding sources.
2. Compare and contrast primary and secondary market sources of mortgage funds.
3. Solve mathematical problems and perform fundamental calculations used in real estate finance.
4. Explain the steps in the real estate loan process, including application, appraisal, processing, and award of loan.
5. Accurately describe (in appropriate sequence) the elements in the closing process of a real estate transaction.
6. Construct a variety of real estate financing proposals and discuss the advantages and disadvantages of each proposal for the seller, lender and borrower.
7. Identify and accurately complete the various legal documents typically used in real estate financing transactions.
8. Identify and analyze special problems associated with construction loans, government guaranteed or insured loans, and income property loans.

Course Content

Table with 3 columns: Topic Titles / Suggested Time Topic, Lecture, Lec Hrs. Lists 17 topics with corresponding lecture hours, totaling 51.00 hours.

Methods of Instruction

- A. Class Activities
B. Homework: Students are required to complete two hours of outside-of-class homework for each hour of lecture
C. Lecture

- D. Guest speakers from the real estate or financing profession
- E. Case Analysis
- F. Class Project

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**Methods of Evaluation**

- A. Exams/Tests
- B. Quizzes
- C. Projects
- D. Homework
- E. Class participation

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**Examples of Assignments****Reading Assignments**

1. Read text material regarding creative financing and prepare for in-class discussion of the benefits to the buyer and seller of a “wrap-around” mortgage (i.e., an all-inclusive deed of trust (AIDT)).
2. Research local home and property sales using a real estate website like Realtor.com or Zillow.com, and conduct some online research regarding financing updates and economic conditions. Prepare for in-class discussion.

**Writing Assignments**

1. Write a 3-page paper comparing the characteristics, advantages and disadvantages of FHA-insured, VA-guaranteed loans and conventional financing.
2. For a prospective buyer: Calculate loan ratios for various sources of funds (e.g., VA, FHA and conventional) to determine the maximum loan amount for which they would qualify. Construct a variety of real estate financing proposals for this buyer, who is now interested in buying a particular property (which will be described). For each proposal, identify the advantages and disadvantages to the seller, lender and borrower. Calculate the buyer’s proposed closing costs by completing a HUD/RESPA financial disclosure sheet. This submission will be 2-4 pages long.

**Out-of-Class Assignments**

1. Calculate the credit-worthiness of a prospective buyer given specific lender criteria. Conduct an income analysis, calculate their net worth and review their credit reputation. Create a 1-page summary of this analysis and include all pertinent addenda.
2. Complete 3-4 pages of real estate finance calculations: Use amortization tables for loan payoff balance, loan payments and discount points using the matrix provided in the text. Calculate capitalization rate, points, discounts, yields, qualification ratios and fees.

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**Recommended Materials of Instruction**

Sirota, D. (2020). California Real Estate Finance. *Dearborn, 10th*. 9781078807906.

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**Minimum Qualifications**

Banking and Finance  
Business (Masters Required)  
Economics (Masters Required)  
Management (Masters Required)  
Real Estate

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**Created/Revised by:** Bearden, Kenneth

**Date:** 02/09/2026