

Course Instructor:

Prof. Steven Bloom, CFA

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Teaching Assistant:

TBD

Class Location:

200 Fayerweather

Mondays, 12:00pm – 2:00pm

Course Overview:

Real estate debt securitization has the potential to reduce costs for borrowers and expand the debt securities universe for investors, allowing for precise risk exposure selection. Despite the many benefits of securitizing mortgages, systemic abuses eventually contributed to the financial crisis. Subsequent regulation continues to weigh on even the best origination practices. We will review the history and evolution of mortgage-backed securities to understand how loan pools are originated, securitized, and priced today. The course builds on the real estate debt fundamentals and distribution waterfalls covered in Real Estate Finance II. Students will gain a solid understanding of how interest and principal flow through the waterfall to investors during stable and stressed market conditions. The class covers the ratings agencies evaluation process including the importance of sensitivity testing to delineate support classes. Students will learn to identify the amount of support and subordination available for each securities class.

Prerequisites:

Real Estate Finance II (PLANA 4312)

Required Readings:

Articles will be posted to canvas.

Recommended Readings:

- *Crain's NY Business*

- *CRE Finance World*, crefc.org (Links to an external site.)Links to an external site., Publications, published semi-annually
- *National Real Estate Investor*, <http://www.nreionline.com/finance-investment/cmbs> (Links to an external site.)Links to an external site.
- *The Real Deal*
- Trepp blog, <http://info.trepp.com/trepptalk> (Links to an external site.)Links to an external site.

Course Requirements:

Students will be expected to attend and participate in class discussions as these will factor in to the final grade.

- **Attendance:** Class attendance will be reflected in the final grade. An email notifying the professor of your expected absence is recommended. If a class is missed, the student is responsible for reviewing the posted class notes and make arrangements to meet with the professor to ensure that the lessons of the missed class are understood.
- **Class Participation:** Students are required to participate in all class discussions. Active participation will be an essential component of your grade in the course.
- **Class Preparedness:** Students are required to read all assigned readings for each class, together with any supplemental presentations, case studies and homework assignments.

Electronic Resources:

CourseWorks2/Canvas @ Columbia will be used for:

- Posting of the instructor's slides for the class lectures.
- Posting of Homework Quizzes, Midterm and Final Exams.
- Student submissions of completed Homework Quizzes and Final Exams.
- Announcements, communications and alerts relevant to the course.

Student Laptops:

- Downloading instructor's class slides after class.
- Downloading and submitting Homework Quizzes, Midterm and Final Exams.
- NOT ALLOWED IN LECTURE CLASSES (only Excel Tutorials).

Sessions Topics

Session, Date Topics

Class 1, 1/22 **Introduction to RE Debt Securitization**

Class 2, 1/29 **Credit Enhancements**

Class 3, 2/5 **Structures**

Class 4, 2/12 **Pricing and Valuation**

Class 5, 2/19 **Origination**

Class 6, 2/26 **Review and Final Exam**