



MURANG'A UNIVERSITY OF TECHNOLOGY

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF COMMERCE

UNIVERSITY ORDINARY EXAMINATION

2017/2018 ACADEMIC YEAR

FOURTH YEAR SECOND SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE

HBF 2405 – REAL ESTATE FINANCE

DURATION: 2 HOURS

DATE: 19TH DECEMBER, 2017

TIME: 2.00 – 4.00 P.M.

Instructions to Candidates:

1. Answer **Question 1** and **Any Other Two** questions.
2. Mobile phones are not allowed in the examination room.
3. You are not allowed to write on this examination question paper.

SECTION ONE - COMPULSORY

QUESTION ONE

- (a) Explain the factors behind the development of secondary mortgage markets. (6 marks)
- (b) Describe the securitization process as applied in secondary mortgage markets. (5 marks)
- (c) Explain the meaning of the phrase “Borrower’s right to reinstate” and identify the conditions that a mortgager must meet in exercising this right. (8 marks)
- (d) Explain the meaning of the term “default” as used in real estate finance and identify the two common types of default. (5 marks)
- (e) Though there is no mandatory requirement that a mortgage contract be typed or prepared by an attorney, there are a number of things that must be included regardless of the form. What are these minimum requirements? (6 marks)

SECTION TWO – ANSWER ANY TWO QUESTIONS

QUESTION TWO

- (a) When transacting in real estate, buyers insist on assuring the quantity and quality of the title that they are acquiring and the seller is conveying.
 - (i) What do you understand by the term “title assurance”? (5 marks)
 - (ii) Identify the various means through which title assurance is achieved. (6 marks)
 - (iii) When is a title said to be:
 - As good (2 marks)
 - Marketable (2 marks)
- (b) The terms “title” and “deed” are commonly but erroneously used interchangeably in the course of real estate transactions. Differentiate them. (5 marks)

QUESTION THREE

- (a) The choice of real estate investment is usually anchored on among other factors the adequacy and competitiveness of returns. What other factors should an investor consider in deciding whether to invest in real estate. (6 marks)
- (b) What is the meaning of the phrase “due-diligence” as used in real estate investment risk analysis. (4 marks)

- (c) Bank Z finance made an adjustable rate mortgage of \$36,000 with an initial interest of 12 percent for a term of one year. The loan terms provides that the repayments be reset semi-annually based on an interest rate determined by a Treasury note marked index. The market index rose in the first six months with the expected interest rising to 15 percent. Prepare a repayment schedule for this loan. (10 marks)

QUESTION FOUR

- (a) Discuss any five types of risk that real estate investment are exposed to. (10 marks)
- (b) Sequentially trace the steps involved in real estate appraisal process. (6 marks)
- (a) Differentiate between equity and mortgate REITS. (4marks)