

COURSE SYLLABUS
CAPITAL MARKETS: DEBT
Fall 2017
COURSE NUMBER (e.g. PLAN6272)
NUMBER CREDITS (e.g. 1.5 CREDITS)

Tuesdays*, 1:00 pm-3:00 pm, 200 Fayerweather

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I. COURSE DESCRIPTION

Capital Markets: Debt is a course designed for the student to learn to look at a real estate deal as a lender would. As the title of the course suggests the class will focus on transactions that, by virtue of their complexity and/or size, lend themselves to markets based financing.

The course is case based. By looking at transactions done in the last 12-24 months, the student will gain knowledge of the latest financing techniques. The students will learn about current issues and how they are being addressed.

The course is structured primarily as a series of lectures, many of which draw on original material that was actually used to evaluate and structure the financing being examined. This original material will be reproduced and made available on *Courseworks* for students.

The course will provide the lender's perspective of cash flow and property valuation. We will discuss proper amounts of leverage and the various risks and mitigants associated with three distinct financings: Stand-alone CMBS, Syndicated Construction Debt and a Private market transitional asset financing.

Many classes will have guest lecturers from the industry.

Additionally each session will provide some insight into the various participants in the financing markets today: Banks, Insurance Companies, Private Equity, REITS, Debt Funds, Servicers, Ratings Agencies, Regulators, etc.

II. COURSE REQUIREMENTS AND ASSIGNMENTS

Students will be expected to complete some weekly assignments based on the prior week's lecture. Additionally students will be assigned into groups and required to present a Credit Memorandum and a Final Presentation to a credit committee during Class 6.

Class participation is encouraged.

III. COURSE GRADING CRITERIA

Course grading criteria are as follows:

- Attendance and in-class participation: 10%
- Weekly Assignments: 40%
- Final Presentation and Memorandum: 50%

IV. READINGS

Students are encouraged to review materials posted on Courseworks frequently.

V. COURSE OUTLINE

Class 1: October 31: Course Introduction: How does a lender think about a deal and a quick look at underwriting cash flows for CMBS

In addition to introducing the course and providing a general analytical framework for real estate transactions, this class will specifically explore how a lender triages debt requests. What makes a loan securitizable? What is a bank loan? Why would you syndicate a loan?

We will also introduce CMBS cash flow underwriting in this class.

Assignments due:

Groups will be given the offering memoranda for the final presentation. Groups should try to determine the type of loan they will make for the project.

Class 2: November 3: Stand-alone CMBS: Creating bonds from a mortgage loan

This class will provide students with the framework to create mortgage backed securities from the cash flows unwritten in class 2. The class will review: the methodology used to assign ratings; tranching; different investors for different ratings: mezzanine versus mortgage; how the dealer makes money; the magic of Interest-Only bonds; and hedging.

Assignments due:

After class, a take home series of questions will be posted on *Courseworks*
Begin market research and cash flow underwriting for the group project.

Class 3: November 14: Why do a syndicated bank loan

Class 3 This class will look at the current state of the art in the oldest US debt capital market: syndicated bank lending. We will look at who participates and why, limitations on leverage, and the effect of limited recourse on the liquidity of the debt. We will discuss inter-creditor issues and takeout analyses

Assignments due

Keep working on that project

Class 4: November 21: Repo: Financing the financing

This class will analyze how a transitional asset can be financed and in particular how the lender actually finances themselves. Insight will be provided into private equity lending and how the lender makes return requirements.

Assignments due:

Finalize project underwriting

Class 5: November 28: Our special class.....what is going on with retail

A special guest will join us for class 5 and we will discuss the changes going on in the retail world, looking at property fundamentals and how they are viewed by capital today.

Assignments due:

Finalize credit memo

Class 6: December 5: Group Presentations

This class will be for the groups to present their cases to the *Credit Committee*, comprised of members from the commercial mortgage industry, and to submit their final credit memo.

Assignments due:

Group presentation and submission of final credit memo

Class 7: December 8*: Professional perspectives

This class will be a panel of professionals from various parts of the commercial real estate capital markets. Students will be provided with panelists biographies in advance of the class and strongly encouraged to bring questions for the panelists.

VI. FINAL EXAMS AND PROJECTS

Students will be assigned into groups of five in Class 1, and each group will be assigned a case of transaction done in the last 12-24 months. The final project for this course will be a group presentation and submission of credit memo to a mock Credit Committee comprised of members from the commercial mortgage industry.

*There is no class on November 7 as it is a national holiday a replacement class was added on December 8.