Advanced Certificate in Asset Finance and Leasing

Real Estate Finance

Acceptance: In the context of real estate finance, acceptance refers to the agreement of a borrower to the terms and conditions of a loan offer made by a lender. Once the borrower accepts the offer, the loan becomes legally binding.

Amortization: The gradual repayment of a loan, including both the principal and interest, over a set period of time. In real estate finance, amortization typically occurs through regular payments made by the borrower over the life of the loan.

Appraisal: An estimate of the value of a property, conducted by a licensed appraiser. Appraisals are used in real estate finance to determine the value of a property being used as collateral for a loan.

Asset-Based Financing: A type of financing in which a loan is secured by an asset, such as real estate. In real estate finance, asset-based financing is commonly used to fund the purchase or development of commercial or industrial properties.

Balloon Payment: A large, lump-sum payment that is due at the end of a loan term. In real estate finance, balloon payments are often used in adjustable-rate mortgages (ARMs) or other types of loans with low initial payments.

Capitalization Rate: A financial metric used to measure the rate of return on a real estate investment. The capitalization rate is calculated by dividing the net operating income of a property by its value.

Commercial Mortgage-Backed Securities (CMBS): A type of investment vehicle that is secured by commercial real estate mortgages. CMBS are often used by real estate finance companies to raise capital for lending.

Debt Service Coverage Ratio (DSCR): A financial metric used to determine a borrower's ability to repay a loan. The DSCR is calculated by dividing the net operating income of a property by its debt service.

Default: The failure of a borrower to make timely payments on a loan. In real estate finance, default can result in the seizure of the property used as collateral for the loan.

Deed in Lieu of Foreclosure: A legal agreement in which a borrower transfers ownership of a property to a lender in exchange for the cancellation of a loan. A deed in lieu of foreclosure is often used as an alternative to foreclosure in real estate finance.

Due Diligence: The process of investigating a potential real estate investment or loan opportunity. Due diligence typically involves reviewing financial statements, environmental reports, and other relevant documents.

Equity: The difference between the value of a property and the amount of debt secured by the property. In real estate finance, equity can be used as collateral for a loan or to fund the purchase of additional properties.

Foreclosure: The legal process by which a lender seizes a property used as collateral for a loan. Foreclosure is typically initiated when a borrower defaults on a loan.

Graduated Payment Mortgage (GPM): A type of mortgage in which the payments increase gradually over time. GPMs are often used in real estate finance to help borrowers who expect their income to increase over time.

Interest-Only Loan: A loan in which the borrower is only required to pay interest for a set period of time. At the end of this period, the borrower must pay off the principal in a lump sum.

Lease: A legal agreement between a property owner (lessor) and a tenant (lessee) that grants the tenant the right to use the property for a set period of time. Leases are commonly used in real estate finance to generate income from commercial or industrial properties.

Leasehold Improvements: Improvements made to a leased property by the tenant. Leasehold improvements can increase the value of the property and may be considered when calculating the value of the property for financing purposes.

Loan-to-Value Ratio (LTV): A financial metric used to determine the amount of a loan relative to the value of the property being used as collateral. The LTV is calculated by dividing the loan amount by the value of the property.

Mezzanine Financing: A type of financing that is subordinate to senior debt but senior to equity. Mezzanine financing is often used in real estate finance to provide additional capital for a project or to bridge the gap between senior debt and equity.

Non-Recourse Loan: A loan in which the lender has no recourse to the borrower's other assets in the event of default. Non-recourse loans are often used in real estate finance to limit the borrower's liability.

Origination Fee: A fee charged by a lender to cover the costs of processing a loan application. Origination fees are often expressed as a percentage of the loan amount.

Prepayment Penalty: A fee charged by a lender if a borrower pays off a loan early. Prepayment penalties are often used in real estate finance to ensure that the