

# **Real Estate Financing and Investing**

---

2<sup>nd</sup> Edition

Distributed by The CPE Store  
[www.cpestore.com](http://www.cpestore.com), 1-800-910-2755

# Table of Contents

---

<b>Chapter 1 – Real Estate Financing</b> .....	<b>1</b>
Learning Objectives .....	1
Introduction.....	1
The Loan Process .....	1
Qualifying the Borrower .....	1
Qualifying the Property .....	1
Qualifying the Title.....	1
Closing the Loan Transaction .....	2
Online Loan Application .....	2
Lending Laws.....	2
Usury .....	2
Truth-in-Lending Law (Regulation Z) .....	2
To Whom Does Regulation Z Apply? .....	3
What Transactions Are Covered? .....	3
What Information Must Be Disclosed? .....	3
Effect of Violations .....	4
Equal Credit Opportunity Act.....	4
Fair Credit Reporting Act .....	5
Community Reinvestment Act.....	5
National Flood Insurance.....	5
Sources of Funds.....	5
Primary Sources .....	6
Financial Middlemen.....	7
Other Sources .....	8
Classifications of Mortgages.....	11
Method of Payment .....	11
Time Period.....	11
Priority Senior Instruments (First Mortgages) .....	12
Conventional Mortgages .....	12
Junior Instruments (Second Mortgages).....	14
Types of Property Pledged .....	15
Flexible Financing Techniques.....	16
Mortgage Options .....	18
Qualifying the Buyer.....	20
Lend a Hand with Paperwork .....	24
Get To Know Lenders.....	24
Learn the Loan Market.....	24
A Point about Points .....	25
The Loan Application.....	25
Watch the Finance Scene.....	25
Follow Up the Loan Process.....	25
Contact with the Lender .....	26
Inform the Buyer.....	26
Loan Rejection or Acceptance .....	26
Latest Mortgage Options .....	26
Helpful Websites .....	28
Review Questions .....	30
Review Answers .....	33
<b>Chapter 2 – Fundamentals of Investing</b> .....	<b>37</b>
Learning Objectives .....	37
Getting Started as an Investor.....	37
Sources of Money for Investing.....	37
Factors to Consider When Making Investment Decisions .....	37

Table of Contents

Questions to Ask ..... 38  
Types of Investments..... 38  
Common Stocks, Preferred Stocks, and Bonds..... 39  
Risk, Return and Investment Policy..... 39  
Marketability and Liquidity..... 40  
How Do Interest Rates Affect Your Investment?..... 40  
How Does Inflation Affect Your Investment? ..... 41  
Investment Performance during Inflationary Periods ..... 41  
What are Some Investment Guidelines to Follow? ..... 41  
Borrowing Money to Invest ..... 41  
Understanding Return and Risk..... 41  
    What Is Return? ..... 42  
    Risk and the Risk-Return Tradeoff ..... 43  
    What are the Types of Risk?..... 43  
    Conclusion ..... 44  
Review Questions ..... 45  
Review Answers ..... 48

**Chapter 3 – Housing: The Cost of Shelter..... 51**  
Learning Objectives ..... 51  
Introduction..... 51  
Homeownership..... 51  
    Should You Buy a Home or Rent? ..... 51  
    What Price to Pay..... 52  
    How Much Should You Spend Monthly for Housing? ..... 52  
    Refinancing a House ..... 53  
    Shopping for an Adjustable-Rate Mortgage..... 54  
    Paying off a Mortgage Early..... 56  
    Homeowners Policies..... 56  
    Getting Top Dollar for a House ..... 57  
    Conclusion ..... 58  
Review Questions ..... 59  
Review Answers ..... 60

**Chapter 4 – Investing In Real Estate..... 61**  
Learning Objectives ..... 61  
Introduction..... 61  
Real Estate Investing ..... 61  
    Investing In Real Estate Is an I.D.E.A.L. Situation ..... 61  
    Disadvantages of Real Estate..... 62  
    Types of Real Estate Investments..... 62  
    Factors to Consider Regarding a Real Estate Investment ..... 62  
    Real Estate Investment Trusts (REITs)..... 62  
    Determining Cash Flow for Real Estate..... 63  
    Determining Value for an Income Producing Property ..... 65  
    Using Leverage When Investing In Real Estate..... 66  
    Pitfalls of High Leveraged Real Estate Investing ..... 66  
    Conclusion ..... 67  
Review Questions ..... 68  
Review Answers ..... 69

**Glossary..... 71**  
**Index ..... 81**