



20 Hour SAFE Comprehensive: Financing Residential Real Estate

COURSE SYLLABUS

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COURSE TITLE:

20 Hour SAFE Comprehensive: Financing Residential Real Estate

COURSE NUMBER:

US21FI12

COURSE MATERIALS:

Our courses are entirely self contained and do not require additional study materials. However, students taking this course in preparation for a licensing examination, and who have a limited background in the field, should consider utilizing some of the study aids below, especially those **STRONGLY RECOMMENDED**, as they will provide a more in depth approach to the material and additional practice in taking standardized examinations. These products are available in our online store.

Suggested Product(s):

- Financing Residential Real Estate
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CONTACT INFORMATION:

By Phone: If you have questions regarding **administrative** issues, you may contact our administrative offices by phone at (504) 454-9866 or (800) 966-9866, weekdays between 8 a.m. and 5 p.m. central time.

By E-mail: You can contact us with technical or course content questions 24 hours a day by e-mailing the school office at the addresses listed below. A response will typically be received by close of business on the next business day.

Help@ProEducate.com for technical assistance.

StudentServices@ProEducate.com for questions or comments about registration, administrative issues, or purchases from the online store.

Instructor@ProEducate.com for questions regarding course content.

In Person: We are in the office to assist you with administrative questions Monday - Friday 8:00 a.m. to 5:00 p.m. central time. We are located at 4200 S. I-10 Service Rd. W., Suite 134, Metairie, Louisiana 70001 (Boy Scouts of America Building).

LEARNING OBJECTIVES, LESSONS and ASSIGNMENTS:

MODULE 1: Finance and Investment

Upon completion of this lesson, each student will be able to:

- Identify the key characteristics of any investment
- Explain how home buyers use loans to purchase homes, and how the principles of investment affect residential financing
- List the types of investments (ownership, debt, and securities)
- Distinguish between the features and benefits of each investment type
- Discuss how the key characteristics of investments (safety, liquidity, and yield) interact to affect investment risk
- Discuss the concept of diversification and how it affects risk
- Describe the types of risks assumed by mortgage lenders, including risk of default, risk of loss, interest rate risk, and prepayment risk
- Summarize market interest rates and explain how they affect mortgage lending

LESSONS and ASSIGNMENTS

- An overview of the learning objectives for the lesson will be presented
- Lesson content will be presented:
 - Introduction
 - Borrowing Money to Buy a Home
 - Investments and Returns
 - Types of Investments
 - Ownership Investments
 - Real Estate
 - Corporate Stock
 - Debt Investments
 - Loans
 - Bonds
 - Savings Accounts
 - CDs
 - Securities
 - Mutual Funds
 - Regulations
 - Securities and Mortgage Industry
 - Key Investment Characteristics
 - Safety
 - Liquidity
 - Yield
 - Diversification
 - Investment Risk
 - Lending Risks
 - Default
 - Loss
 - Interest Rate
 - Prepayment
 - Market Interest Rates
- Go to “Forum” and complete EXERCISE 1
- Check chat room schedule
- Complete recommended reading assignment: *Financing Residential Real Estate* textbook pages 1 – 14
- Take the lesson quiz

MODULE 2: The Primary and Secondary Markets

Upon completion of this lesson, each student will be able to:

- Describe how lending takes place in the primary market
- Discuss the effect of real estate cycles on real estate markets
- Explain the relationship between the primary and secondary markets, including how mortgage funds flow from investors to lenders to home buyers
- List the major secondary market agencies and explain the concept of a government-sponsored enterprise (GSE)
- Explain mortgage-backed securities and their function in the secondary market
- Discuss the importance of underwriting guidelines established by secondary market agencies
- Give examples of the benefits of secondary market agencies and their efforts to increase the availability of mortgage funds
- Summarize the most recent developments with the GSEs in the wake of the mortgage and economic crisis

LESSONS and ASSIGNMENTS

- An overview of the learning objectives for the lesson will be presented
 - Lesson content will be presented:
 - Introduction
 - The Mortgage Markets
 - Primary Market
 - Local Market
 - Real Estate Cycles
 - Disintermediation
 - Supply and demand
 - Secondary Market
 - Buying and Selling Loans
 - The Secondary Market Agencies
 - Mortgage-Backed Securities
 - Guaranties
 - MBS Trading
 - Private-Label Securities
 - Secondary Market
 - Functions of Secondary Market
 - Standardized Underwriting
 - Secondary Market Agencies
 - Historical Background
 - Agencies Today
 - GSE's and Subprime Loans
 - Public Benefits from GSEs
 - GSEs and the Economic Crisis
 - Criticism Before Crisis Began
 - On the Brink of Insolvency
 - Conservatorship
 - Federal Guaranty
- Go to "Forum" and complete EXERCISE 2
- Check chat room schedule
- Complete recommended reading assignment: *Financing Residential Real Estate* textbook pages 45 – 60
- Take the lesson quiz

MODULE 3: Residential Mortgage Lenders

Upon completion of this lesson, each student will be able to:

- Explain the basic steps in the mortgage process
- Distinguish between different types of loan originators and the ways they help borrowers get funds
- Describe new government regulations affecting loan originators at both the national and state level
- List the different types of mortgage lenders and the ways their businesses have changed over time

- Discuss important historical events in the mortgage industry, including the Depression and the savings and loan crisis, and the government's response to these events
- Summarize the factors leading up to the mortgage and financial crisis, and the impact it may have on the mortgage industry

LESSONS and ASSIGNMENTS

- An overview of the learning objectives for the lesson will be presented
- Lesson content will be presented:
 - Introduction
 - Types of Mortgage Lenders
 - Commercial Banks
 - Distinguished from Investment Banks
 - Savings Banks
 - Savings and Loan Associations
 - Credit Unions
 - Mortgage Companies
 - How Mortgage Banking Works
 - Independent Companies
 - Banker vs. Broker
 - Private Lenders
 - Comparing Lenders
 - Government Intervention in Mortgage Lending
 - The Depression
 - Foreclosure Epidemic
 - New Deal Initiatives
 - Transforming Home Mortgages
 - The Savings and Loan Crisis
 - Demand vs. Time Deposits
 - Savings Deposits
 - Deregulation
 - Reform
 - Changing Market Shares
 - Mortgage Industry Trends
 - Technological Changes
 - Nationwide Lending
 - Overview of the Mortgage Process
 - Loan Origination
 - Retail Transactions
 - Wholesale Transactions
 - Loan Correspondents
 - Mortgage Brokers
 - Regulation of Loan Originators
 - S.A.F.E. Licensing and Registration Rules
 - Other S.A.F.E. Provisions
 - Originator's Fiduciary Duties
 - More Mortgage Industry Trends
 - Sub-Prime Lending
 - Sub-Prime Rates and Fees
 - Sub-Prime and Secondary Market
 - Housing Bubble
- Go to "Forum" and complete EXERCISE 3
- Check chat room schedule
- Complete recommended reading assignment: *Financing Residential Real Estate* textbook pages 69 – 88
- Take the lesson quiz

MODULE 4: Government Policy and Real Estate Finance

Upon completion of this lesson, each student will be able to:

- Recall the two ways in which the federal government influences the cost of borrowing money
- Define fiscal policy and the branches of government that determine and implement it
- Describe how government spending and the federal deficit are covered using debt financing
- Explain how taxation is used to carry out social policy with respect to real property ownership
- Summarize the historical reasons for government regulation of depository institutions
- Outline the organization of the Federal Reserve System
- Discuss the relationship between the Federal Reserve's actions, inflation, and the health of the economy
- List the tools used by the Federal Reserve to implement monetary policy

LESSONS and ASSIGNMENTS

- An overview of the learning objectives for the lesson will be presented
- Lesson content will be presented:
 - Introduction
 - Fiscal Policy
 - Spending and Debt Financing
 - Taxation
 - Deduction of Mortgage Interest
 - Gain on Sale of a Home
 - Cost Recovery Deductions
 - Monetary Policy
 - Federal Reserve System
 - Historical Background
 - Organization
 - Economic Growth and Inflation
 - Tools for Implementing Monetary Policy
 - Reserve Requirements
 - Interest Rates
 - Open Market Operations
 - Changes in Monetary Policy
- Go to "Forum" and complete EXERCISE 4
- Check chat room schedule
- Complete recommended reading assignment: *Financing Residential Real Estate* textbook pages 23 – 36
- Take the lesson quiz

MODULE 5: Finance Instruments

Upon completion of this lesson, each student will be able to:

- Identify the parties to and the basic provisions of a promissory note
- Distinguish between a straight note and an installment note
- Explain the purpose of having a security instrument accompany a loan
- Define hypothecation and its relationship to the possession of property used as collateral
- Compare the parties involved in a mortgage with those involved in a deed of trust
- Contrast the advantages of judicial foreclosure and non-judicial foreclosure
- Describe the three basic alternatives to foreclosure
- List typical clauses found in real estate finance instruments and describe their effects
- Discuss how an alienation clause affects the assumption of a loan
- Name the major types of mortgage loans and identify their characteristics

LESSONS and ASSIGNMENTS

- An overview of the learning objectives for the lesson will be presented
- Lesson content will be presented:
 - Introduction
 - Promissory Notes
 - Basic Provisions
 - Negotiability
 - Without Recourse
 - Holder in Due Course
 - Types of Notes
 - Security Instruments
 - Historical Background
 - Liens
 - Mortgages
 - Covenants
 - Mortgage Recording
 - Satisfaction
 - Deeds of Trust
 - Foreclosure
 - Judicial Foreclosure
 - Non-Judicial Foreclosure
 - Judicial Foreclosure Procedures
 - Non-Judicial Foreclosure Procedures
 - Lender's Point of View
 - Borrower's Point of View
 - Land Contract
 - Finance Instrument Provisions
 - Subordination Clause
 - Late Charge Provisions
 - Prepayment Provisions
 - Partial Release Clauses
 - Acceleration Clauses
 - Alienation Clauses
 - Types of Real Estate Loans
 - Junior or Senior Mortgage
 - Purchase Money Mortgage
 - Home Equity Loan
 - Refinance Mortgage
 - Budget Mortgage
 - Package Mortgage
 - Blanket Mortgage
 - Construction Loan
 - Reverse Equity Mortgage
- Go to "Forum" and complete EXERCISE 5
- Check chat room schedule
- Complete recommended reading assignment: *Financing Residential Real Estate* textbook pages 99 – 131
- Take the lesson quiz

MODULE 6: Basic Features of a Residential Loan

Upon completion of this lesson, each student will be able to:

- Identify the basic features of a mortgage loan, including amortization, repayment period, loan-to-value ratio, mortgage insurance or guaranty, and fixed or adjustable rate
- Explain how different forms of amortization work, and the concept of a balloon payment
- Discuss the relationship between a loan's repayment period and its interest rate
- Calculate a loan-to-value ratio
- Explain the purpose of mortgage insurance or loan guaranties

- Give an example of the restrictions a primary lender might place on secondary financing
- Name the issues adjustable-rate mortgages were designed to address
- List the features of an adjustable-rate mortgage, including those used to control interest rate and payment adjustments
- Describe the circumstances under which negative amortization can result

LESSONS and ASSIGNMENTS

- An overview of the learning objectives for the lesson will be presented
- Lesson content will be presented:
 - Introduction
 - Amortization
 - Fully Amortized Loan
 - Partially Amortized Loan
 - Interest-Only Loan
 - Repayment Period
 - Monthly Payment Amount
 - 20 Year Loans
 - Loan-to-Value Ratio
 - Mortgage Insurance or Loan Guaranty
 - Secondary Financing
 - Non-Traditional Mortgage Products
 - Fixed or Adjustable Interest Rate
 - Fixed-Rate Loan
 - Adjustable-Rate Loan
 - ARM Features
 - Note Rate
 - Index
 - Margin
 - Rate Adjustment Period
 - Adjustment Period
 - Look-Back Period
 - Interest Rate Cap
 - Mortgage Payment Cap
 - Negative Amortization
 - Conversion Option
- Go to “Forum” and complete EXERCISE 6
- Check chat room schedule
- Complete recommended reading assignment: *Financing Residential Real Estate* textbook pages 143 – 165
- Take the lesson quiz

MODULE 7: The Financing Process

Upon completion of this lesson, each student will be able to:

- Distinguish between prequalification and preapproval
- Perform the steps in the prequalification process
- Understand loan costs, such as origination fees and discount points
- Discuss the purpose and the requirements of the Truth in Lending Act and RESPA
- Describe the steps in the loan application process
- Understand the reasoning behind the underwriting process
- Explain the purpose of and the procedures used in the closing process

LESSONS and ASSIGNMENTS

- An overview of the learning objectives for the lesson will be presented
- Lesson content will be presented:
 - Introduction
 - Shopping for a Loan

- Assessing Buyer's Circumstances
 - Pre-qualifying vs. Pre-approval
 - How to Prequalify Buyers
 - Choosing A Lender
 - Identifying Prospects
 - Interviewing Prospective Lenders
 - Criteria for Choosing a Lender
 - Loan Costs
 - Types of Loan Fees
 - Comparing Loan Costs
 - No-Fee Loans
 - Evaluating Financing Options
 - Buyer Counseling Programs
 - Applying for a Loan
 - The Loan Interview
 - Pre-qualifying During the Interview
 - Deposit
 - Contract and Closing Date
 - Loan Application Form
 - Types and Terms of Loan
 - Property Information & Purpose
 - Borrower/Co-borrower Information
 - Employment Information
 - Income & Monthly Expense
 - Assets and Liabilities
 - Details of Transaction
 - Declarations
 - Acknowledgement & Agreement
 - Information For Government Monitoring
 - Continuation Sheet
 - Application Checklist
 - Disclosure Statements
 - Locking in the Interest Rate
 - Lock-In Period
 - Application Processing
 - The Underwriting Decision
 - Rejection
 - Conditional Commitment
 - Pre-Approval Letter
 - Final Commitment
 - Closing the Loan
 - Closing Agent
 - Steps in Closing Process
 - Clearing Liens From Title
 - Inspections and Repairs
 - Documents and Buyer's Funds
 - Impound Account
 - Hazard Insurance
 - Flood Insurance
 - Interim Interest
 - Funding the Loan
 - Settlement Statements
 - Final Steps
- Go to "Forum" and complete EXERCISE 7
- Check chat room schedule
- Complete recommended reading assignment: *Financing Residential Real Estate* textbook pages 173 – 207
- Take the lesson quiz

MODULE 8: Qualifying the Buyer

Upon completion of this lesson, each student will be able to:

- Describe the basic steps in the underwriting process
- Understand the purpose of underwriting (qualifying) standards
- Define the different classifications used in an automated underwriting report
- Discuss an underwriter's main considerations: credit reputation, income, and net worth
- Define quantity, quality, and durability of income
- List the types of income that qualify as stable monthly income
- Explain how to use income ratios to measure the adequacy of income
- Calculate net worth using an applicant's assets and liabilities
- Understand credit history and credit scores
- List other underwriting considerations, such as LTV, repayment period, and property type
- Summarize the concepts of subprime lending and risk-based pricing

LESSONS and ASSIGNMENTS

- An overview of the learning objectives for the lesson will be presented
- Lesson content will be presented:
 - Introduction
 - The Underwriting Process
 - Qualifying Standards
 - Automated Underwriting
 - AU Programming
 - How AU Works
 - Advantages of AU
 - Evaluating Creditworthiness
 - Income Analysis
 - Characteristics of Income
 - Stable Monthly Income
 - Employment Income
 - Retirement Income
 - Investment Income
 - Rental Income
 - Maintenance, Alimony, Child Support
 - Public Assistance
 - Unacceptable Types of Income
 - Calculating Stable Monthly Income
 - Non-Taxable Income
 - Income Ratios
 - Co-Signers
 - Net Worth
 - Funds for Closing
 - Assets
 - Bank Accounts
 - Real Estate for Sale
 - Other Real Estate
 - Liabilities
 - Gift Funds
 - Credit Reputation
 - Credit Reports
 - Length of Credit History
 - Payment Record
 - Major Derogatory Incidents
 - Credit Scores
 - Obtaining Credit Information
 - Explaining Credit Problems
 - Other Factors in Underwriting
 - Loan Types
 - Repayment Period
 - Owner Occupancy

- Property Type
 - Risk-based Loan Pricing
- Go to “Forum” and complete EXERCISE 8
- Check chat room schedule
- Complete recommended reading assignment: *Financing Residential Real Estate* textbook pages 218 – 257
- Take the lesson quiz

MODULE 9: Qualifying the Property

Upon completion of this lesson, each student will be able to:

- Explain the role of an appraisal in determining a property’s market value
- Describe how loan-to-value ratios affect the lender’s risk
- List the steps in the appraisal process
- Discuss the three basic methods for estimating a property’s value: sales comparison, replacement cost, and income
- Define the five elements that are considered when evaluating a property’s suitability as a comparable
- Understand the difference between replacement cost and reproduction cost
- List the three different types of depreciation
- Calculate a property’s value using a gross income multiplier
- Prevent and/or respond to problems caused by a low appraisal

LESSONS and ASSIGNMENTS

- An overview of the learning objectives for the lesson will be presented
- Lesson content will be presented:
 - Introduction
 - Lender’s Perception of Value
 - Home Valuation Code of Conduct – HVCC
 - Appraisals and LTV Ratios
 - LTVs and Risk
 - Loan Based on Sales Price/Appraisal
 - Collateral vs. Creditworthiness
 - Appraisal Standards
 - The Appraisal Process
 - Defining the Problem
 - Determining Data That is Needed
 - Gather & Verify General Data
 - Gather & Verify Specific Data
 - Apply the Appraisal Methods
 - Reconcile the Results
 - Issue the Appraisal Report
 - Appraisal Methods
 - Sales Comparison Method
 - Sales Comparison vs. CMA
 - Identifying Comparables
 - Date of Sale
 - Location of Sale
 - Physical Characteristics
 - Terms of Sale
 - Arm’s Length Transaction
 - Adjustments
 - Replacement Cost Method
 - Estimating Replacement Cost
 - Estimating Depreciation
 - Adding Land Value
 - Income Method
 - Final Value Estimate
 - Dealing with Low Appraisals
 - Preventing Low Appraisals

- Request for Reconsideration of Value
- Go to “Forum” and complete EXERCISE 9
- Check chat room schedule
- Complete recommended reading assignment: *Financing Residential Real Estate* textbook pages 267 – 301
- Take the lesson quiz

MODULE 10: Conventional Financing

Upon completion of this lesson, each student will be able to:

- Distinguish between conforming and nonconforming loans
- List the key features found in most conventional loans
- Understand conforming loan limits and why they are important
- Summarize the concept of risk-based loan fees
- Explain when private mortgage insurance is needed and when it can be canceled
- Discuss the restrictions commonly placed on secondary financing
- Calculate the debt to income ratio and housing expense to income ratio
- List compensating factors that may justify loans with higher ratios
- Describe ways to make a loan more affordable, such as buydowns and accelerated payment plans

LESSONS and ASSIGNMENTS

- An overview of the learning objectives for the lesson will be presented
- Lesson content will be presented:
 - Introduction
 - Conventional Loans
 - Conventional Loan Characteristics
 - Owner Occupancy Rules
 - Loan Amounts
 - Loan-to-Value Ratios
 - ARM Loan-to-Value Ratios
 - Private Mortgage Insurance
 - How PMI Works
 - PMI Premiums
 - Cancellation of PMI
 - Secondary Financing
 - Restrictions
 - Piggyback Loans
 - Qualifying Standards
 - Evaluating Risk Factors
 - Income Analysis
 - Obligations to Income Ratio
 - Housing Expense to Income Ratio
 - Applying the Ratio
 - Debt-to-Housing Gap Ratio
 - Higher Ratios & Compensating Factors
 - Factors that Increase Risk
 - 95% Loans
 - ARMs
 - Net Worth
 - Gift Funds
 - Reserves
 - Credit Reputation
 - Special Programs & Payment Plans
 - Buydowns
 - Permanent Buydowns
 - Temporary Buydowns
 - Buydowns and Qualifying Rules
 - Limits on Buydowns
 - Lower Initial Payments

- Two-step Mortgages
- Balloon/Reset Mortgages
- Interest First Mortgages
- Low Down Payment Plans
 - Affordable Housing Programs
- Accelerated Payment Plans
 - Bi-weekly Mortgages
 - Growing Equity Mortgages
- Go to “Forum” and complete EXERCISE 10
- Check chat room schedule
- Complete recommended reading assignment: *Financing Residential Real Estate* textbook pages 317 – 346
- Take the lesson quiz

MODULE 11: FHA Insured Loans

Upon completion of this lesson, each student will be able to:

- Discuss the purpose of the FHA-insured loan program
- Identify key rules governing FHA-insured loans
- List the different types of FHA loan programs
- Understand the role of maximum loan amounts, and how they vary by location
- Discuss how a borrower can meet the minimum cash investment requirement
- Calculate upfront and annual mortgage insurance premiums
- Identify when secondary financing may be used in the context of an FHA loan
- Explain when an FHA loan may be assumed
- Describe the underwriting requirements for an FHA loan, including the income ratios

LESSONS and ASSIGNMENTS

- An overview of the learning objectives for the lesson will be presented
- Lesson content will be presented:
 - Introduction
 - Characteristics of FHA Loans
 - FHA Loan Programs
 - Minimum Cash Investment & LTV
 - Section 203(b)
 - Section 203(k)
 - Section 223(e)
 - Section 234(c)
 - Section 245 and 245(a)
 - Section 251
 - Section 255
 - USDA Rural Loans
 - FHA Insurance Premiums
 - Upfront MIP
 - Annual Premium
 - Annual Premium Cancellation
 - Sales Concessions
 - Seller Contributions
 - Inducements to Purchase
 - Secondary Financing
 - Cash Investment
 - Base Loan
 - Assumption of FHA Loans
 - Assumption Charges
 - FHA Underwriting
 - Income Analysis
 - Assets for Closing
 - Other Closing Requirements
- Go to “Forum” and complete EXERCISE 11

- Check chat room schedule
- Complete recommended reading assignment: *Financing Residential Real Estate* textbook pages 365 – 393
- Take the lesson quiz

MODULE 12: VA Guaranteed Loans

Upon completion of this lesson, each student will be able to:

- List the characteristics that distinguish VA-guaranteed loans
- Describe the criteria for eligibility for a VA loan
- Define the role of the VA guaranty and how it affects the VA loan amount
- Illustrate how a substitution of entitlement works
- Calculate how much of a down payment will be needed for a particular loan
- Describe VA underwriting guidelines
- List compensating factors that might help a marginal applicant obtain a VA loan

LESSONS and ASSIGNMENTS

- An overview of the learning objectives for the lesson will be presented
- Lesson content will be presented:
 - Introduction
 - Characteristics of VA Loans
 - Funding Fees
 - Eligibility for VA Loans
 - VA Guaranty
 - Guaranty Amount
 - Veteran's Liability
 - Substitution of Entitlement
 - Remaining Entitlement
 - Entitlement and Co-Ownership
 - Refinancing with a VA Loan
 - VA Loan Amounts
 - Making a Down Payment
 - Secondary Financing
 - Underwriting Guidelines
 - Income Ratio Analysis
 - Residual Income Analysis
 - Compensating Factors
 - Income Ratio Exceptions
- Go to "Forum" and complete EXERCISE 12
- Check chat room schedule
- Complete recommended reading assignment: *Financing Residential Real Estate* textbook pages 409 – 429
- Take the lesson quiz

MODULE 13: Seller Financing

Upon completion of this lesson, each student will be able to:

- Discuss when and why seller financing might be used and how it works
- Define "seller second" and describe how it can be used to supplement either a new loan or an assumption
- Understand how seller financing might be used as primary financing
- Describe how a land contract differs from a mortgage or deed of trust
- Explain how wraparound financing works
- List alternatives to seller financing, such as buydowns or lease arrangements
- Summarize an agent's responsibilities in a seller-financed transaction

LESSONS and ASSIGNMENTS

- An overview of the learning objectives for the lesson will be presented
- Lesson content will be presented:
 - Introduction
 - How Seller Financing Works
 - Why Seller Financing is Used
 - Seller Seconds
 - Supplementing a New Loan
 - The Buyer's Situation
 - The Seller's Situation
 - Supplementing an Assumption
 - Seller Financing as Primary Financing
 - Unencumbered Property
 - Protecting the Seller's Security
 - Institutional Second
 - Land Contracts
 - Remedies for Breach of Contract
 - Advantages and Disadvantages
 - Using a Land Contract
 - Seller Financing as Primary Loan
 - Encumbered Property
 - Assumption and Seller Second
 - Protecting Wraparound Buyer
 - Alternatives to Seller Financing
 - Buydowns
 - Contributions to Closing Costs
 - Equity Exchanges
 - Lease Arrangements
 - Agent's Responsibilities
 - Disclosures
 - Liability
- Go to "Forum" and complete EXERCISE 13
- Check chat room schedule
- Complete recommended reading assignment: *Financing Residential Real Estate* textbook pages 441 – 474
- Take the lesson quiz

MODULE 14: Fair Lending and Consumer Protection

Upon completion of this lesson, each student will be able to:

- Describe the purpose of the Equal Credit Opportunity Act
- List discriminatory acts and protected classes under the Fair Housing Act
- Explain the goals of the Community Reinvestment Act
- Discuss the role of the Home Mortgage Disclosure Act in preventing redlining
- Summarize the purpose of the Truth in Lending Act
- Describe TILA's disclosure requirements, such as the annual percentage rate and total finance charge, and state how the right of rescission works
- Explain the disclosure requirements and prohibited practices provisions in the Real Estate Settlement Procedures Act
- Define predatory lending and give examples of predatory practices
- Summarize the laws regulating predatory lending

LESSONS and ASSIGNMENTS

- An overview of the learning objectives for the lesson will be presented at the beginning of each section
- Lesson content will be presented:
 - **Section I: Equal Credit Opportunity Act (ECOA)**
 - Introduction
 - ECOA Disclosures

- Spouse or Former Spouse Info
- Age Discrimination
- Childbearing, Childrearing
- Additional Regulations
- Adverse Action
- Appraisal Notification
- **Section II: Fair Housing Act (FHA)**
 - Introduction
 - Comparing the FHA and the ECOA
 - Discrimination
 - Based on Religion
 - Discrimination Based on Sex
 - Discrimination - National Origin
 - Discrimination – Familial Status
 - Discrimination – Disability
- **Section III: Home Mortgage Disclosure Act (HMDA)**
 - Introduction
 - Purpose
 - Compliance
- **Section IV: Fair Credit Reporting Act – FCRA**
 - Introduction
 - Purpose
 - Ordering a Credit Report
 - Role of the Loan Officer
 - Rights of the Consumer
 - Fair and Accurate Credit Transactions Act – FACTA
 - Privacy Protection/Do Not Call
 - The Fair Isaac Company Score
 - Three Major Reporting Agencies
 - Sections of a Credit Report
- **Section V: Consumer Protection Laws**
 - Introduction
 - Truth In Lending Act
 - Mortgage Disclosure Improvement Act – MDIA
 - “3-7-3 Rule” of MDIA
 - Adjustable Rate Mortgages - Relationship to TILA
 - Truth in Lending Act - Right of Rescission
- **Section VI: Fraud in Lending**
 - Introduction
 - Defining Fraud
 - Fraud for Profit
 - Fraud for Housing
 - Straw Borrower
 - Identity Theft
 - Builder Bailout
 - Flips
 - Sales Contract Fraud
 - Appraisal Fraud
 - Fraud on the HUD-1
 - Loan Application Fraud
 - Income Fraud
 - Asset Fraud
 - Credit Report Fraud
 - Quality Control
 - Ethical Behavior
- **Section VII: Real Estate Settlement Procedures Act (RESPA)**
 - Introduction
 - Real Estate Settlement Procedures Act (RESPA)
 - Covered Transactions
 - Exemptions
 - Definitions
 - Disclosures Required At Loan Application

- Good Faith Estimate
 - Mortgage Disclosure Improvement Act
 - HUD-1 Settlement Statement
 - Disclosures Required at Loan Application
 - Disclosures Required Before Settlement/Closing Occurs
 - Disclosures After Settlement
 - Consumer Protections and Prohibited Practices
 - RESPA Enforcements
 - Escrow Accounts and RESPA
 - **Section VIII: Predatory Lending**
 - Introduction
 - Practices
 - Targeted Victims
 - Predatory Lending Laws
 - State Predatory Lending Laws
 - Other Efforts to Stop Predatory Lending
 - **Section IX: Non-Traditional Mortgage Product Marketplace**
 - Introduction
 - Encumbrances and Liens
 - Deed of Trust and Mortgage Docs
 - Mortgage and the Note
 - Contract for Deed
 - Junior Loans
 - Second Mortgage/Deed of Trust
 - Foreclosure
 - Junior Loan Interest Rates
 - Loan Types
 - Fixed Rate Loan
 - Adjustable Rate Mortgage-ARM
 - FHA Loan
 - FHA 203(b)
 - FHA-203(H)
 - FHA 203(k)
 - FHA-Reverse Mortgage
 - VA Loans
- Go to “Forum” and complete EXERCISE 14
 - Check chat room schedule
 - Complete recommended reading assignment: *Financing Residential Real Estate* textbook pages 487 – 515
 - Take the lesson quiz

MODULE 15: Course Final Examination

Students will be administered a final examination consisting of 100 multiple choice questions.

The examination is a multiple-choice style timed examination in which students will be given 150 minutes to complete.

The minimum passing score is 80%.

Students who fail the examination may retake throughout the duration of their course.

AMOUNT OF TIME ALLOCATED FOR EACH MODULE (LESSON):

Module	Segment Time in Minutes
Module 1: Finance and Investment	35
Module 2: The Primary and Secondary Markets	40
Module 3: Residential Mortgage Lenders	66
Module 4: Government Policy and Real Estate Finance	46
Module 5: Finance Instruments	71
Module 6: Basic Features of a Residential Loan	50
Module 7: The Financing Process	68
Module 8: Qualifying the Buyer	63
Module 9: Qualifying the Property	52
Module 10: Conventional Financing	62
Module 11: FHA Insured Loans	73
Module 12: VA Guaranteed Loans	44
Module 13: Seller Financing	50
Module 14: Fair Lending and Consumer Protection	303
Final Exam	10
End-of-Course Survey	5
Total Minutes	1038

Assignments and Materials Utilized in Each Module (Lesson) Include: PowerPoint/Audio presentation; exercise presented through forum for class discussion; downloadable handouts pertaining to lesson content; invitation to participate in scheduled “chat” discussions; extensive glossary to view online or print; recommended reading assignment; end of lesson quiz.