



MURANGA UNIVERSITY COLLEGE

(A constituent College of Jomo Kenyatta University of Agriculture & Technology)

MAIN CAMPUS

SPECIAL / SUPPLEMENTARY EXAMINATIONS

2015/2016 ACADEMIC YEAR

FOURTH YEAR SECOND SEMESTER EXAMINATIONS

**FOR THE DEGREE
OF
BACHELOR OF COMMERCE**

COURSE CODE: HBF 2405

COURSE TITLE: REAL ESTATE FINANCE

DATE:

TIME:

INSTRUCTIONS TO CANDIDATES

Question ONE (1) is COMPULSORY

Answer ANY OTHER TWO (2) questions

MRUC observes ZERO tolerance to examination irregularities

QUESTION ONE (COMPULSORY)

- a. Explain the challenges encountered with price level adjusted mortgages (6 marks)
- b. Explain any six types of risk that real estate investments are exposed to (18 marks)
- c. Explain the various limitations to property rights that can be imposed on real estate (6 marks)

QUESTION TWO

- a. Explain the reasons behind the development of secondary mortgage markets (6 marks)
- b. GPS Inc has agreed to a constant payment mortgage of \$ 25000 payable at the rate of 12% per annum with a balloon payment of \$ 5000. Prepare an amortization schedule for this mortgage if it has a one year maturity (10 marks)
- c. Differentiate between “interest only” and “principle only” CMOs (4 marks)

QUESTION THREE

- a. Under what circumstances can seller financing be used as an option to financing real estate investments (8 marks)
- b. Explain the various risks that investor in mortgage backed securities have to content with (8 marks)
- c. When is a title said to be
 - i. Good (2 marks)
 - ii. Marketable (2 marks)

QUESTION FOUR

- a. One of the characteristics of notes as a means of financing real estate is that the loans are normally issued with recourse. Explain the meaning of this (4 marks)
- b. Explain the difference between the following:
 - ii. Equity and mortgage REITs (6 marks)
 - iii. Title and Deed (6 marks)
 - iv. Fixed rate and Adjustable rate mortgages (4 marks)