

Federal Reserve Board

Course Description for Real Estate Lending Seminar (REAL)

Course Catalog Detail

Real Estate Lending Seminar (REL)

Type of Participant Targeted

Real Estate Lending (REL) is a seminar designed for individuals whose typical job assignments involve the credit quality evaluation of loan portfolios. The typical participant will have some exposure to real estate credits, along with three to five years of regulatory experience.

Prerequisites

Participants must have completed Credit Risk Analysis School (CRAS) and preferably be a commissioned safety and soundness examiners or have equivalent experience from other regulatory agencies or state banking departments. There is a precourse reading assignment that requires approximately three hours to complete and a suggested reading assignment that requires approximately three hours to complete.

Course Overview

REL is designed to provide a systematic approach to analyzing real estate acquisition, development and construction lending facilities. This course reviews various types of real estate projects and the unique risks associated with each. Topics to be addressed include real estate underwriting standards, developer cash flow analysis, appraisals and appraisal policy guidelines, financing different types of real estate, real estate related accounting issues, problem real estate loan management, classification standards and issues and local economic conditions affecting real estate lending. REL is an interactive seminar, where participants are encouraged to share relevant experiences and contribute to classroom discussions and case studies.

Course Objectives

After completing this 4½-day course, the participant, at a minimum, will be able to complete the following objectives.

- Evaluate the most important risks inherent in common types of real estate projects.
- Determine critical due diligence requirements for various real estate loans, including environmental audits, project feasibility studies, plan and budget reviews and other relevant documentation.
- Differentiate the valuation methods and analyze the key elements of a real estate valuation, as well as determine whether the appraisal reports meet applicable System requirements.
- Analyze the likely adequacy of real estate loan repayment sources, including those related to borrower, project and guarantor.

- Assess real estate loan policies to determine if they comply with relevant System policy statements and guidelines.

Post-Course Intervention

After completing REL, the participant should be given on-the-job assignments that will increase the retention of the competencies presented during class. Such on-the-job assignments include the following examples.

- Analyzing the credit quality of various real estate loans.
- Evaluating the administrative practices of a bank's real estate lending department.

Overview of REL Curriculum

<i>Subject</i>	<i>Approximate Class Hours</i>	<i>Homework Hours</i>
Types of Commercial Real Estate Loans	.50	--
Risks Inherent in Real Estate Lending (with case)	2.00	--
Real Estate Underwriting Standards (with case)	1.00	--
Due Diligence Considerations	.50	.50
Analyzing Real Estate Developer Cash Flows (with case)	6.00	--
Appraisals: The Valuation Process	1.00	.50
Elements of an Appraisal and Valuation Methods	1.00	--
Introduction to Appraisal Review	3.00	1.00
Appraisal Review (with case)	2.00	--
Appraisal Regulations, Guidelines, Policies and Procedures	2.00	--
Financing and Appraising Various Real Estate Projects	3.50	--
Real Estate Accounting Issues (with case)	1.50	--
Problem Real Estate Loan Management (with case)	3.00	--
Economic Indices and Real Estate Development	1.50	--
System Supervisory and Policy Issues		
Related to Real Estate Lending	<u>1.50</u>	<u>--</u>
Totals	30.00	2.00

Class Size

Optimal class size for each session of REL is 25 participants, with a range from a minimum of 20, to a maximum of 30 participants.

Instructors

Four days of this seminar are presented by professional instructors, provided through a contractual arrangement with Risk Management Association (RMA). RMA instructors provide a unique combination of real-world experience with professionally trained instructors. A Reserve Bank economist presents empirical evidence supporting the impact of regional and macroeconomic factors on the real estate industry, including both existing projects and proposed development. Board staff (policy development) present current and emerging supervisory policy issues relating to real estate lending activities. A senior Reserve Bank examiner, or a member of the course committee, acts as facilitator for the entire week reinforcing System supervisory policy statements and relaying practical examination perspectives on an as-needed basis during group work and classroom discussion. The facilitator also delivers a presentation on acquisition and development lending.