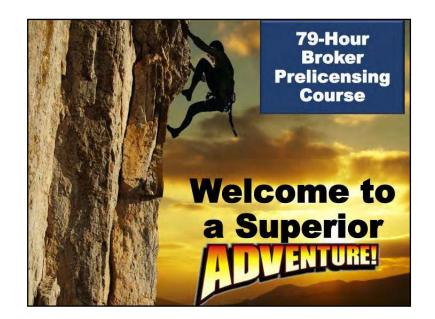
# SUPERIOR SCHOOL OF REAL ESTATE 79-HOUR BROKER PRELICENSING COURSE Adventure Guide





Delivering the best North Carolina Prelicensing Broker Course now at statewide locations

> 14815 Ballantyne Village Way #270 Charlotte, NC 28277 877-944-4260 Email: staff@superiorschoolnc.com superiorschoolnc.com

# Written by Superior Instructors for Superior Students

The content in this manual was collectively developed by Superior instructors over thousands of hours of classroom time and with the feedback gained from thousands of students. Our primary goal is to make you successful. We know what that takes.

Superior instructors have nearly 100,000 hours of live classroom teaching experience. We are here to provide you with the collective benefit and value of all of that combined teaching experience.

# superiorschoolnc.com



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# **Superior School of Real Estate**



Superior School of Real Estate was founded in 2005 by Bill Gallagher. With more than 30 years of real estate experience, he built an extremely successful career in real estate through the unique combination of education and entertainment. Graduates have benefited from practical advice and proven strategies, presented with an upbeat, engaging style that inspires a passion for the business and a desire for professional excellence.

Since 2005, Superior School has grown to become the leading education provider in North Carolina. Our school reaches more than 20,000 students per year. Each year we help more students attain their dream of passing the North Carolina Real Estate Commission's licensing exam than any other school in the state!

With an engaging approach using a laugh and learn style of instruction, Superior School focuses on educating students in a way that uses real world examples and interaction to help them retain the knowledge necessary to make successful brokers.

Superior School is proud to have more DREI instructors than any other school in the country. DREI is the most prestigious designation an instructor can obtain. Our incredible team of instructors have thousands of hours of classroom experience.

We are grateful you have chosen Superior School of Real Estate as your provider of prelicensing eduction. Our promise to you is that we will do everything in our power to make you successful, not only in passing the prelicensing exam, but as a licensed broker in the real estate industry.

# **Contributing Authors**

Superior School is a collaborative collection of North Carolina's top real estate instructors. Each of them, whether you have them as your particular instructor or not, has contributed to your success in this real estate course by offering continual feedback, ideas and suggestions. Collectively, Superior School instructors have accumulated more than 100,000 hours of classroom experience, and this course is the product of their experience, knowledge and talent.







Steve

Robinson,

DREI





Bruce Moyer, Dr. Sam Martin, DREI DREI

Tim Terry, DREI





Tracy Frazier



Derrin Dunzweiler



Frank **Fields** 



**Brian** Pate



Rufus Hutchinson



John Walker



Jack **Marinello, DREI** 



Spencer Clifford



**Vic Knight** 



Dawn Fellers, Prelicensing Coordinator

This course is organized into 20 sessions. In our day classes, your instructor will cover approximately one session in the morning and one session in the afternoon. Our evening instructors cover approximately one session each night. Depending on the size and ability of the students, instructors have the latitude to alter this schedule slightly to address the needs of a particular class. However, this syllabus, schedule, and table of contents will help you know approximately what will be covered each day and how to best prepare for your upcoming classes.

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# ORIENTATION & LICENSING INTRO BLANK – FOR TAB PLACEMENT ONLY

# Orientation: Getting Started With a Solid Foundation

At Superior School, we have some fundamental philosophies that have formed the core of our educational programs for thousands of students. Our fundamental beliefs are:

- Education ought to contribute to and foster your success
- Our success is directly tied to the success we help you create
- Learning should be a fun, engaging and entertaining activity
- Creating and growing your career should be a rewarding adventure
- We are all in this together



So WELCOME to Superior School of Real Estate. We exist to help you succeed, and you can rely on the fact that we will do anything and everything to help you. We want you to understand the nature of our relationship in working together. We are required to have a **student contract** with you and to provide you with a copy of the **School Bulletin**.



# School Policies & Key Information From the School Bulletin

Who is eligible to take this course?

- Minimum age of 18
- Be a citizen of the United States (also certain non-citizen nationals and qualified aliens under federal law)
- Possession of a Social Security number is mandatory
- No formal education required
- Good character background
- · Committed student willing to succeed in a challenging course
- North Carolina Real Estate Commission (NCREC) requires a contract
  - o Number of hours of instruction
  - o Cost, times and dates of instruction
  - o Delivery of the Student Bulletin



# A Policy of Non-Discrimination & Accommodation

We are committed to a policy of non-discrimination and believe strongly in a policy of equal educational opportunities for all. If you have any special needs or requirements, please let us know. The ADA policy is contained in full in our School Bulletin.

# Should You Leave Our Journey Refund & Cancellation Policy

We encourage you to stay with us. You came here because you had some vision of success, and we will do everything to encourage and support that effort. If, however, some circumstances keep you from remaining in the course, our full policy is contained in the School Bulletin. If for any reason you cannot complete the course, you are encouraged to talk to a Superior School instructor or staff member.





# Use of Technology in the Classroom

Today's world is a high-tech, integrated world. You may use laptops, iPads and other technology in the classroom so long as you are working on course material and not being disruptive to those around you. We allow our instructors to create technology policies that work for them in the classroom.

# Course Schedule, Times & Attendance

This course contains a wealth of information. Our day courses take 10 days to complete, plus the day of the test, and our evening courses take 20 nights to complete, plus the evening of the test. Your instructor will advise you of his or her specific class dates, times and the timing of breaks.

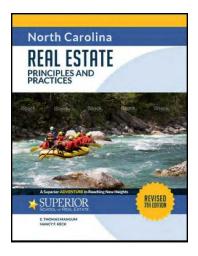
In order to successfully meet the attendance requirement:

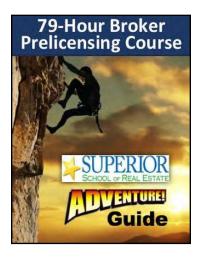
# You cannot miss more than 7.5 cumulative hours of class time or your instructor and Superior School will require you to reschedule your course and you will have to retake the entire course.

Your instructor will explain to you his or her process for taking attendance, being back from breaks and lunch and how the reporting will work in your class.

The NCREC mandates the use of specific texts that may be used in the teaching of the course. We use *North Carolina Real Estate Principles and Practices*, published by OnCourse Learning. It is the book that we rely on heavily in class, and you will be responsible for reading ahead and for reviewing the material covered in the textbook outside of class.

At the end of each chapter are Review Questions that you will complete on your own. There are also sample problems and specific North Carolina margin notes written by Superior instructors. At the beginning of each chapter are Key Terms, which pair up with the vocabulary lists in your Adventure Guide. Many students find value in the Summary of Important Points at the end of each chapter to assist in their studying.





The *Superior Adventure Guide* was custom written exclusively for students of Superior School. It is the collective work of all of our instructors.

The *Adventure Guide* will help keep you on track, give you additional practice and help keep everything organized for you on your journey. The best ideas and methods that we have learned from teaching past students have all been incorporated into the *Adventure Guide*.

We also use the *Adventure Guide* for our North Carolina licensing approach to nearly all of the math that you need to

know to pass both the school and state examinations. We have created lots of formulas and simple approaches to make learning the math concepts easy and simple.

#### How to Use the Superior Adventure Guide Effectively

- To follow along with the class lectures
- As a place for all your notes during class
- As a guide to the course
- As the study guide for learning math
- As a prep tool for the Superior School Final Exam
- As the place to practice vocabulary

We believe in a high-tech, high-touch approach to education. In today's world of education, being able to frequently assess and measure student performance is one of the keys to a successful result. We never forget that job #1 is to prepare you in the best way possible to take the licensing examinations with confidence and ease.

#### To access your online quizzes on Test Prep

- Go to Superior's website at superiorschoolnc.com
- Log in with the username and password you created when you registered for the class online. You will receive an email that includes your username and password. If you have forgotten your password, you can reset it.

#### You will have Progress Exams and Final Exams loaded to your account

- Click the "View" button to pull them up.
- Click on the name of each quiz to view and take the quiz.
- Each quiz can only be taken once, so make sure you have read the chapter and listened to the lecture before starting.
- The quizzes are a good gauge of how well you understand each chapter.
- Quizzes will remain in your account. Although you may take each quiz only once, you can still see them to use as a study aid.
- Click the "missed questions" button, and only the questions you missed will appear. This makes it easier to zero in on specific material that may require more focus.

# **Additional Resource You Will Find Helpful**



**Superior School website** 

# **BUILT WITH TECHNOLOGY**

superiorschoolnc.com



#### Superior School Facebook page

# **C**OLLABORATED WITH **F**ACEBOOK

facebook.com/superiorschoolofrealestate



# **Superior School Material Available Online!**

Access our materials online SuperiorSchoolnc.com/superior-downloadable-pdfs/







**Student study groups** 

# **FUELED BY STUDENTS**

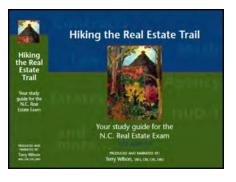
We learned a long time ago that all students are not equal. Students learn through different tools and some require more tools than others. At Superior, we wanted to make certain that everything you might need or find helpful would be right at your fingertips on the Superior School website.



You will find some amazing tools on the Superior School website under Student Resources and you will find even more under the link for our bookstore.

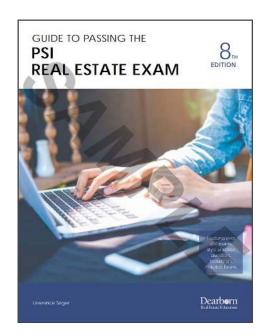
Hiking the Real Estate Trail by Terry Wilson, DREI

Available on a thumbdrive, this resource offers a thorough review of the NC Real Estate Broker Prelicensing course and is the ideal supplement for those students who wish to hear the material again outside of the classroom. Features a step-by-step Closing Disclosure review, explanations, license law review and an in-depth overview.



# *Guide to passing the PSI Real Estate Exam 8th Edition* by Lawrence Sager, Dearborn

The eighth edition of this best-selling book offers the latest and most comprehensive information available to help you prepare for the PSI Real Estate Exam. Based on the latest content outline, this text simulates the style, difficulty, and content of the PSI exam and offers more questions and answers than any other PSI exam prep book on the market. Including three practice salesperson exams, two practice broker exams, matching exercises in each unit, and a self-scoring tool to chart progress, this is the most comprehensive study guide for passing the PSI exam.



We recognize that individuals learn at different paces, so we are pleased to provide you with optional resources to give you additional help along the way and to ensure you reach your goal of passing the course and ultimately the NCREC licensing examination. Instructors will be available several times throughout the week to help students clarify information that was presented in their courses. These office hours will be held online using a live streaming method and are free for Superior prelicensing students.

Each session is one hour long. Students may attend as many sessions as they would like. In these sessions students may ask an instructor clarifying questions, ask to expand on a subject, or discuss topics relevant topics they are finding difficult.

- To attend office hours please go to the following web page and fill out the form
  - This form will give you access to our office hours schedule and instructions on how to attend
- https://info.superiorschoolnc.com/office-hours

Please note that these sessions will not count as class attendance or provide credit for missed sessions.

- Register for Superior's 79-hour Provisional Broker Prelicensing course
- Complete the 79-hour course
- Pass the Superior School final examination
- Obtain your licensing pamphlet
- Obtain your background report: Order it at NCRECCheck.com
- □ Submit your licensing application
- Receive your approval to take the NC Broker Licensing exam
- Get your testing appointment
- Pass the examination
- □ Affiliate with a firm (BIC)



Although we will be doing a lot of quizzes, practice math, and Learning To Go Projects, there are two exams in your adventure that are most important:

- The Superior School final exam
- The NCREC licensing exam

#### **About Practice Assessments**

- Live in-class assessments and reviews
- Online Exam Prep chapter quizzes
- Online Exam Prep quarterly reviews
- Online Exam Prep licensing law practice exams
- Online Exam Prep practice exams

#### About the Superior School Examination

- Must complete ALL course requirements FIRST
- 120 multiple choice questions
  - o 80 questions in national section
  - o 40 questions in state section
- Taken in class as a paper test on the last day
- 3.5 hours to take exam
- 75% score to pass
- One free retake if score is below 75%

#### About the NC Broker Licensing Exam

- Must pass the Superior School final exam FIRST
- Administered by a national testing center, PSI
- Register at psiexams.com at one of 7 state testing centers
- Exam is divided into national and state sections
  - o 80 national questions need 57 correct to pass; 2 hours to complete
  - o 40 state questions need 29 correct to pass; 1.5 hours to complete
- Taken electronically and graded immediately



# There Is Math on Both Exams

- About 8–11 questions
- May bring a basic calculator
- Cell phone calculators prohibited



We have been studying and observing our students and adult education for a long time now. We have learned a lot. We know that adult learners remember more and learn better through stories and references that help put new knowledge and education into context. Along the way on our Adventure, we will be sharing with you **Superior Time Machine Adventures**. These stories are based on historical facts that have formed the evolution and creation of all the real estate knowledge and principles you are about to learn. Here is what you need to know about our Time Machine Adventures:

- Time Machine Adventures are not on the test
- You don't need to memorize the facts or dates of these segments
- They are meant to give you a better understanding during your journey with us

# Annaniah Azariah's Tale About the Transfer of Real Estate

In 437 BC, Annaniah Azariah bought a home from some folks named the Ubils. The parchment document is today located in the Brooklyn Museum of Art and represents the world's oldest deed. That document reflects what scholars believe was the very first private transfer of real estate between individuals.



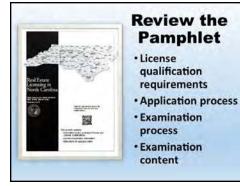
Although a lot has changed in 2,500 years, today we are still exchanging the private ownership of real estate with a single document called a deed.

We have found it helps to give students an overview of the world of real estate before we begin our adventure together. Having a broad view of the different aspects of a transaction and the various people who are involved with a real estate transaction will help you fit the pieces together as we learn more about the profession. On the next page, we have laid out for you a broad profile of the way real estate transactions fall together today.

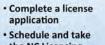


# Real Estate Licensing in North Carolina

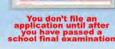




#### After You Complete the Course & Pass the School Final



- the NC Licensing Exam
- Pass the Licensing Exam
- Activate your license by affiliating with a BIC

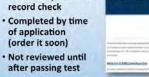


sells Carpina nal Estate Commission

NCREC Online License Appli

Logic





 60 days to request a hearing if denied

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# Licensing Law: North Carolina Statutes, Rules & Regulations

# Tested Real Estate License Law & Commission Rules per the NCREC Syllabus

93A-1	License required of real estate brokers
93A-2	Definitions and exceptions
93A-2(a)	Exceptions
93A-3	Commission created; compensation; organization
93A-4(a)	Application for licenses; fees; qualifications; examinations; privilege licenses;
	renewal or reinstatement of license; power to enforce provisions
93A-4(a)(1)	Post – 90 hours
93A-4(c)	Expiration & renewal (renewal fee is currently \$45; \$15 late fee)
93A-4.1	Continuing education
93A-4.2	Broker-in-charge qualification
93A-6	Disciplinary action by Commission – ALL OF THIS SECTION
93A-9	Licensing non-residents

#### Timeshares

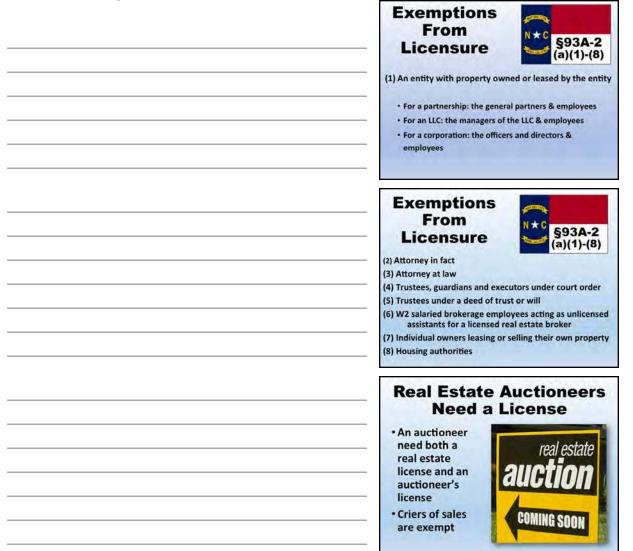
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93A-39	Title
93A-40	Registration required of timeshare projects; real estate salesperson license
	required
93A-41	Definitions
93A-42	Timeshares deemed real estate
93A-43	Partition
93A-44	Public offering statement
93A-45	Purchaser's right to cancel; escrow; violation
93A-51	Rule-making authority
93A-54	Disciplinary actions by Commission
93A-56	Penalty for violation of Article
93A-58	Registrar required; criminal penalties; project broker

# **Tested Real Estate License Law & Commission Rules per the NCREC Syllabus** (CONTINUED)

A.0101	Proof of licensure	
A.0103	Broker name and address	
A.0104	Agency agreements and disclosure	
A.0105	Advertising	
A.0106	Delivery of instruments	
A.0108	Retention of records	
A.0109	Brokerage fees and compensation	
A.0110	Broker-in-charge	
A.0111	Drafting legal instruments	
A.0112	Offers and sale contracts	
A.0113	Reporting criminal convictions and disciplinary actions	
A.0115	Disclosure of offers prohibited	
A.0116	Handling of trust money	
A.0117	Accounting of trust money	
A.0502	Business entities	
A.0503	License renewal; penalty for operating while license is expired	
A.0504	Active and inactive license status	
A.0505	Reinstatement of expired license, revoked, surrendered or suspended license	
A.0506	Provisional broker to be supervised by broker	
A.0507	Payment of license fees	
A.1601 Fair housing		
A.1701–A.17	11 Mandatory continuing education	
A.1801	Limited nonresident commercial licensing	
A.1803	Requirement for licensure; application and fee	
A.1806	Limitations	
A.1807	Affiliation with resident broker	
A.1808	Trust monies	
A.1902	Postlicensing education requirement	
A.1903	Extension of time to complete postlicensing education	
A.1904	Denial or withdrawal of postlicensing education credit	
B.0401	Retention of timeshare records	
B.0402	Timeshare agency agreements and disclosures	
B.0501	Timeshare trust funds	
B.0601	Designation of project broker	
B.0602	Duties of project broker	

#### All very nicely summarized with examples at NCREC.Gov www.ncrec.gov/pdfs/studyguide.pdf







Do the following need a North Carolina real estate license?



- 1. Janet has been appointed as the executor of her mother's estate. Janet puts a sign in the front yard advertising the home "For Sale" with Janet's personal cell number. Janet does not have a real estate license.
- 2. John had a license for 10 years, but it is no longer active. When his neighbor sold his home next door, John set up and conducted the open houses. His neighbor gave him a gift certificate for dinner in exchange.
- 3. ABC homes builds and sells homes. Betty is a salaried employee of ABC. When prospective buyers want to purchase a new home, Betty negotiates the sale, completes the forms and represents ABC. Betty does not have a license.
- 4. Mike is a licensed broker in Utah. His friend, Jack, wants to sell a home in North Carolina. Mike refers Jack to a licensed broker in North Carolina and asks to be paid a referral fee when the home in North Carolina sells.
- 5. Sue owns a large apartment complex that she has placed into a corporation, of which she is the president, and rents out two units. She has two full-time salaried employees who work for her. They show units and collect rent. Neither Sue nor her employees have a real estate license.

- 6. Ron works in the marketing department as a salaried employee for IBM. The company decides to sell its office building and asks Ron to market and list it for sale. Ron does not have a real estate license.
- 7. Jessica is a licensed real estate broker. A friend of hers, Becky, regularly refers people to Jessica. In return, Jessica sends her friend a \$100 gift certificate for each referral. Becky does not have a real estate license.
- 8. David is a provisional broker. He has never affiliated with a BIC. David receives a referral fee from a licensed broker in regard to a buyer who purchased property. David referred the client.
- 9. Jerry and Lynn own a rental property that they have in the name of an LLC they formed. They decide to sell the home, and Jerry advertises the home for sale on his Facebook page. Jerry does not have a real estate license.
- 10. Ben is a real estate broker. He has an unlicensed assistant, Jane. On a Sunday, Ben has multiple open houses scheduled and sends Jane on her own to one of the homes to meet and greet buyers.

- 1. DEAL. This is okay. Janet does not need a real estate license. As the executor of the estate, she is under an exception to licensure.
- 2. NO DEAL. John is in violation of licensing law. His license is inactive, and he is not permitted to engage in any licensing activity.
- 3. DEAL. Neither ABC nor Betty needs a real estate license. ABC is dealing with its own property through its W2 salaried employees. It cannot, however, pay Betty any commissions in regard to the sale.
- 4. DEAL. Mike is licensed in Utah, and as an out of state licensee, he can receive compensation for the referral. He cannot, however, come to North Carolina or participate in the transaction in North Carolina.
- 5. DEAL. Neither Sue nor her W2 salaried employees needs a license. The property is owned by a corporation entity. Sue is exempt as an officer or director, and her employees are exempt because the entity is a corporation and they are W2 salaried employees. She cannot, however, pay them a commission in regard to units that are leased or rented.
- 6. DEAL. Ron is a W2 salaried employee of IBM, and he may market, sell or list the corporation's own property without a license.
- 7. NO DEAL. Compensation in the form of commissions or of any item of value (including gift certificates, trips, dinners, etc.) cannot be paid to someone who does not have an active and current real estate license.
- 8. NO DEAL. A provisional broker must be affiliated with a BIC. If David is not affiliated with a BIC as a provisional broker, his license status is inactive and he may not earn any commissions or referral fees while on inactive status.
- 9. DEAL. Jerry and Lynn are dealing with their own property in regard to the LLC, and they do not need a license when dealing with their own property whether selling, buying or leasing.
- 10. NO DEAL. Ben can utilize the services of an unlicensed assistant. In residential sales, they may perform administrative duties but they may not conduct open houses without the presence of a licensee and they may not show properties to prospective buyers.

Real Estate Licensing in North Carolina

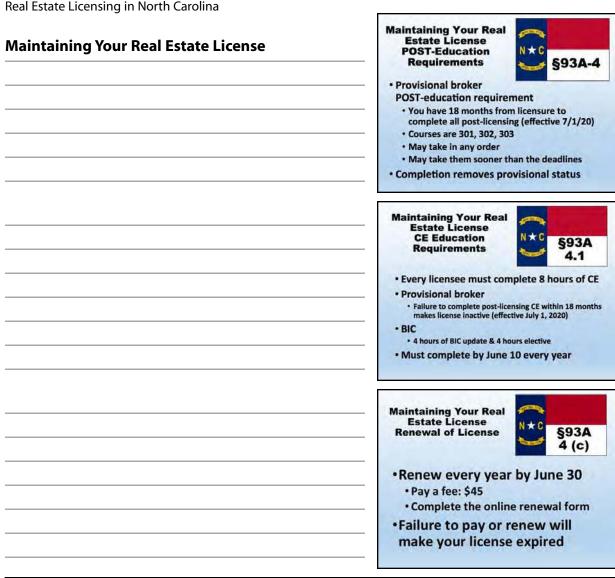




#### North Carolina Real Estate Commission Notice to Broker Prelicensing Course Students

You have enrolled in a real estate *Broker Prelicensing Course* that will qualify you, upon successful course completion and proper application to the Real Estate Commission, to take the state broker license examination. As you begin this course, you should be aware of certain facts about this course and fully understand what is required for satisfactory course completion.

- **Demanding course.** This is a very comprehensive and challenging course for persons who are serious about entering the real estate brokerage business. You will be required to undertake substantial study outside of class to pass course examinations and successfully complete the course. Plan on a *minimum* of two hours of diligent, concentrated study outside of class time.
- Good basic skills required. You need to possess good *reading comprehension skills* as well as good *basic mathematics skills* that will enable you to solve a wide variety of practical mathematics problems encountered in real estate transactions, including problems associated with finance, appraisal, area, real property taxes, profit/loss, income taxation of real estate, brokerage commissions and closing real estate sales transactions. If you do not possess solid basic mathematics skills, you should consider obtaining additional tutorial math instruction while taking this course, or explore with school officials the possibility of taking the course later after you obtain remedial math instruction. Some schools require skills testing as a prerequisite to enrollment and/or require students to also take a real estate mathematics course.
- Course completion standards. The Real Estate Commission sets minimum course completion standards for schools to follow with regard to examinations and attendance, but encourages and expects schools to establish higher standards as necessary to assure that their students will have reasonable expectation of success on the state real estate license examination. Thus, specific course completion standards may vary slightly from school to school. *No exceptions* to a school's established course completion requirements will be made by the school or the Real Estate Commission. *Make certain you understand your school's course completion requirements*. Remember, it is your responsibility to learn the material and pass the examinations the role of the school and the instructor is to facilitate your learning.
- License examination. Statewide, only about 65% of license applicants who complete the prelicensing course pass the state real estate license examination on their first attempt, but performance is better for those who test promptly after completing their course.
   [Performance varies by school. Your instructor can advise you of your school's record.] This means that you should take the license examination promptly after course completion, but also plan on substantial additional study *after* completing the course and *before* taking the license examination to enhance your prospects of success, especially if your course final exam score is lower than 85%.







- Your license is EXPIRED if you: • Fail to renew
  - Fail to pay the fee
  - Have the fee dishonored by your bank
- Received by NCREC no later than June 30
- You can renew 45 days early

# Activating a License

- Initial provisional broker license is issued as "Inactive"
- To activate the license:
- Affiliate with a BIC
- BIC must file activation form
- Activates upon mailing or delivery of the form to NCREC

#### A License Becomes Inactive



- When a PB is not affiliated with a BIC
- Failure to complete postlicensing • By the anniversary date of the license
- Failure to complete CE (8 hours)
  - By June 10 every year
  - · PBs do not start until second renewal

#### The Initial Status of a Provisional Broker License

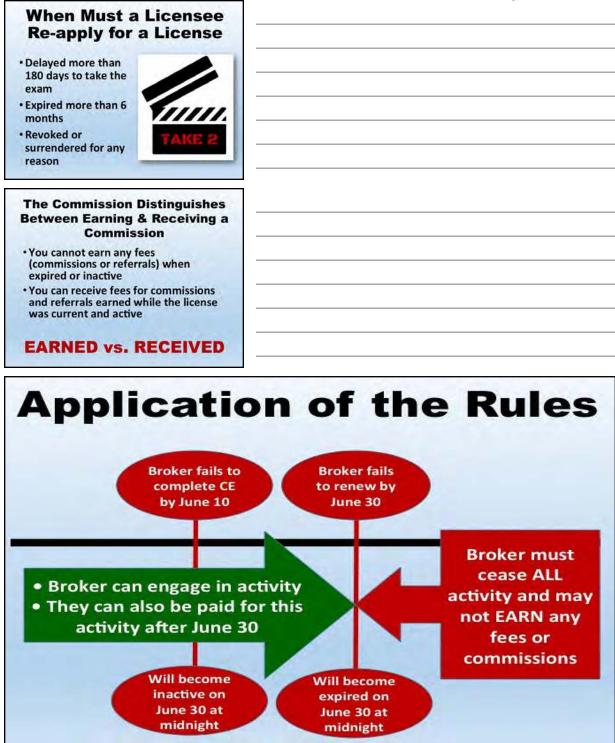
Because a provisional broker must be affiliated with a BIC, the initial license is issued on inactive status until:



Affiliation with a BIC
 Receipt by NCREC of an activation form



 Drawing a Vocabulary Distinction
What NCREC does to us:       What we do to ourselves:         • Reprimand / Censure       • Expired         • Suspension       • Failing to renew         • Cancellation       • Failing to pay the fee         • Revocation       • Failing to affiliate as PB         • Failure to complete post       • Failure to complete CE
Fixing an       A.0505         License       A.0505         • If your license is EXPIRED less than 6 months, you can:       • Renew late & pay additional fee         • EXPIRED more than 6 months:       • Reapply         • Take additional education       • Take additional education
Fixing an Inactive License       Item Inactive A.0504         • If your license is inactive due to non-affiliation:       • If your license is inactive due to non-affiliation:         • If your license is inactive due to non-affiliation:       • Affiliate and file an activation form         • If your license is inactive due to education deficiencies:       • The amount of education required is dependent on the length of the inactivity



### **Profiles of a Real Estate Transaction**



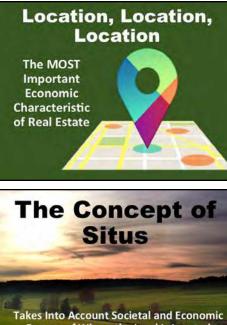
# **OWNERSHIP & TITLE: Chapters 1–6 BLANK – FOR TAB PLACEMENT ONLY**

# **OWNERSHIP & TITLE: Chapters 1–6 BLANK – FOR TAB PLACEMENT ONLY**

# Chapter 1: Basic Real Estate Concepts







Factors of Where the Land Is Located THE MOST IMPORTANT ECONOMIC FACTOR IN REAL ESTATE



#### **Highest & Best Use**

The ONE single use that provides the greatest return and maximizes the value of the real estate



Probably NOT Highest & Best Use

### **Highest & Best Use**

**Takes into account** Transportation

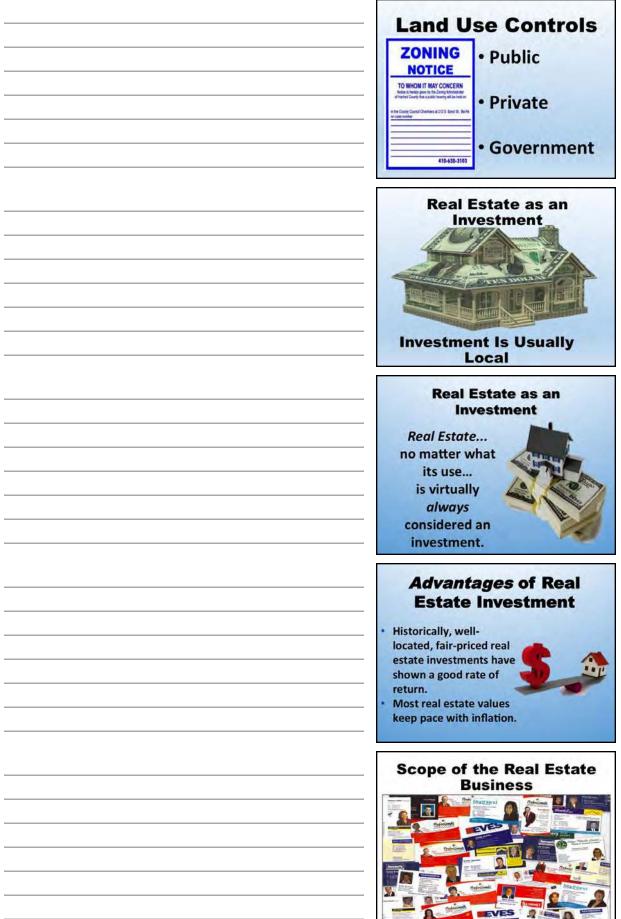
Resources

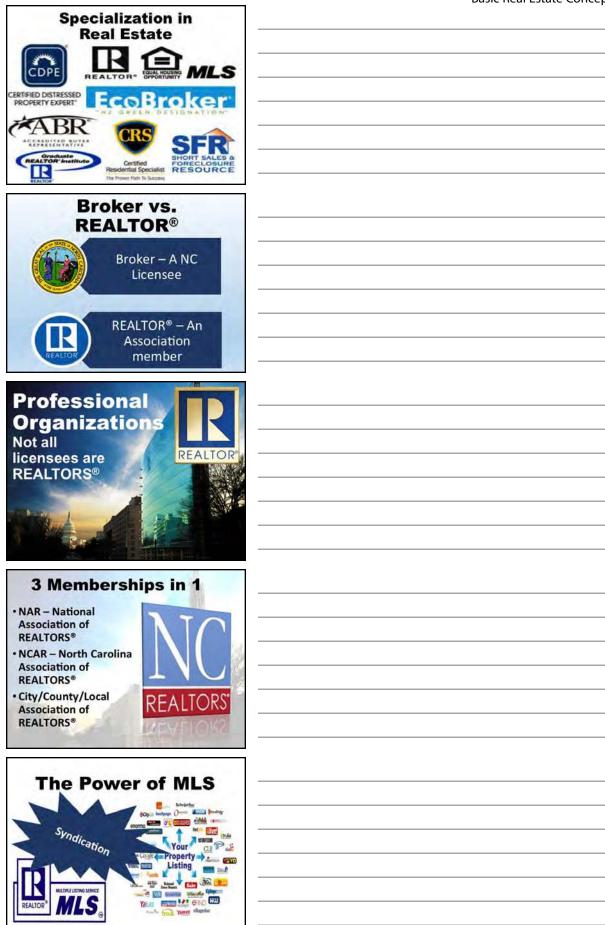
• Contour

Elevation

• Zoning











Bill of Sale:

Chattel:

Free Market:

Highest & Best Use:

Immobility:

Improvements:

Indestructibility:

Non-homogeneity:

**Personal Property:** 

Personalty:

Real Estate:

**Real Property:** 

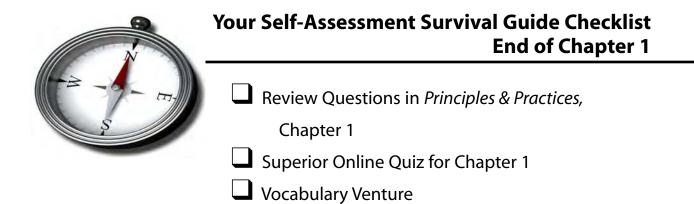


**REALTOR®:** 

Realty:

Scarcity:

Situs:



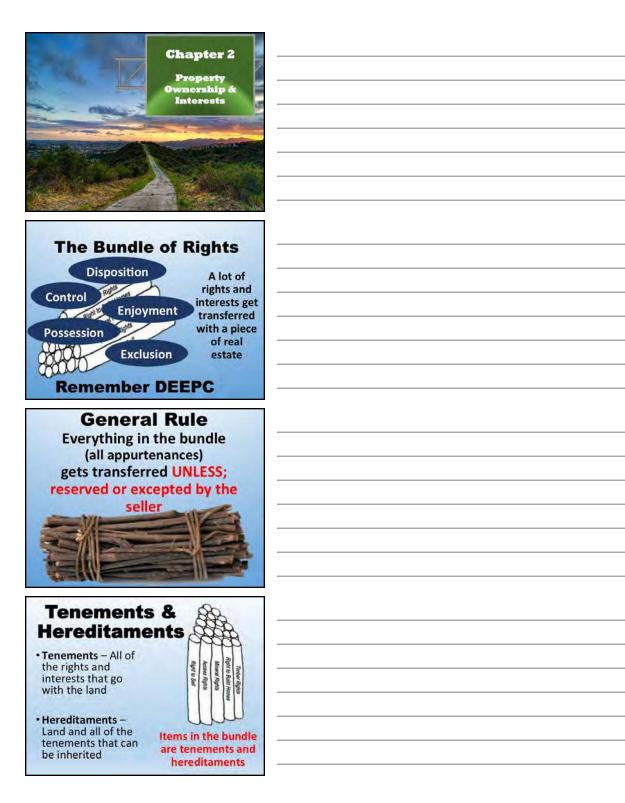
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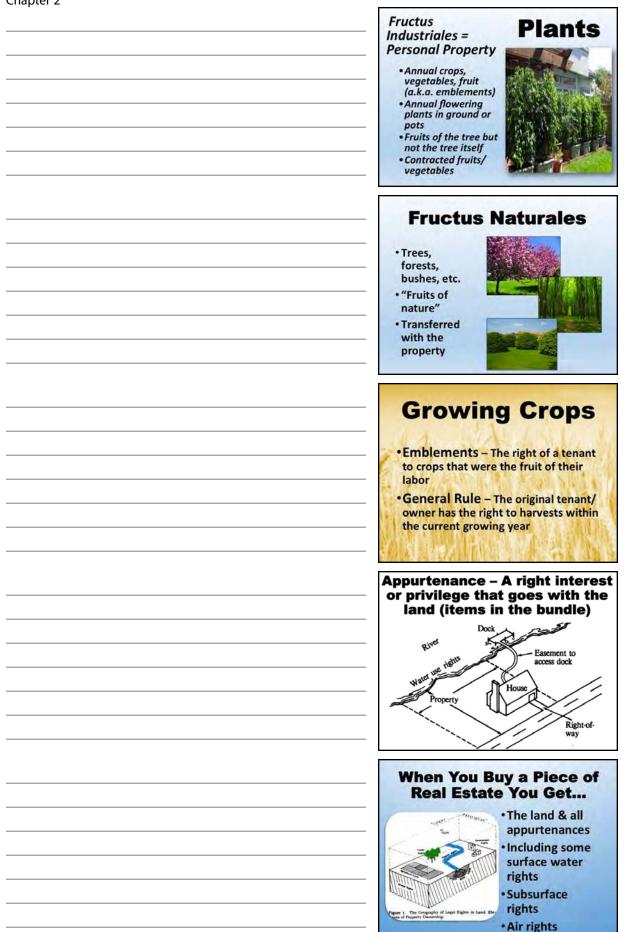
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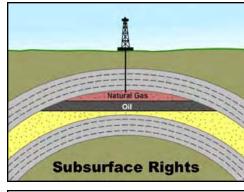
In the interests of my own success and survival, I certify that I have completed the above checklist.

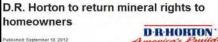
Student Notes

## Chapter 2: Property Ownership & Interests









Amorica's d Disconnent (32 / Tweet (19 12-1) 5 PRINT IN E-MAL COMMEN

Texas <u>home builder</u> will return subsurface drilling rights taken from hundreds of North Carolina home buyers

John Murawski - imurawski@newsobserver.com

ther months of public scruliny, D.R. Horton has said it will return mineral rights and deling rights like andreds of North Carolina homeowners, many of whom did not know they had signed away those potentially lucrative rights when they bought their homes.

The Texas <u>home builder</u> notified the N.G. Attorney General on Friday to say it will voluntarily part with the subsurface drilling a mining rights it friad legalty kept for itself and

#### The MOG (Mineral, Oil & **Gas Disclosure**)



- NC law requires sellers to disclose to buyers if the seller has:
  - · Severed mineral oil and gas rights · Separately leased mineral oil and gas rights
- · We will deal with who has to complete and the requirements when we deal with property disclosures



# Water Rights

### **Two Major Categories**

• Riparian = River Littoral = Lake

**Two Major Doctrines** (Legal Ways of Handling)

• Prior Appropriation – (1st in Time – Western States • Riparian Rights (North Carolina)

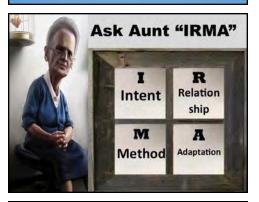




#### Fixtures – An Item Once Personal Property Now Annexed & Part of Real Estate



- Cost, value & size are never the determining factors
- In NC, agricultural fixtures are always real property once attached or placed on property



#### Applied as the "Total Circumstances Test"

A legal test to determine if an item is a fixture or not

All four tests must be applied

In the determination, "intent" is considered to be the major test

### Annexation



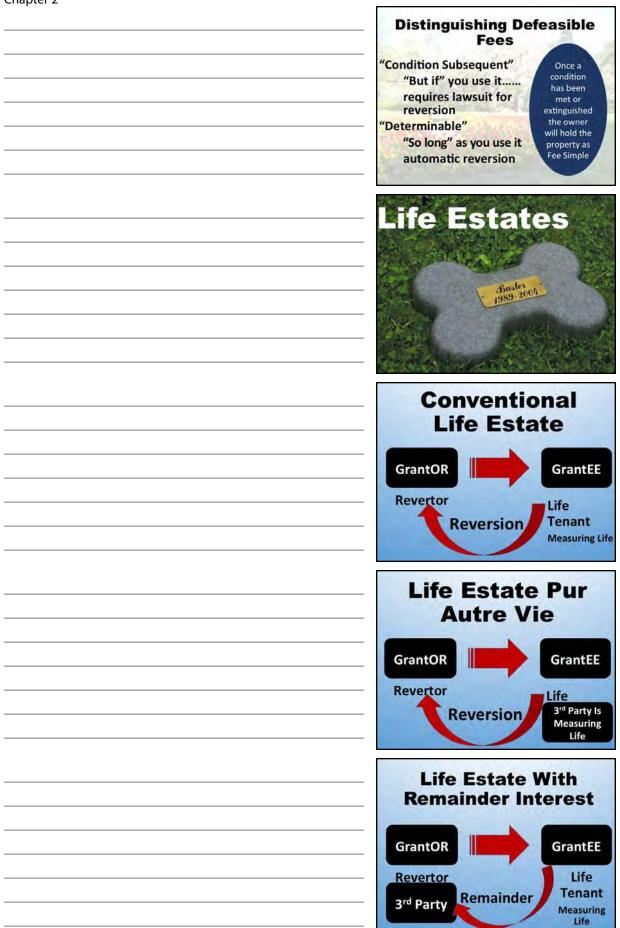




Only royalty (kings) Ownership vested in own real estate individuals







## Life Tenants & Their Rights

- Life Tenants May Life Tenants May NOT
  - Act as owners
  - Sell
  - Transfer
  - Encumber
  - Borrow money

WASTE – Purposeful damage to the value of the reverter's interest

Commit waste

# Estovers



• A life tenant can take reasonable amounts of timber and resources to build a structure

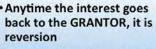
• Taking the timber for sale would be considered waste

#### Inheritance of a Life Estate

- Generally cannot will the interest
- It terminates at death
- Exception is an Estate Pur Autre Vie
- Inheritance lasts until the death of the "measuring life"







 If it goes anywhere else, it is a remainder interest

NOTES TO BRAIN

## **Marital Life Estates**



 Dower – A wife's right to a life estate in the marital home
 Curtesy – A husband's

```
right to a life estate in 
the marital home
```

Abolished in NC by the Intestate Succession Act and instead provided as a "right of survivorship" based on the method of holding title





(ownership with others) Tenancy in common

Joint tenancy

 Tenancy by the entireties

#### **Tenancy in Common** (TIC)

 Most common in NC · Each owns part of

the whole

Can have different %

Default for

unmarried people

Share passes to heirs at death



## **Suit for Partition**

- Court action to end co-ownership
- · Based on % of ownership

 Court may order sale and proper division of proceeds



# **Joint Tenancy**

- Must have 4 unities
  - Time
  - Title
  - Interest
- Possession Equal shares

Joined at the Hip

# **Right of** Survivorship

- Passes to remaining property owners
- Survivorship is automatic everywhere but North Carolina





Condominiums

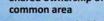
Cooperatives



Time Shares
 PUDs

### Condominiums

- Fee simple ownership of unit
- Deed to enclosed air space
   Shared ownership of



Common area held as TIC
 Vertical ownership



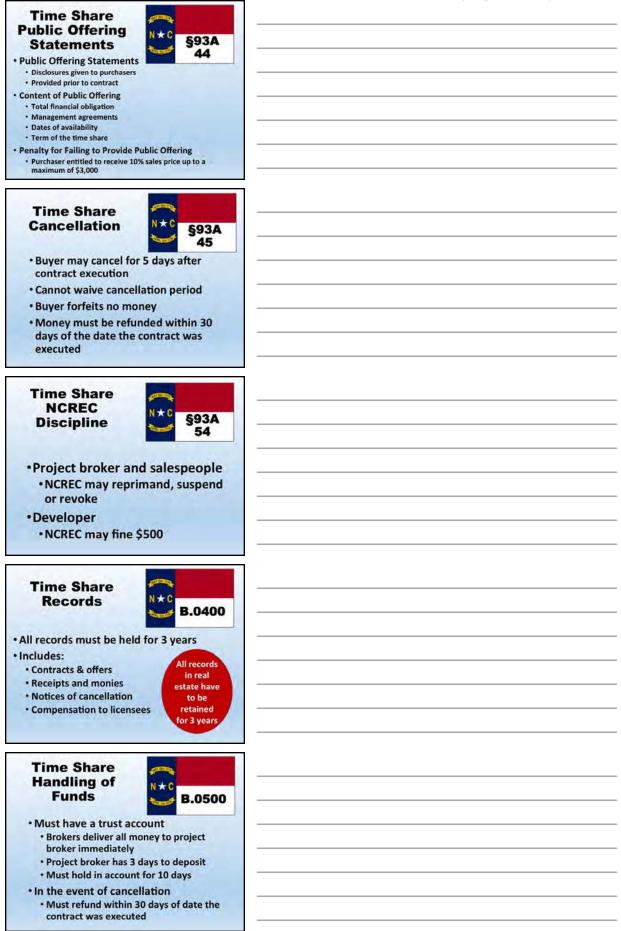




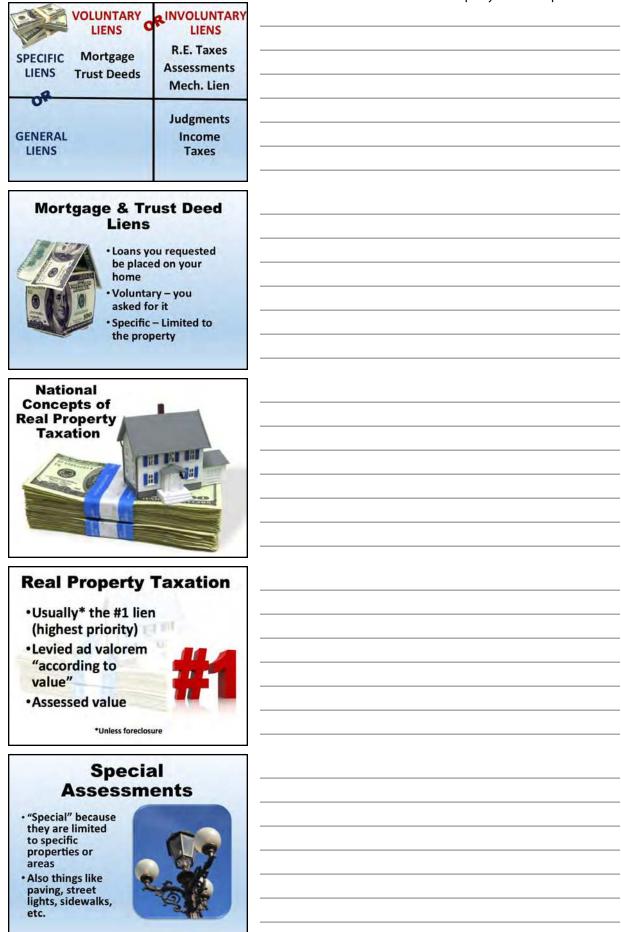


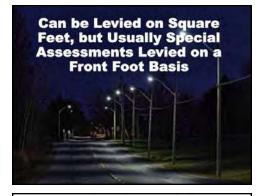
- Units are separately taxed and assessed
  Must be a unit owners association prior to transfer of the first unit
- Deposits must be held in trust account during cancellation period and if cancelled
   No penalty
  - Money promptly returned











## **Mechanic's Lien**



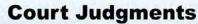
- Work done to home
- Contractors, subcontractors, suppliers
- Get special priority to
- protect providers
- Must file within 120 days
- Must file lawsuit within
   180 days



#### Mechanic's Lien Agents



- Notice is required prior to filing the lien
- NC law requires an owner of property to designate a Mechanic's Lien Agent (MLA) to receive notice of the lien
- Not required on:
- Improvements less than \$30,000, or when
- Improvements are to a primary residence
- Public building improvements



#### Result from court action

debts



Creates a money
 judgment

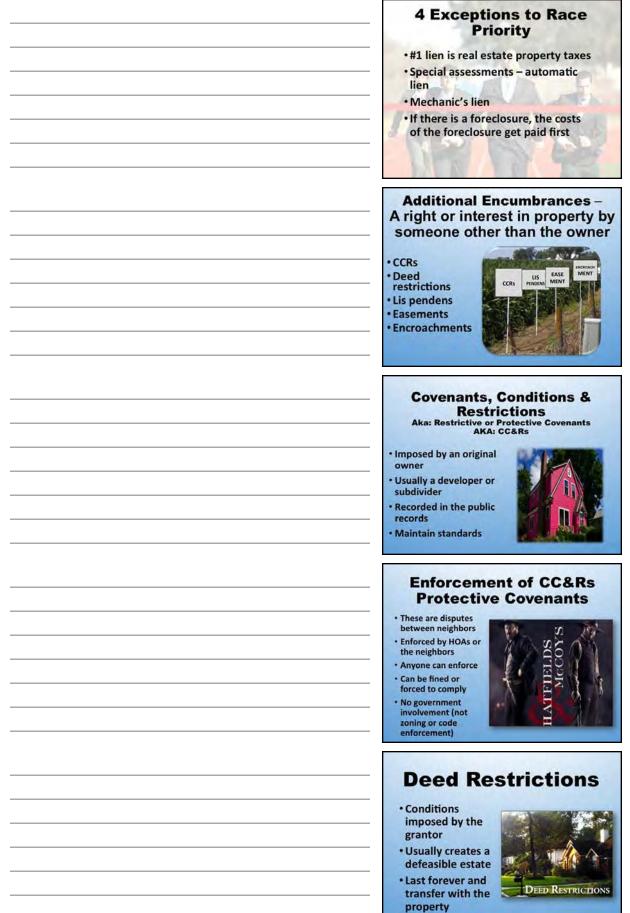
Caused by unpaid

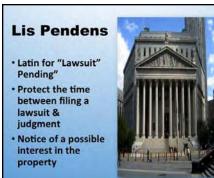
Involuntary lien

 General lien – attaches to everything you own











 Right to use the land of another for a

particular purpose Different types of

- easements Appurtenant
- Easement in gross

· Easement by necessity

Prescriptive easement



#### **Easements Appurtenant**

- Appurtenant Attaches to the land and goes with it
- Benefits adjacent

property

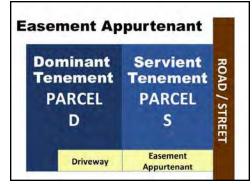
• Most common is for ingress & egress

· Can be for any purpose

• In writing

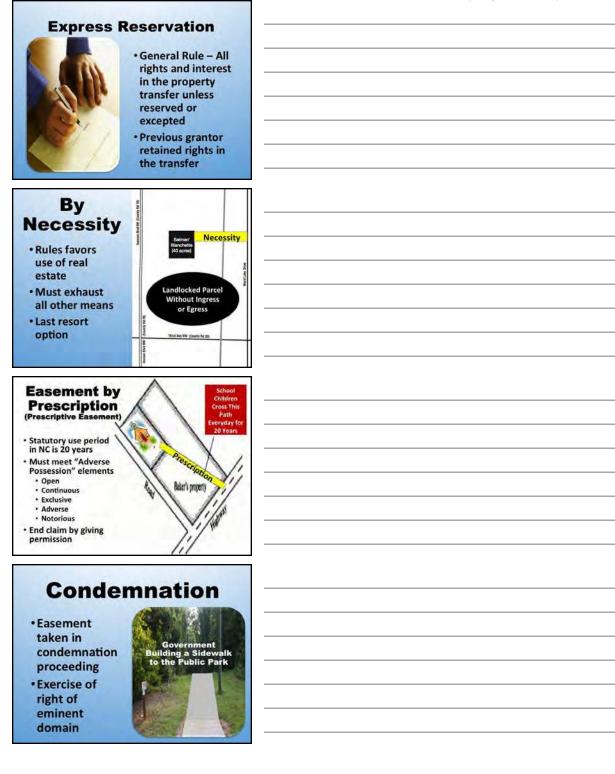


· Easements are permanent











# Encroachments

Anything physical which imposes on the property line of another!

Buildings, Trees, Structures, Fences

How many ways can it be resolved?

#### When a Suspected Encroachment Exists

Inform the parties
Get a

survey



#### What's a Survey

- Professional measurement of: Property
  - boundaries
  - Property lines
  - Location of
  - structures
  - Elevation
- Performed by surveyors

# Chapter 2 Vocabulary Venture Get in Shape Review

Air Rights:



Alienation:

Appurtenance:

Bundle of Rights:

Condemnation:

Condominium:

Cooperative:

Co-ownership:

Dower:

Easement:

Easement in Gross:

**Emblements:** 

Encroachment:

Encumbrance:

Escheat:

Estate:

Estovers:

Fee Simple Absolute:

Fixture:

Foreshore:

Freehold Estate:

**Fructus Industriales:** 

**Fructus Naturales:** 

Hereditament:

Intestate Succession:

Joint Tenancy:

Judgment Lien:

Lateral Support:

Leashold Estates:

Levy:

Lien:

Life Estate:

Life Tenant:

Lis pendens:

Littoral Rights:

Marital Life Estates:

Mineral Lease:

Non-freehold Estate:

North Carolina Condominium Act:

Partition:

**Police Power:** 

**Prescriptive Easement:** 

Pur autre vie:

Remainderman:

**Reversionary Interest:** 

**Riparian Rights:** 

Severalty:

Survivorship:

Tenancy by the Entirety:

Tenancy in Common:

**Tenements:** 

Time Share:

Townhouse:

Uniform Commercial Code:

#### Your Self-Assessment Survival Guide Checklist End of Chapter 2



Review Questions in *Principles & Practices,* Chapter 2
 Superior Online Quiz for Chapter 2

Vocabulary Venture

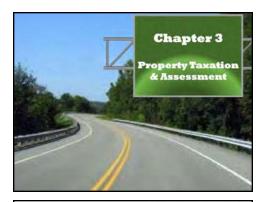
Percentage on Principles & Practices Chapter 2 Review \_\_\_\_\_

Percentage on Superior Online Chapter 2 Quiz \_\_\_\_\_

In the interests of my own success and survival,

I certify that I have completed the above checklist.

# Chapter 3: Property Taxation & Assessment





State law sets forth the process Counties carry out the details

#### **Tax Assessor Valuations**

• In NC, real estate taxation is based on Assessed Value

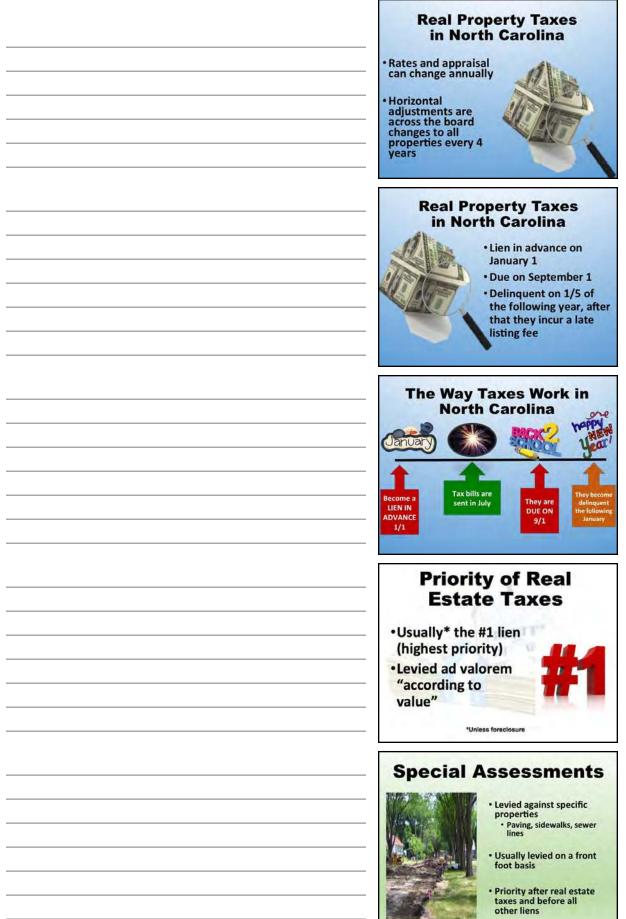


• The Assessed Value is based on 100% of Market Value



.

- (8-year appraisal)
- Rates can change EVERY year
  - Horizontal adjustments



Being able to work well with numbers and do proper and accurate calculations is a big part of real estate. Clients and customers will be turning to you for advice and guidance, and they will rely on your numbers and the representations you make about them.

Regardless of the level of your math skills, we want you to become comfortable in performing math calculations and we also want you to be able to approach your exams with confidence. There is math on the exam. As a general rule, approximately 10–15% of the test questions will involve math.

While it is true that you can miss all of the math and still pass the real estate exam, it is not an approach we recommend. We will work very hard in class to help you understand and feel comfortable with the types of math problems you will find on the exam. It's important, but don't overfocus on it. It is a small percentage of the exam.

#### Let's Make This Easier: Some Simple Things About Math

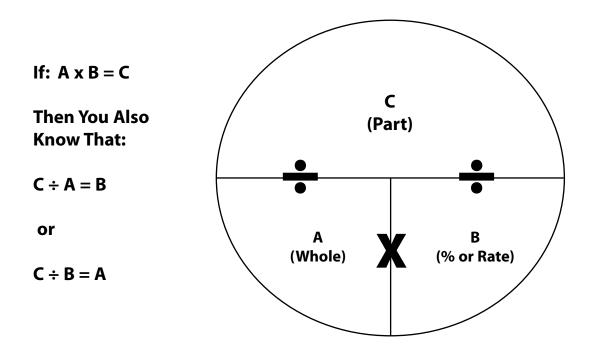
- Math is not difficult if you approach it methodically
- Get a simple calculator and start using it now
- A little math each day goes a long way
- You have scratch paper—use it
- Draw and label your math problems
- Math works well both ways—check your work
- Do all of the math problems
  - o In the Adventure Guide
  - o In the Principles & Practices book
- Practice, practice, practice

#### **The Memory Circle Device**

Most of the math problems on the exam are algebraic equations. Do not let that scare you. It simply means that most of the math formulas have three parts. If you are given two of those parts, then you should be able to figure out the third number. As we work math problems in class, we are going to provide you with the formula as well as introduce you to a math device known as a Memory Circle, which will help some of you keep the relationships in the three-part formulas correct.

You can decide whether to use or not use the Memory Circle. Some of you will be just fine with the formulas; some of you will prefer to use this mathematical tool.

#### Simply a Tool That Helps Convert & Solve Algebraic Equations



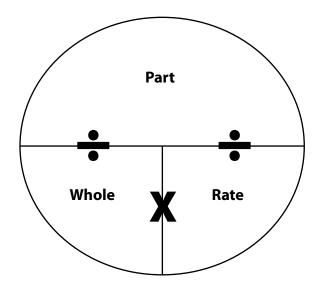
For some students, working with these types of formulas is easy. If that is you, then continue to just use the algebraic equations. For some of us, the Memory Circle is an easier way to remember the formula and keep the relationships between the numbers correct.

We will apply this tool to the math as we work through various real estate math formulas in this course.



# The SUPERIOR WAY Real Estate Tax Formula

Assessed Value × Tax Rate = Annual Tax Bill
 Annual Tax Due ÷ Assessed Value = Tax Rate
 Annual Tax Bill ÷ Tax Rate = Assessed Value



#### Tax rates are expressed as

So much per \$100 dollars of value: \$1.80 per \$100 Move the decimal point 2 places Multiply by .018

So much per \$1,000 dollars of value \$18.00 per \$1,000 Move the decimal point 3 places Multiply by .018

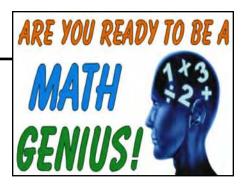
Mils are the same thing as \$1,000

#### **Example:** What is the annual tax bill for a property assessed at \$200,000 if the tax rate is \$1.50 per hundred dollars of value?

\$200,000 × 1.50 ÷ 100 = \$3,000 Annual Tax Bill (.015) Value × Rate = Tax Bill

# Real Property Tax Math PROBLEMS

1. What is the annual tax liability on a property that is assessed at \$120,000 if the tax rate is \$1.60 per \$100 of assessed value?



- 2. If the property has a rate of 8.25 mils with a tax bill of \$1,780, what is the assessed value of the property?
- 3. What is the approximate tax rate per \$100 of value on a property that is assessed at \$110,000 if the annual tax liability is \$2,090?
- 4. What is the approximate assessed value of a property located in the city limits if the city tax rate is 85 cents, the county tax rate is 60 cents and the property owner's monthly tax liability is \$130?
- 5. A residential lot is presently assessed by the county tax assessor's office at \$30,000, and the tax rate is \$1.20. If the property owner constructs a house on the lot that is assessed at \$85,000 upon completion, what will be the property owner's new monthly tax liability?



# Real Property Tax Math LEARNING TO GO AT HOME PROJECT

- 1. A house with a market value of \$50,000 is located in a city. The assessed value is 60% of its market value in order to calculate the city and county real property taxes. The county tax rate is \$1.45 per hundred of assessed value. The city tax rate is \$2.00 per hundred of assessed value. What is the annual real property tax bill for this property?
- 2. The county tax rate is \$1.45 per hundred, and the city tax rate is \$1.85. Smith owns property outside the city limits and recently paid annual taxes of \$1,500. What is the assessed value of Smith's property?
- 3. The market value of a home is \$100,000. The assessed value is \$90,000. If the tax rate is \$.80 per \$100 of assessed value, what is the annual tax bill?
- 4. What is the monthly tax liability on a property assessed at \$133,000 if the published tax rate is \$1.678 per \$100 of assessed value?
- 5. If you recently paid \$2,000 in annual property taxes, and the assessed value of your house is \$184,000, what is the tax rate?
- 6. A residential lot in Mecklenburg County is presently assessed by the county tax assessor's office at \$75,000, and the tax rate is \$1.68/\$100 of assessed value. If the property owner constructs a house on the same lot that is assessed at \$250,000 upon completion, what is the property owner's new monthly tax liability?

#### Real Property Tax Math SOLUTIONS

- 1. \$120,000 ÷ 100 × \$1.60 = \$1,920 (Annual) Assessed Value ÷ \$100 × Tax Rate = Annual Tax Liability
- \$1,780 Annual Tax Bill ÷ .00825 (8.25 mils)
  \$215,757.57 Assessed Value of the Property
- 3.  $$2,090 \div $110,000 \times 100 = $1.90$
- 4. \$.85 + \$.60 = \$1.45 (City Tax + County Tax = Total Tax Rate)
  \$130 × 12 = \$1,560 (Monthly Tax Liability × 12 = Annual Tax Liability)
  \$1,560 ÷ \$1.45 = 1,075.861069 (Annual Tax Liability ÷ Rate = # of 100s)
  1,075.861069 × 100 = \$107,586.21 (# of 100s × 100 = Assessed Value)
  Or
  \$1,560 ÷ 1.45 × 100 = \$107,586.21
- 5. \$30,000 + \$85,000 = \$115,000 \$115,000 ÷ 100 × 1.20 ÷ 12 = \$115 (Monthly)

## **Real Property Tax Math** LEARNING TO GO AT HOME PROJECT SOLUTIONS

- \$1.45 + \$2.00 = \$3.45 (County Tax + City Tax = Total Tax Rate)
   \$50,000 × 60% = \$30,000 ÷ 100 = 300 × \$3.45 = \$1,035 (Annual Tax)
- 2. \$1,500 × 100 ÷ \$1.45 = \$103,448.27 (Assessed Value)
- 3.  $\$90,000 \div 100 = \$900 \times \$.80 = \$720$
- 4. \$133,000 × \$1.678 ÷ 100 = \$2,231.74 ÷ 12 months = \$185.97833 = \$185.98 monthly (Assessed Value × Tax Rate to 100th = Annual Taxes ÷ 12 = Monthly Taxes)
- 5. \$2,000 ÷ \$184,000 = .0108695 × \$100 = \$1.08695 = \$1.09 (Annual Taxes ÷ Assessed Value = Tax Rate to 100th × \$100 = Tax Rate)
- 6.  $$75,000 + $250,000 = $325,000 \div 100 = $3,250 \times $1.68 = $5,460 \div 12 months = $455 monthly$





# The SUPERIOR WAY Real Estate Tax Proration

1. Draw a timeline

- 2. Always use a 360 year
- 3. Calculate the amount per day
- 4. Determine who is responsible for the day of closing
- 5. Calculate the amount owed by the seller
- 6. Credit the seller with any amounts paid

There are three ways to classify real property taxes:

1. Unpaid real property taxes (debit seller, credit buyer)

2. Real property taxes already paid (credit seller, debit buyer)

3. Real property taxes are to be "collected and paid" (double debit)

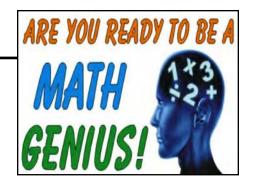
Remember: Use a 360-day calendar (USE ONLY 360 ON TEST)

1 year = 360 days 1 month = 30 days

The seller pays the day of settlement for real property taxes.

# **Proration of Real Estate Taxes Math PROBLEMS**

 The annual county real property taxes are \$1,080. Settlement date is March 18. These taxes have not been paid. What is the accounting debit/credit for this closing?



2. The annual county real property taxes are \$1,440. Settlement date is November 15. These taxes have already been paid by the seller. What is the accounting debit/credit for this closing?

3. The annual taxes are \$1,440. Settlement date is December 15. The taxes are to be paid directly to the tax collector from the closing. What is the accounting entry for these taxes?

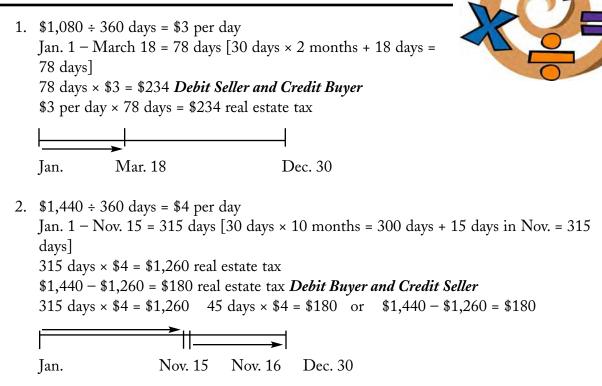
4. The settlement date is June 30. The delinquent real property taxes amount to \$350. What is the accounting entry for this item?



# Proration of Real Estate Taxes Math LEARNING TO GO AT HOME PROJECT

- The annual county real property taxes are \$1,800. Settlement date is June 29. These taxes have not been paid. What is the accounting debit/credit for this closing?
- 2. The annual county real property taxes are \$2,520. Settlement date is May 23. These taxes have not been paid. What is the accounting debit/credit for this closing?
- 3. The annual county real property taxes are \$2,880. Settlement date is October 21. These taxes have already been paid by the seller. What is the accounting debit/credit for this closing?
- 4. The annual county real property taxes are \$720. Settlement date is September 19. These taxes have already been paid by the seller. What is the accounting debit/credit for this closing?
- 5. The annual taxes are \$720. Settlement date is December 24. The taxes are to be paid directly to the tax collector from the closing. What is the accounting entry for these taxes?
- 6. The annual taxes are \$2,160. Settlement date is December 10. The taxes are to be paid directly to the tax collector from the closing. What is the accounting entry for these taxes?

#### **Proration of Real Estate Taxes Math SOLUTIONS**



\$1,440 ÷ 360 = \$4 per day
Seller owned home Jan. 1 – Dec. 15 = 345 days
Buyer owned home Dec. 16 – Dec. 30 = 15 days

Debit Seller: 345 days × \$4 = \$1,380 real estate tax Debit Buyer: 15 days × \$4 = \$60 real estate tax

Debit Seller: \$1,380 Debit Buyer: \$60

345 days × \$4 = \$1,380 15 days × \$4 = \$60 real estate tax

Jan. Dec. 15 Dec. 16 Dec. 30

4. The delinquent taxes are always the responsibility of the seller. If the taxes are delinquent, the entire \$350 would be debited to the seller. There would be no effect of this on the buyer.

- 1.  $$1,800 \div 360 \text{ days} = $5 \text{ per day}$ Jan. 1 – June 29 = 179 days [30 days × 5 months = 150 days + 29 days in June = 179 days] 179 days × \$5 = \$895 real estate tax *Debit Seller and Credit Buyer* \$5 per day × 179 days = \$895 real estate tax Jun. 29 Dec. 30 Jan. 2. \$2,520 ÷ 360 days = \$7 per day Jan. 1 – May 23 = 143 days [30 days × 4 months = 120 days + 23 days in May = 143 days] 143 days × \$7 = \$1,001 real estate tax *Debit Seller and Credit Buyer*  $7 \text{ per day} \times 143 \text{ days} = 1,001 \text{ real estate tax}$ Dec. 30 May 23 Jan. 3.  $$2,880 \div 360 \text{ days} = $8 \text{ per day}$ Jan. 1 – Oct. 21 = 270 days [30 days × 9 months = 270 days + 21 days in Oct. = 291 days] 291 days × \$8 = \$2,328 real estate tax \$2,880 - \$2,328 = \$552 *Debit Buyer and Credit Seller* 291 days × \$8 = \$2,328 69 days × \$8 = \$552 or \$2,880 - \$2,328 = \$552 real estate tax Oct. 21 Oct. 22 Dec. 30 Jan. 4.  $$720 \div 360 \text{ days} = $2 \text{ per day}$ Jan. 1 – Sept. 19 = 259 days [30 days × 8 months = 240 days + 19 days in Sept. = 259 days]
  - 259 days  $\times$  \$2 = \$518 real estate tax
  - \$720 \$518 = \$202 *Debit Buyer and Credit Seller*

259 days  $\times$  \$2 = \$518 101 days  $\times$  \$2 = \$202 or \$720 - \$518 = \$202 real estate tax

Jan. Sept. 19 Sept. 20 Dec. 30

#### Proration of Real Estate Taxes Math Learning To Go At Home Project Solutions (CONTINUED)

\$720 ÷ 360 days = \$2 per day
Seller owned the home Jan. 1 – Dec. 24 = 354 days
Buyer owned the home Dec. 25 – Dec. 30 = 6 days

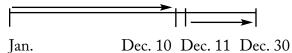
**Debit Seller:** 354 days × \$2 = \$708 **Debit Buyer:** 6 days × \$2 = \$12

6. \$2,160 ÷ 360 = \$6 per day Seller owned home Jan. 1 – Dec. 10 = 340 days Buyer owned home Dec. 11 – Dec. 30 = 20 days

Debit Seller: 340 days × \$6 = \$2,040 real estate tax Debit Buyer: 20 days × \$6 = \$120 real estate tax

**Debit Seller:** \$2,040 **Debit Buyer:** \$120

340 days  $\times$  \$6 = \$2,040 real estate tax 20 days  $\times$  \$6 = \$120 real estate tax





Ad Valorem:

Assessed Value:

Assessment:

Market Value:

Mill Rate:

Mills:

# Your Self-Assessment Survival Guide Checklist End of Chapter 3

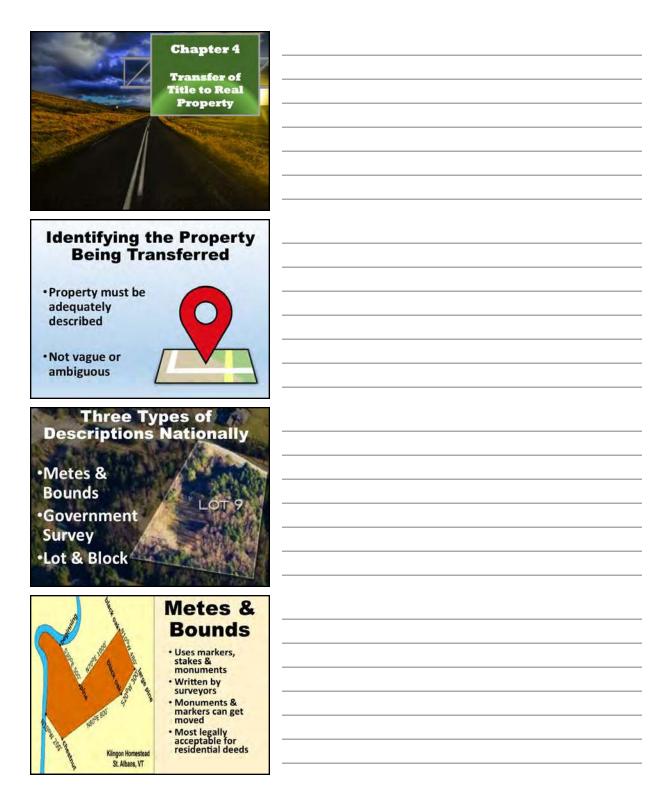
- Review Questions in *Principles & Practices,* Chapter 3
- Superior Online Quiz for Chapter 3
- Real Property Tax Math Problems
- Real Property Tax Math Learning To Go Project
- Proration of Real Estate Taxes Math Problems
- Proration of Real Estate Taxes Math Learning To Go Project
- ➡ Vocabulary Venture

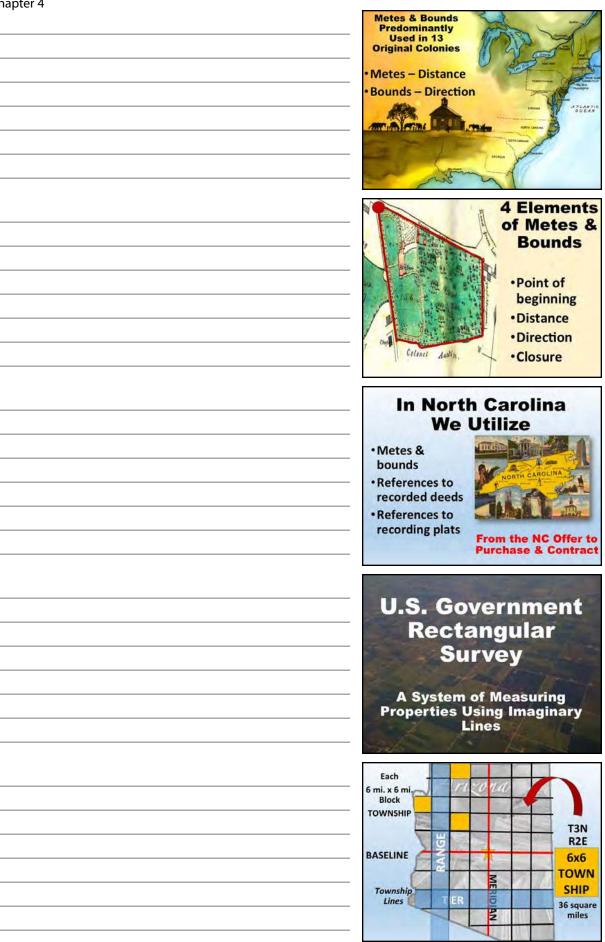
Percentage on Principles & Practices Chapter 3 Review \_\_\_\_\_

Percentage on Superior Online Chapter 3 Quiz \_\_\_\_\_

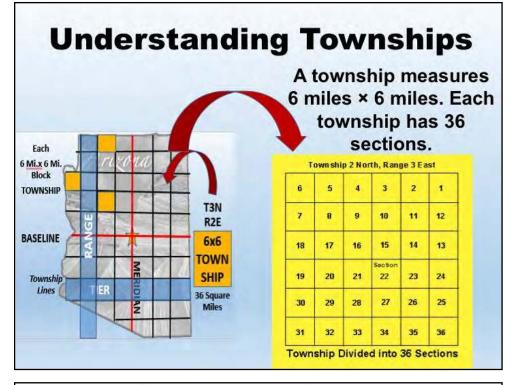
In the interests of my own success and survival, I certify that I have completed the above checklist.

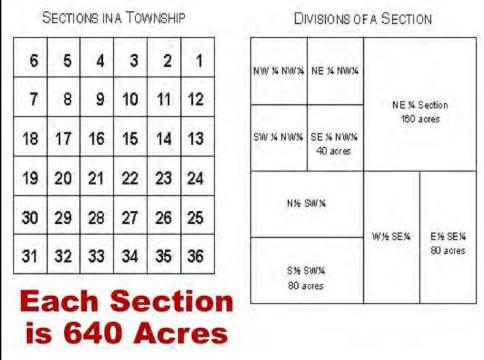
# Chapter 4: Transfer of Title to Real Property











# A Superior State

#### **Collaborative Drawing #2**

**Collaborative Drawing #1** 

3. Label the east/west lines
 4. Label the north/south lines
 5. Label the north/south strips
 6. Label the east/west strips

Label the baseline
 Label the meridian

1. Label the outside dimensions

2. Number the sections

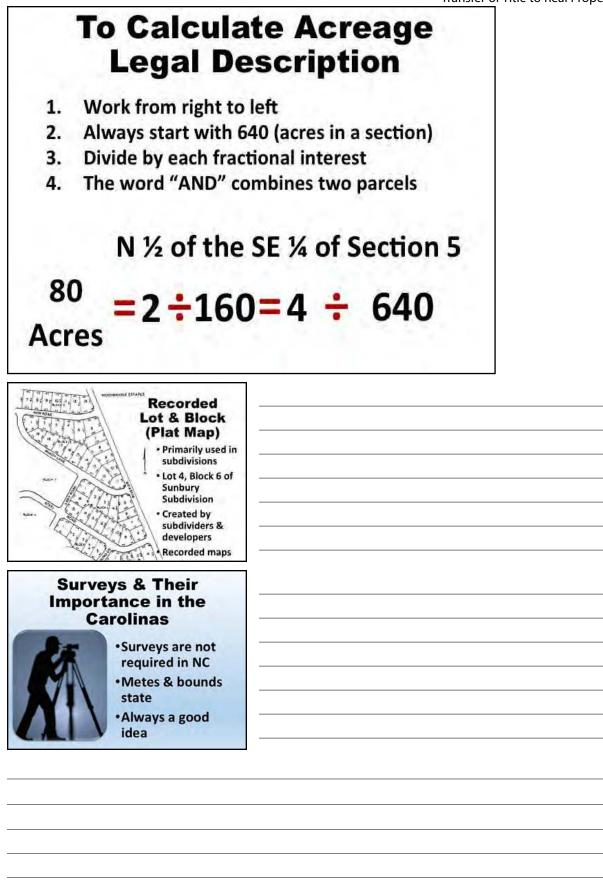
 Alemienp					

**A** Township

# A Section 640 Acres

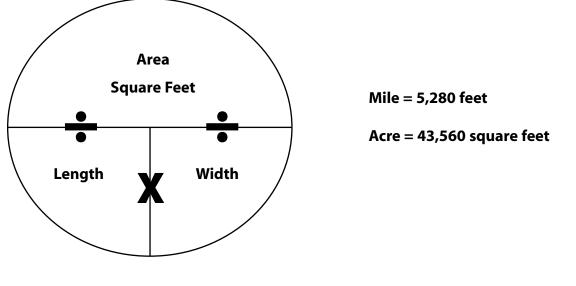
#### **Collaborative Drawing #3**

- 1. Label the outside dimensions
- 2. Write in the total acres in a section
- 3. Write in the number of acres in each piece

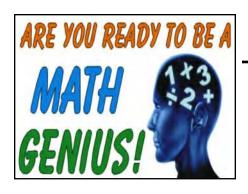








- In order for the calculations to work, the dimensions must be in similar measurements. Sometimes you have to convert feet to inches or feet to miles.
- The formula for a triangle is 1/2 x Base x Width = Area
- Length x Width x Height = Cubic Feet (Volume)
- To convert inches into a decimal, divide the number of inches by 12. For example:
  - 3" ÷ 12 = .25 feet
  - 6" ÷ 12 = .50 feet



 An investor is purchasing a lot that measures 44 feet by 120 feet. What is the total square footage of the lot?

2. A contractor is purchasing two lots. One of them measures 102.5 feet by 36 yards. The second one is a triangular-shaped parcel that has a base of 142 feet and a height of 93 feet. How many square feet is the contractor purchasing?

3. If a developer was purchasing a parcel of land at \$2 a square foot, and he was purchasing a total of 6 acres, how much would the land cost?

4. If a storage building is 28 feet high, 60 feet long and 22 feet wide, how many cubic feet of space does the building provide?

5. If a parcel of land measures 3,260 feet by 8,500 feet, how many acres are contained in the parcel?

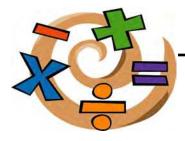
6. How many acres are contained in the following legal description? The N ½ of the NE ¼ and the S ¼ of the NE ¼ of the NE ¼

7. If one rectangular parcel containing one acre is divided into 4 lots and each lot has 75 feet of front footage, how deep are the lots?

8. If a commercial tenant is paying 50 cents per cubic foot in annual rent for a warehouse that measures 250 feet long, 175 feet wide and 50 feet high, what is the amount of monthly rent?

9. Bob owns a parcel with 1,200 feet of front footage and which contains 55 acres of land. He wants to purchase the property that is next door. The parcel he is purchasing has 4,000 feet of frontage and is the same depth as his current parcel. How many acres are contained in the parcel he is acquiring?

10. Betty owns a parcel that has 4,000 feet of front footage and contains 460 acres. She wants to divide it into lots that measure 150 × 150 feet. If she has to reserve 8% of the land for streets and sidewalks, how many lots can she create?



- 1.  $120 \text{ feet} \times 44 \text{ feet} = 5,280 \text{ square feet}$
- 2. Convert 36 yards into feet (36 × 3 = 108)
  102.5 feet × 108 feet = 11,070 square feet in the rectangular parcel

93 feet  $\times$  142 feet  $\times$  .5 = 6,603 feet in the triangular parcel

11,070 feet + 6,603 feet = 17,673 square feet

- 3. 6 acres × 43,560 square feet = 261,360 square feet 261,360 square feet × \$2 per square foot = \$522,720
- 4. 28 feet  $\times$  60 feet  $\times$  22 feet = 36,960 cubic feet
- 5. 3,260 feet × 8,500 feet = 27,710,000 square feet 27,710,000 square feet ÷ 43,560 square feet = 636.13 acres
- 6. Working from right to left (with the word "and" separating two descriptions)

N  $\frac{1}{2}$  of the NE  $\frac{1}{4}$ 

 $80 \text{ acres} = 2 \div 160 = 4 \div 640$ 

Remember to work right to left

S 1/4 of the NE 1/4 of the NE 1/4

10 acres =  $4 \div 40 = 4 \div 160 = 4 \div 640$ 

Remember to work right to left

```
80 + 10 = 90 acres
```

- 7.  $75 \times 4 = 300$  feet is the width of all of the lots  $43,560 \div 300 = 145.2$  is the depth of each lot
- 8. 250 × 175 × 50 = 2,187,500 total cubic feet 2,187,500 × .50 = \$1,093,750 annual rent \$1,093,750 ÷ 12 = \$91,145.83 monthly rent
- 9. 55 × 43,560 = 2,395,800 square feet in Bob's existing parcel
  2,395,800 ÷ 1,200 = 1,996.50 depth of Bob's existing parcel
  4,000 × 1,996.50 = 7,986,000 square feet in the parcel he is acquiring
  7,986,000 ÷ 43,560 = 183.33 acres in the parcel he is acquiring
- 10. 460 × 43,560 = 20,037,600 total square footage available
  She can only use 92% of that (100% 8%)
  20,037,600 × 92% = 18,434,592 left after the deduction for streets and sidewalks
  Each lot requires 22,500 square feet (150 × 150)
  18,434,592 ÷ 22,500 = 819.32 lots
  She can only get 819 lots, not 820 (lot splits have to be rounded down)

## Area & Volume Math Learning To Go At Home Project



Learning To Go

Answer questions 1–3 based on the following facts: Mr. Jones owns a tract of land that is 450 feet × 600 feet. He wants to develop the parcel into a residential subdivision. Each lot is to be 100 feet × 150 feet. He needs to dedicate areas for streets, which will amount to 10% of the land.

1. How many square feet are in the parcel?

А.	27,000	C.	170,000
B.	270,000	D.	300,000

- 2. If 10% of the land must be allocated for streets, how much is left for lots?
  - A. 27,000 sq. ft.C. 243,000 sq. ft.B. 270,000 sq. ft.D. 5.8 acres
- 3. How many lots can Mr. Jones develop on the remaining land?

A.	17	C. 21
B.	16	D. 18

- 4. How many acres are there in a rectangular lot that has 385 feet of frontage and is 297 feet deep?
  - A. 2.34C. 2.13B. 2.62D. 2.53
- 5. What is the cost of a 132 ft. × 330 ft. lot at \$800 per acre?

A.	\$34,560	C.	\$330
B.	\$800	D.	\$17,420

6. A rectangular tract of land with dimensions of 500 ft. × 1000 ft. was sold for \$25,380. What was the price per acre?

A.	\$1,042	C.	\$1,333
B.	\$2,211	D.	\$1,200

- 7. A rectangular acre of land has a depth of 165 feet. What is the road frontage of the property?
  - A. 165 feet C. 718 feet
  - B. 225 feet D. 264 feet

# Area & Volume Math LEARNING TO GO AT HOME PROJECT SOLUTIONS

1. Answer: B

450 feet × 600 feet = 270,000 sq. ft.

2. Answer: C

270,000 × 10% = 27,000 270,000 - 27,000 = 243,000 sq. ft. OR 100% - 10% = 90% x 270,000 = 243,000 sq. ft.

3. Answer: B

100 feet × 150 feet = 15,000 sq. ft. 243,000 ÷ 15,000 = 16 lots (remaining sq. ft. ÷ sq. ft. per lot)

4. Answer: B

 $385 \times 297 = 114,345$  total sq. ft. 114,345 ÷ 43,560 = 2.625 (total sq. ft. ÷ sq. ft. per acre) Round to 2.62

5. Answer: B

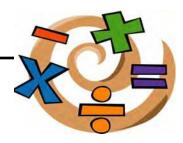
 $132 \times 330 = 43,560$  total sq. ft. = 1 acre = \$800.00

6. Answer: B

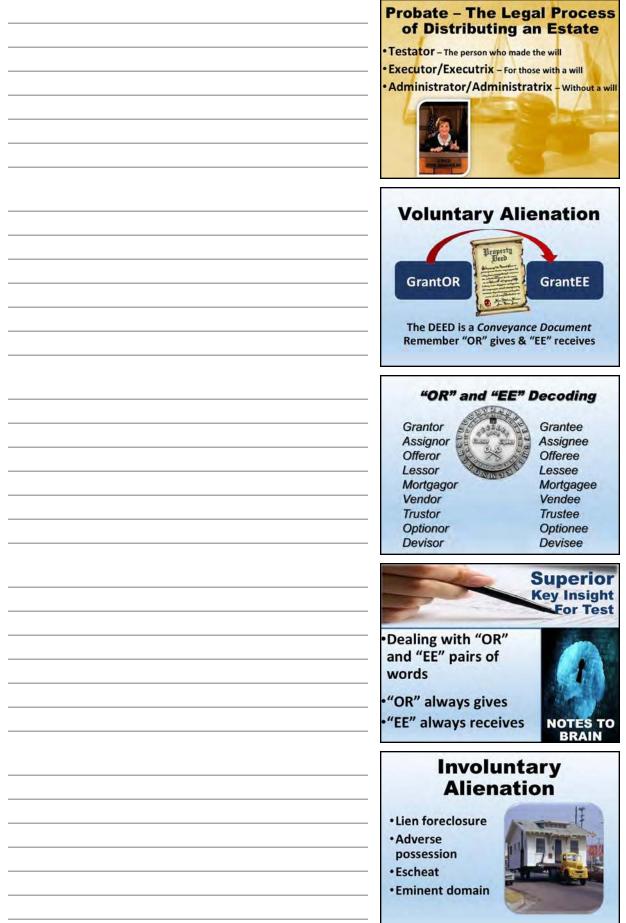
500 feet × 1,000 feet = 500,000 sq. ft. 500,000 ÷ 43,560 = 11.47842 total acres (total sq. ft. ÷ sq. ft. per acre) 25,380 ÷ 11.47842 = \$2,211.105 per acre (total price ÷ total acres)

7. Answer: D

43,560 ÷ 165 = 264 sq. ft. (sq. ft. per acre ÷ width of land)





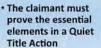






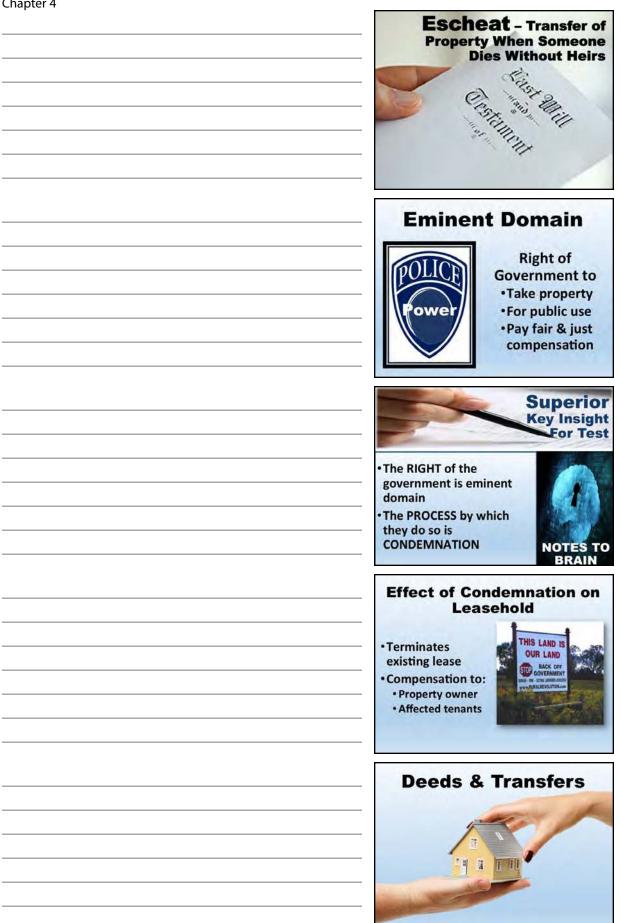
# **Adverse Possession**

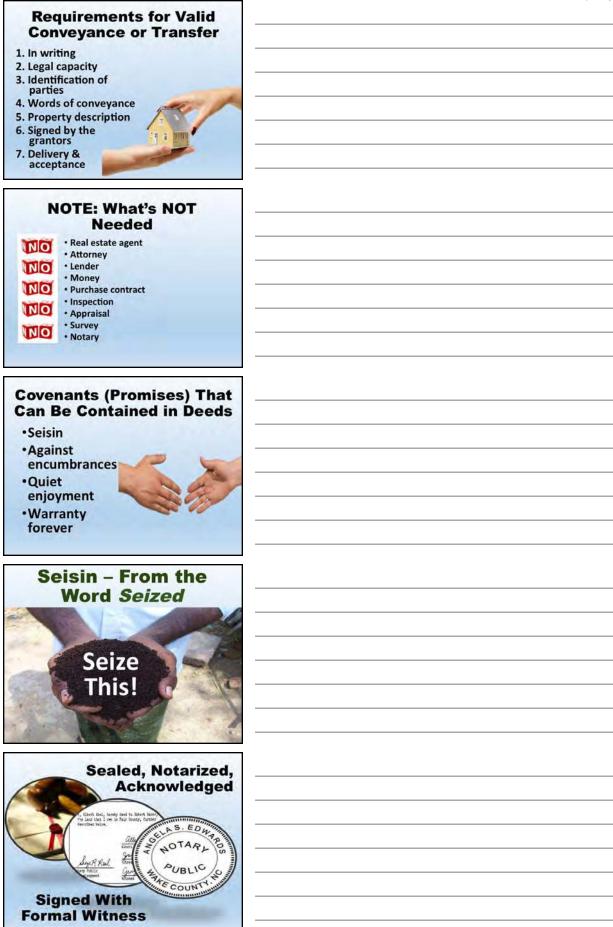
- A method for one private owner to take property from another private owner
- Evolved from "squatters rights"





Must meet all of the other essential elements

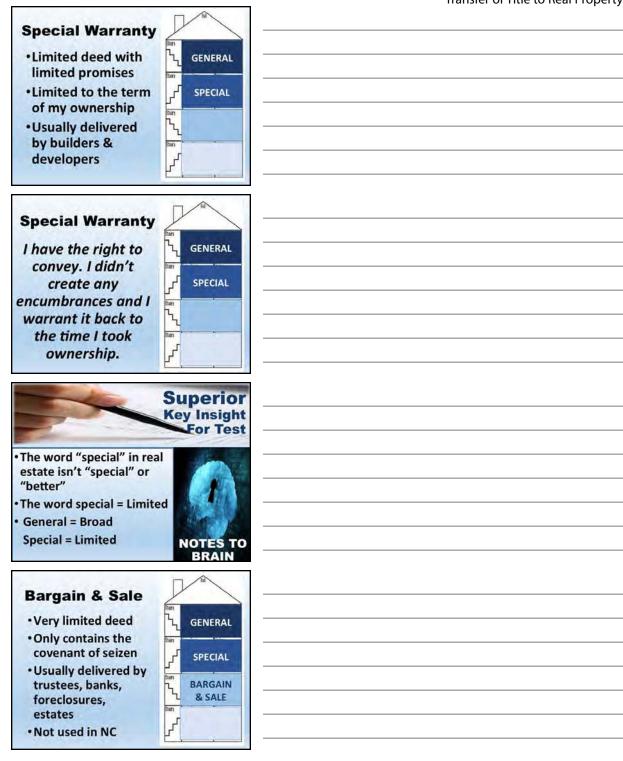




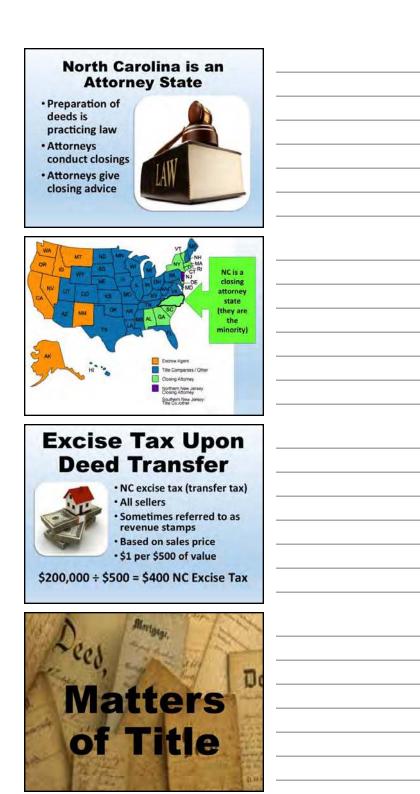
 Notarizing or Acknowledging a DEED	
<ul> <li>Deeds do not have to be notarized or acknowledged in order to be VALID</li> <li>They do have to be notarized or acknowledged to be RECORDED</li> </ul>	
Four Types of Deeds Organized in descending order from the nost promises to the one with the least • General Warranty Deed • Bargain & Sale Deed • Quit-Claim Deed	
General Warranty • Highest type of deed • Most common • GrantORs usually deliver general warranty deeds • Most promises	
General Warranty I have the right to convey. There are no encumbrances. You have the right to quiet enjoyment and I warrant it against all claims back to the beginning of time.	
The NC Offer to Purchase & Offer to Contract       Image: Contract         • Requires the seller to deliver to the buyer a general warranty deed       • Nc offer to the deed does not have to be notarized or recorded to make it valid         • Notarization and recordation are required to make the deed enforceable against third-party claims       • Notarization	

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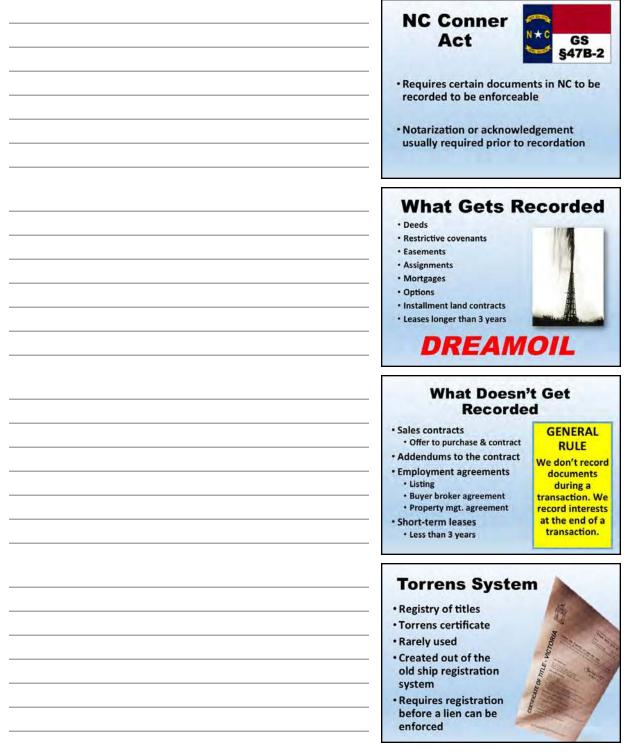






Title Search Search of public records Based on grantor / grantee index · Agents precluded from opinions Performed by attorney Evidenced by opinion letter **Preparation of** an Abstract • Chain of title – The stack of recorded documents Abstract – Summary of the documents NC attorneys prepare opinion of title **Title Assurance**  The seller delivers CERTIFICATE OF TITLE Marketable Title - Title that is reasonably free from unknown Documented by claims, liens and attorney opinion letter & title research defects **NC Marketable Title Act** GS §47B-2 · Creates marketable title when ownership has existed for a 30-year period of time Attorneys & title companies must prove a 30-year unbroken and defect-free chain of title. Title INSURANCE POLICY Insurance · Policy insuring for the buyer & lender that the title is free of defects: • Proper parties & owners Forgeries • Errors in documents Missing errors Unrecorded liens · Insures the promises in the grantor's deed · One-time premium paid at closing







Acknowledgement:

Adverse Possession:

Beneficiary:

**Bequest:** 

Bounds:

Chain of Title:

Cloud on Title:

Color of Title:

Condemnation:

Conner Act:

Constructive Notice:

Covenant Against Encumbrances:

Covenant of Quiet Enjoyment:

Covenant of Right to Convey:

Covenant of Seisin:

Covenant of Warranty:

Deed:

Descent:

Devise:

Devisee:

**Eminent Domain:** 

Excise Tax:

Executor:

Executrix:

Foreclosure:

Government Rectagular Survey System:

Grantee:

Grantor:

Intestate:

Judicial Deed:

Legal Description:

Lien Foreclosure Sale:

Marketable Title Act:

Meridian:

Section:

Special Warranty Deed:

Statute of Frauds:

Suit to Quiet Title:

Testate:

Testator:

Testatrix:

Title Examination:

Title Insurance:

Township:

Will:

Words of Conveyance:

	Your Self-Assessment Survival Guide Checklist End of Chapter 4
-= III-	Review Questions in Principles & Practices, Chapter 4
	<ul> <li>Chapter 4</li> <li>Superior Online Quiz for Chapter 4</li> <li>Area &amp; Volume Math Problems</li> <li>Area &amp; Volume Math Learning To Go Project</li> <li>Vocabulary Venture</li> </ul>

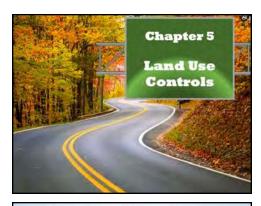
Percentage on Principles & Practices Chapter 4 Review \_\_\_\_\_

Percentage on Superior Online Chapter 4 Quiz \_\_\_\_\_

In the interests of my own success and survival, I certify that I have completed the above checklist.

Student Notes

# Chapter 5: Land Use Controls



#### **Municipality Master** Plan

- · Comprehensive longterm plan
- Usually 20 years or more
- Addresses items like
- Zoning
   Public facilities
- Transportation Conservation



# **Zoning & the Police** Power

 Government's right - To create zoning

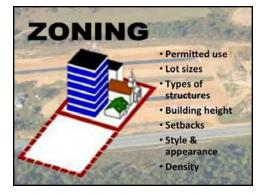
power

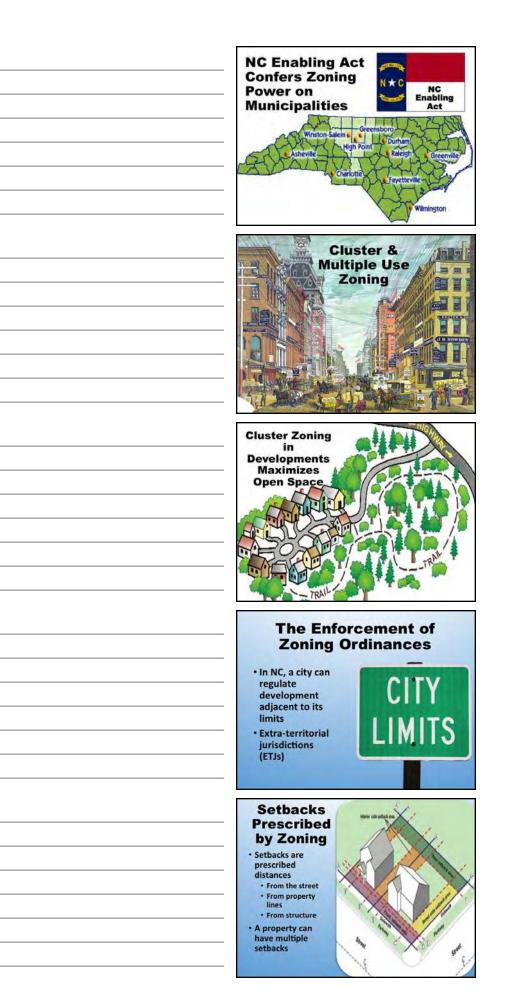
comes from the police Maps

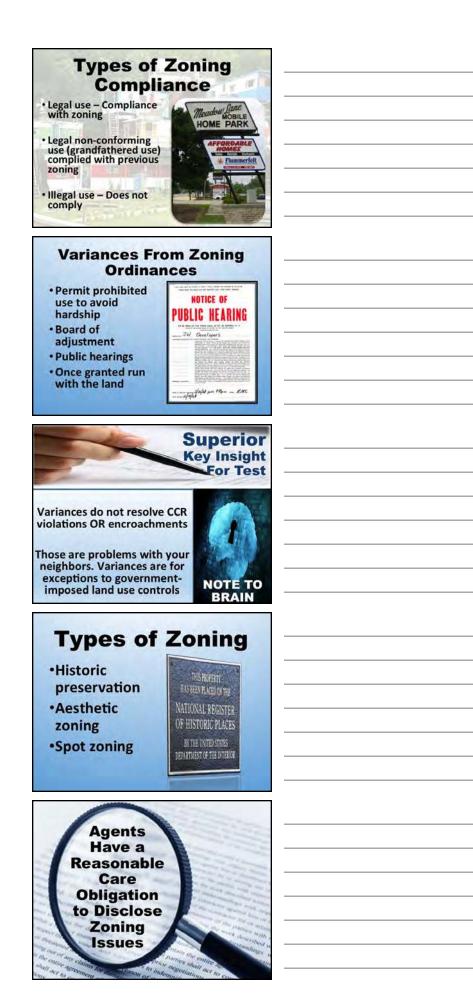


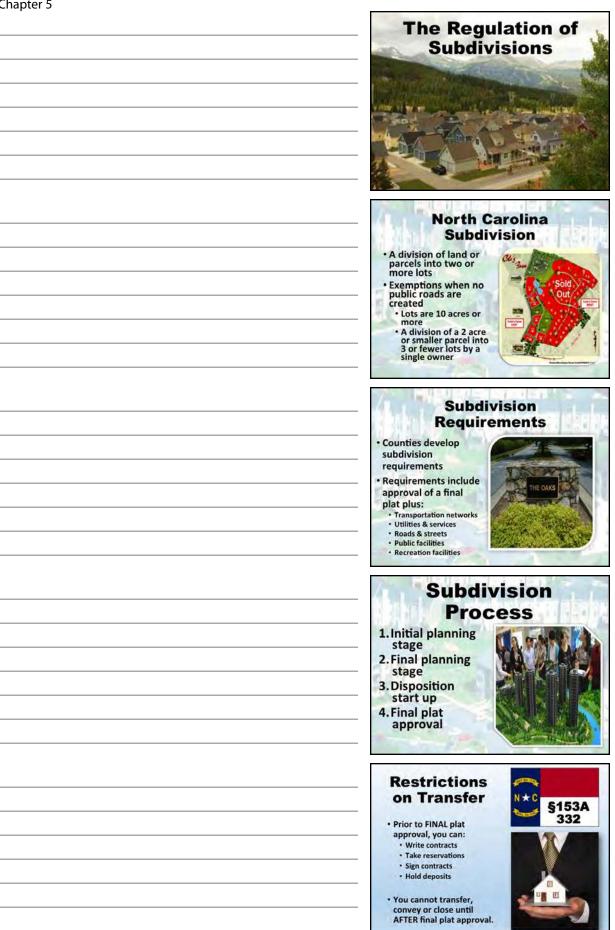
• Police power - Right to enact laws for the public's health, safety & welfare











#### **Penalties on** Unapproved Subdivisions

- Failure to obtain final plat approval prior to transfer: Misdemeanor offense
- County can get injunctive relief (order to cease
- activity) • Denial of building permits
- If final plat differs materially:
- Purchaser can rescind and get full refund



§153A 334

E



required to provide a disclosure

• Must disclose:

Public or private

Who maintains

· Just because it's public doesn't



# **Dedication &** Acceptance

· Dedication - An action by Dedicated a developer to have the state or municipality accept responsibility for the roads or streets

does not mean that a municipality, state or HOA

§136 102.6

- Acceptance Formal acknowledgement by the state or municipality of responsibility
  - accepted responsibility

#### **There Are No County Roads in NC**



are maintained by: • Dept. of Transportation (NCDOT) Municipalities

- HOAs & developers
- Private individual

homeowners

### **Private Roads**



 Lenders require road maintenance agreements on private streets and roads

- **Broker responsibilities** · Inquire about the
- agreement Advise buyer to obtain agreement and read it
- · Look for "red flags"
- regarding maintenance



Answers questions



 Common areas Developers

about:

- Subdivisions
- HOA
- · Public and private roads

#### **Interstate Land Sales Full Disclosure Act**



#### **Applies to Sale of LOTS Across State Lines**

Tennessee North Carolina State Line ELEVATION 5048 EAT SHOKY MOUNTAINS

Covers selling of lots across state lines

Applies to all of the following sale and leasing activities: .

 Out-of-state mailers Newspaper & TV ads directed out of state
 Out-of-state telephone solicitations

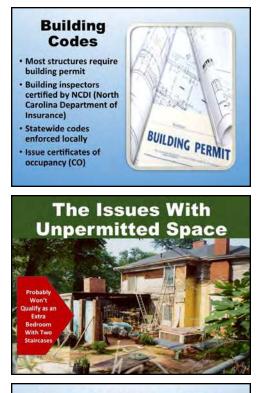




 Must provide buyers with property report filed with HUD: Distance to paved roads Number of homes occupied · Soil conditions and septic • Type of title

- Existence of liens Buyers gets prior to signing lease or purchase contract
- Creates a 7-day rescission period
- Failure to provide creates a 2-year revocation period for the buyer





# Licensee Obligation on Unpermitted Space



• A licensee has an obligation to watch for red flags of unpermitted space

- Proper measuring: Include the unpermitted space
  Indicate the space is unpermitted





#### Flood Zones & Insurability Issues



- Buyers obtaining federally related loans required to get a flood certification
- Ordered by lender from FEMA
- If cert shows flood zone, then flood insurance is mandatory

### **Onsite Septic Systems**



- Soil Suitability or PERC Tests Recommended
- Permits by NCDNR
- Valid for Specific Time
   Period
- Limit Location & Uses That Might Overload System
  - Dishwashers
  - Garbage Disposal, etc.

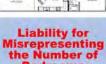
# **Broker Obligations**

- Verify the Type of System
- Check for Permits
- Capacity of System
   Dictates Number of
   Bedrooms
- · Licensees Have a Duty
- Licensees Have a Duty to Check

#### Privately Imposed Land Use Controls

- Restrictive covenants (CCRs)
   Enforceable private
- restrictions
- Usually created by a developer
- Enforced by private owners
- Must actively & equally enforce or lose the ability by the doctrine of laches





i Pi

the Number of Bedrooms



Amendment:

**Building Codes:** 

Certificate of Occupancy:

Conditions:

Covenant:

**Deed Restrictions:** 

**Enabling Acts:** 

Injunction:

Interstate Land Sales Full Disclosure Act:

Master Plan:

Negative Covenants or Easements:

Nonconforming Use:

**Overlay District:** 

Planned Unit Developments (PUDs):

Private Land Use Controls:

**Property Report:** 

Public Land Use Controls:

Restrictive/Protective Covenants:

Run with the Land:

Setback:

Special Use:

Spot Zoning:

Statement of Record:

Subdivision Regulations (Ordinances):

Variance:

Zoning Ordinance:

# Your Self-Assessment Survival Guide Checklist End of Chapter 5



Review Questions in *Principles & Practices,* Chapter 5
 Superior Online Quiz for Chapter 5

Uvocabulary Venture

Percentage on Principles & Practices Chapter 5 Review \_\_\_\_\_

Percentage on Superior Online Chapter 5 Quiz \_\_\_\_\_

In the interests of my own success and survival,

I certify that I have completed the above checklist.

# Chapter 6: Environmental Issues in Real Estate



ingestion Fatal to children even





Protect

Lead In

SEPA -

.

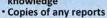
Your Home

Your Family From

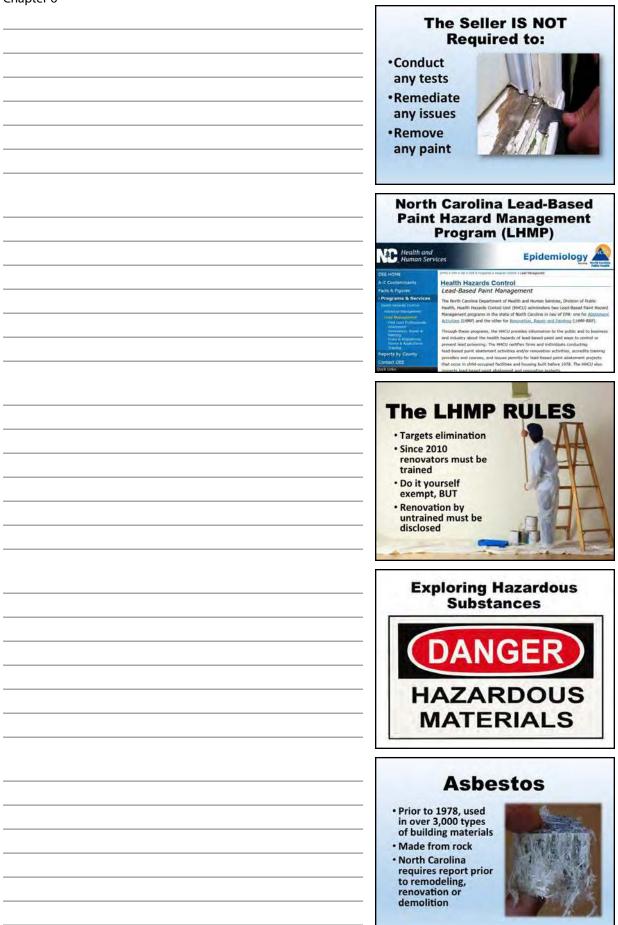
#### **Those MOST** at Risk

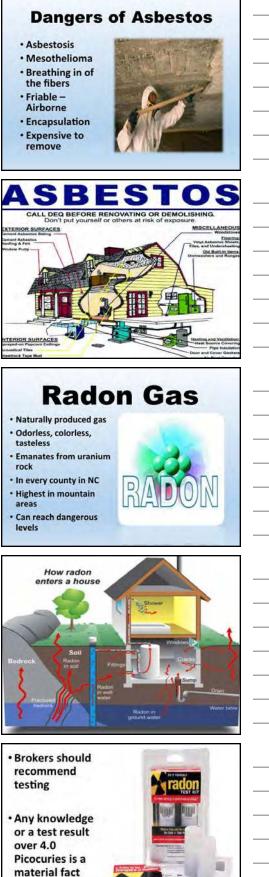
- Children under the age of 6
- Women who are pregnant
- •Women of child bearing age

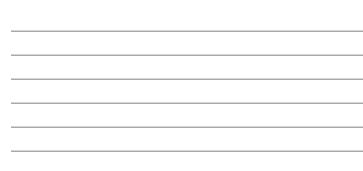








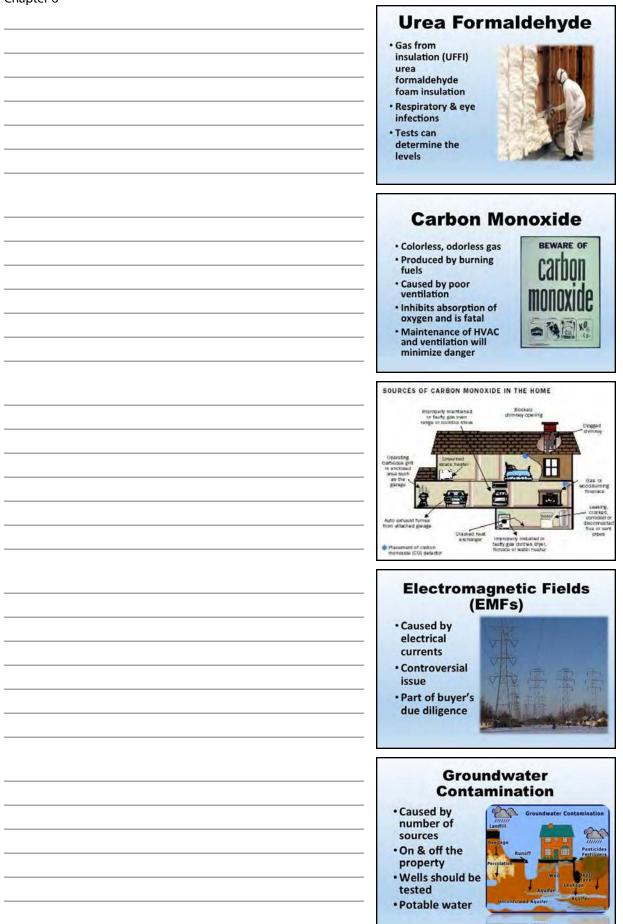




20

and must be

disclosed



## **Straight Piping Is Illegal**

Straight piping is a material fact that must be disclosed by the licensee



#### Leaky Underground Storage Tanks L.U.S.T.

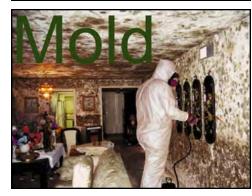
Soil contamination

- Old gas stations, farms
   Considerable expense for
   removal & clean up
- removal & clean up • Check chains of title to identify past owners who may have contaminated soil





Waste Disposal Sites & Landfills







## Mountain Ridge Protection Act

- •Limits mountain
- ridge
- development
- Protects views
   Municipalities
   enforce



## NC Dredge & Fill Act

- Permit for dredging
- Affecting wetlands &
- coast
- Part of federal clean water act



### NC Sediment Pollution Control Act

- Can't build, excavate or construct
- Affecting sediment
- · State water



State waters

## Liability of Real Estate Professionals

Real estate professionals are not required to be environmental expert, BUT

We do have duties of disclosure



## Chapter 6 Vocabulary Venture Get in Shape Review

Asbestos:



CAMA:

Carbon Monoxide:

CERCLA:

Encapsulation:

EPA:

Lead-Based Paint:

LUST:

NC Dredge & Fill Act:



NC Sediment Pollution Control Act:

Radon:

SuperFund:

Urea Formaldehyde:

Water Table:

## Your Self-Assessment Survival Guide Checklist End of Chapter 6



Review Questions in *Principles & Practices,* Chapter 6

Superior Online Quiz for Chapter 6

Uvocabulary Venture

Percentage on Principles & Practices Chapter 6 Review \_\_\_\_\_

Percentage on Superior Online Chapter 6 Quiz \_\_\_\_\_

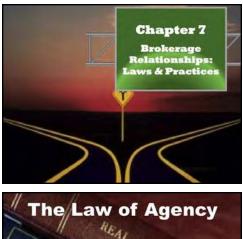
In the interests of my own success and survival,

I certify that I have completed the above checklist.

# AGENCY & CONTRACTS: Chapters 7–10 BLANK – FOR TAB PLACEMENT ONLY

# AGENCY & CONTRACTS: Chapters 7–10 BLANK – FOR TAB PLACEMENT ONLY

# Chapter 7: Brokerage Relationships: Laws & Practices





### Not All States Practice Agency

- Facilitator / Transaction brokerage states
- Non-agency relationships
- Assist without representation
   Treat parties as customers
- Still requires disclosure of
- material facts

  Transaction brokerage is
- NOT permitted in North Carolina
- transaction brokerage states

NO agency

relationships

or fiduciary

duties in







**OLDCAR** 

- •O bedience
- •L oyalty
- •D isclosure
- C onfidential
- A ccounting
- •R easonable Skill & Care

Your Clients Expect & the Law Demands You Protect & Promote Their Interests on Their Adventure





## **Obedience Examples**

- Follow client's instructions
- Unless they violate the law
- •Let the client make decisions
- They get to determine services
- Don't sign client's name
- Don't make offers or acceptance on behalf of the client

## Loyalty

Protect the Client's Interests Above All Others



# **Loyalty Examples**

- Client's interest goes FIRST
   Show all properties Not based on commission
- •Always disclose self-interests & personal relationships
- •Don't engage in self-dealing



## **Disclosure Examples**

- •All offers
- Identity of purchaser and relationship to licensee
- •Ability of either party to
- perform
- Conflicts of interest
- Material facts

Must Disclose Everything You Know and Everything You Should Have Known







## Confidentiality Examples

- Keep private information confidential
- Don't disclose client finances
- Don't disclose personal motivations
- •Don't disclose terms and conditions

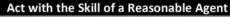
### Accounting Account for Money & Document Funds



## **Accounting Examples**

- Keep track of all money
- Document all money
- •Make deposits in a timely fashion
- •Safeguard all assets with which you are entrusted

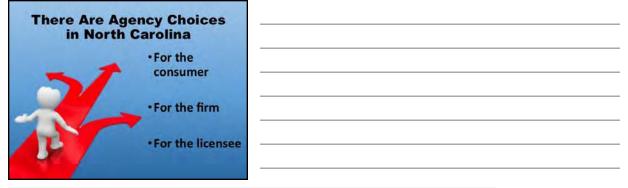
# **Reasonable Care**

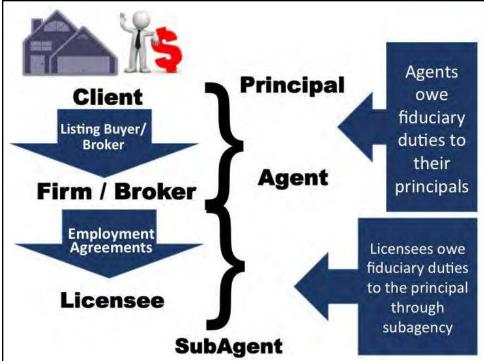


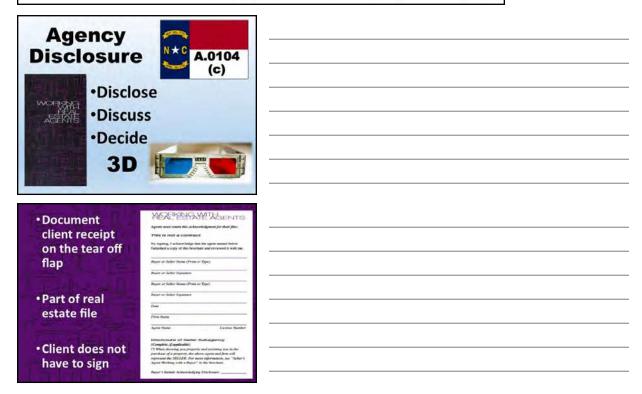


## **Skill & Care Examples**

- Don't be negligent
- Don't make statements without knowledge
- •Use experts, make referrals
- Don't give legal & tax advice
- Stay knowledgeable

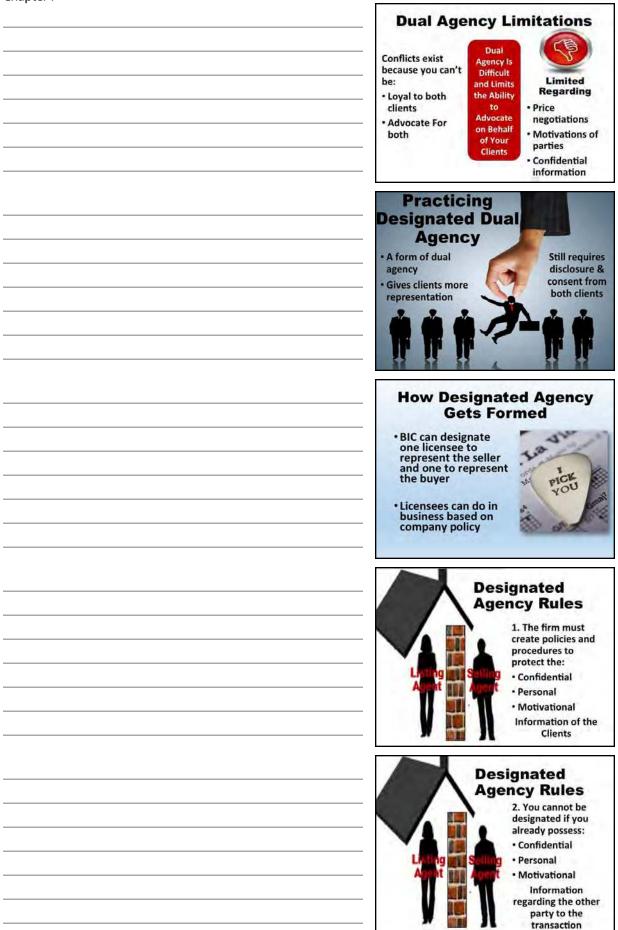
















#### Seller's Subagency **Working With** Customer

- · Buyer remains a customer
- · Must work for someone
- Need consent of both buyer and seller to act as seller's subagent

#### Principal / Client **Duties to the** Agent

To Act in

- **Good Faith**
- To Pay
- To Indemnify for Principal's Actions



NEED

WORK

## **Termination of Agency**

- Duties complete
- Expiration of term
- Mutual agreement
- •Breach
- Property destruction



- · Death of party
- **Death of Property** or People **Terminates Agency**



#### Superior Prelicensing Adventure Guide © April 2020 · superiorschoolnc.com





- Transfers by court order
- Estates, bankruptcy, eminent domain, foreclosure
- Deed of trust transfers
- Transfers between co-owners
- Transfers between spouses
- · First sale of a dwelling not inhabited (new
- construction)
- Both parties agree not to complete



- form
- May choose "No Representation"
- Only liable for misrepresentations made

## The Obligation of Disclosure



• Completion of the form does NOT relieve the agent of liability

- A licensee must always disclose:
- Everything they knew
  Everything they should have known

#### Failure to Provide RPOADS

- 3-day rescission (walk away) from
   Receipt of form
   Date of contract
- Whichever occurs first
- No right after occupancy or settlement



#### The Mineral Oil & Gas Disclosure MOG

- Separate disclosure statement
- All residential sellers (same exemptions as RPOADS)
- Except new home construction must
- complete MOG • Not vacant land

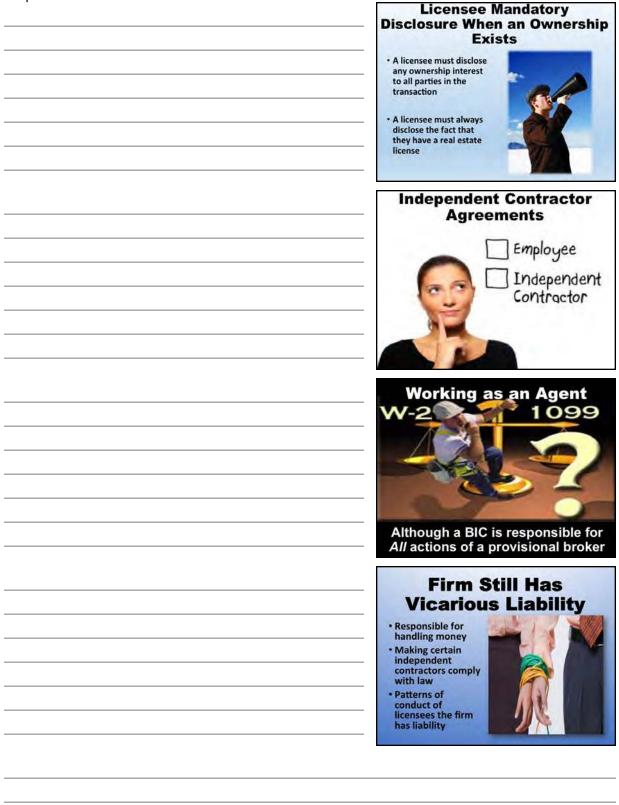


 Buyer gets prior to offer

Chapter 7	
	MINERAL AND OIL AND GAS RIGHTS DISCLOSURE Mineral rights and/or of and gas rights can be served from the citizet or approprise years required (dead) of the mineral rights and/or of and gas rights from the owner or by reservation of the mineral right and are of and gas rights by the owner. If mineral rights and/or of and gas rights are or will be screed from the property, the owner of those rights may have the proputal rights of R1, mineral regions, and more are say of the combustice mineral and or of or gas moresses on a from the property rights for of R1, mineral regions, and more are say of the combustice mineral and or of or gas moresses on a from the property right of recells.
	from the surface of the property or form a nearby location. With regard to the screase of miscal rights about or of and gas rights. Stile makes the following disclosure: Yes: No. No Representation
	Beyer laitida 1. Mineral rights were severed from the property by a previous owner.
	Boyer Initials 2. Seller has severed the mineral rights from the property.
	Bayer Initials 3. Seller intends to sever the mineral rights from the property prior to  transfer of title to the Bayes.
	Bryer laitials 4. Oil and gas rights were severed from the property by a previous owner.
	Buyer Initials 5. Seller has severed the oil and gas rights from the property.
	byw laitiah 6. Seller i ateads to sever the oil and gas rights from the property prior 🛛 🗖 to transfer of title to Bayer.
	Licensee Mandatory
	Disclosure When an Ownership Exists
	• A licensee must
	disclose any ownership interest
	to all parties in the
	transaction • A licensee must
	always disclose the
	fact that they have a real estate license
	Prohibited
	Conduct of N*C
	Licensees §93A-6
	• Willful misrepresentations • Willful =
	• Negligent • Villful =
	misrepresentations
	Willful omissions     •Negligent =
	Negligent Below the required omissions standard of care
	omissions standard of care
	"Duffine" le Allewed
	"Puffing" Is Allowed
	• Generalized Luxurious Living
	statements about the property
	Nice house     Great
	neighborhood • Wonderful
	opportunity
	Luxurious living
	Stigmatized Properties
	NC Licensees Are Not Liable for Failing to Disclose
	Death or illness
	of owner
	Proximity of sex offender
	• Haunted
	houses Can't Lie &
	If Property Was Damaged, Must Disclose







## Agency Road Map: Theory to Application Practical Scenarios in Agency



- 1. The buyer signed a buyer agency agreement with ABC Realty, Inc. The agent is Bobby Brown of ABC Realty, Inc. Bobby has the signed signature panel of the *Working With Real Estate Agents* brochure in his file and a signed buyer agency written agreement with the signed Dual Agency Addendum and Designated Agent Option initialed.
  - A. If the buyer wants to see a listing with the XYZ Company, what is Bobby's status?
  - B. If the buyer wants to see a listing listed by another broker with ABC Realty and the seller has authorized designated agency, which Bobby's firm practices, what is Bobby's status?
  - C. If the buyer wants to see Bobby's listing listed with ABC Realty, Inc., what is Bobby's status?
- 2. A buyer will not sign any paperwork with Sandy of TopGun Realty. Sandy checks the subagency block at the bottom of the panel.
  - A. Who will Sandy represent?
  - B. What is the buyer's relationship with Sandy?
  - C. If Sandy shows the buyer a listing with ABC Realty, who is Sandy representing?
  - D. If Sandy shows the buyer a property listed with TopGun Realty, who does Sandy represent?

- 3. Broker John has been designated as a buyer's representative by the broker in charge at his firm. He begins showing a buyer properties. After looking at the fifth property, the buyer decides to make an offer. What is the appropriate timing for the following items:
  - A. When must John have an agency discussion?
  - B. When must John provide the Working With Real Estate Agents brochure?
  - C. When must John have a written buyer representation agreement?
- 4. Listing agent Melinda has been told by her seller that the heat pump for the property does not function properly and has created some extremely high utility bills.
  - A. A buyer shows up at the open house for the property. At this time, what is the buyer's relationship to Melinda?
  - B. A prospective buyer tells Melinda that they are going to need to move quickly because of a job transfer and shares personal financial information with her. What must Melinda do at this point?
  - C. If the prospective buyer asks about the mechanical systems, and Melinda responds that they are working fine, what type of violation has she committed?
  - D. If the prospective buyer does not ask, is Melinda breaching the confidentiality with her seller if she tells the buyer about the heat pump?

- 1. A. Bobby is a buyer's representative when his client is involved with the properties of another brokerage.
  - B. Bobby is a dual agent when his client is involved with properties listed by other agents at Bobby's firm.
  - C. Bobby is a dual agent when his client is involved with properties listed by Bobby.
- 2. A. Sandy will be representing the seller.
  - B. Because the buyer chose to be unrepresented, the buyer is a customer.
  - C. Sandy will be representing the ABC seller. She will need to check with the BIC at ABC and obtain their authorization to do so.
  - D. Sandy will be representing the TopGun seller.
- 3. A. John must have an agency discussion at the first "first substantial contact."
  - B. John must provide the brochure at the time of "substantive contact."
  - C. John must have a written buyer representation agreement at the time an offer is presented.
- 4. A. Melinda represents the seller. The buyer is a customer.
  - B. Melinda must have an agency discussion with the buyer at first substantive contact.
  - C. Melinda will be committing a willful misrepresentation if she gave the buyer false information.
  - D. Melinda would not be breaching client confidentiality. The mechanical systems are a "material fact," and if Melinda does not disclose this fact to the buyer, she will be committing a willful omission.

## Chapter 7 Vocabulary Venture Get in Shape Review

Agent:



**Apparent Authority:** 

Breach of Duty:

Buyer Agency Agreement:

Caveat Emptor:

Client:

Customer:

Disclosure of Information:

**Designated Agency:** 

Dual Agency Agreement:

**Employment Authority:** 

**Express Agency:** 

Express Authority:

Fiduciary:

First Substantial Contact:

**General Agency:** 

Implied Agency:

Loyalty:

Misdemeanor:

Misrepresentation:

Negligent Misrepresentation:

Negligent Omission:

Principal:

Special Agency:

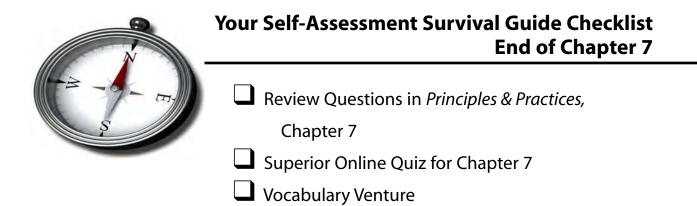
Subagent:

Third Party:

**Universal Agency:** 

Willful Misrepresentation:

Willful Omission:



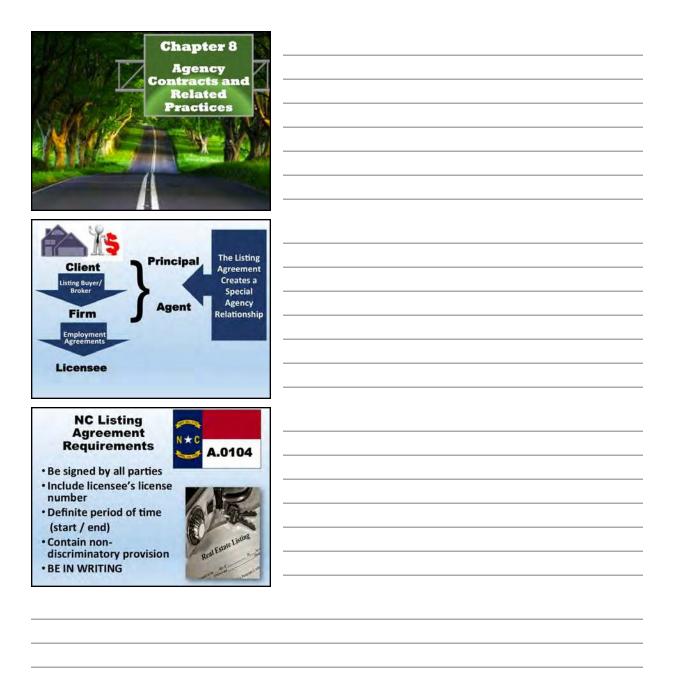
Percentage on Principles & Practices Chapter 7 Review \_\_\_\_\_

Percentage on Superior Online Chapter 7 Quiz \_\_\_\_\_

In the interests of my own success and survival, I certify that I have completed the above checklist.

Student Notes	

# Chapter 8: Agency Contracts & Related Practices



No Such Thing as an **Oral Listing Agreement** DEAL Agreements with property owners must be in writing at the time the agreement is initially made Types of Listing Agreements 1 xclusiv Open **Right to** Listing Sell Exclusive Listing Agency Listing • Pay ONLY the **OPEN** broker who brings LISTING the buyer Multiple brokers • No commission if: STA Another broker brings the buyer KELLER WI Seller sells FCKY CO themselves Rarely used **Exclusive** · Pay if any broker Agency finds the buyer Listing No commission if: Seller sells HOUSE themselves Used sometimes • For sale by owner



## **Exclusive Right to Sell Listing Agreement** NCAR Form 101 Survival Road Map

This form is the employment agreement for services between a firm and/or broker and the seller of a property. The actual form is located in *Modern Real Estate Practices in North Carolina*. See Appendix D.



## Agency Disclosure

- Agency requires disclosure
- Confirmed in the listing agreement

### Parties to the Agreement

- All owners of the property need to be included (both spouses)
- If the property has tenants, it should be noted
- The agreement is with the firm, not the licensee

### Terms of the Listing

- Must have a beginning and ending date (varies)
- No automatic extensions (must be in writing)

## **Property Description**

- Clear and precise, use one of the three legal descriptions in NC
- Personal property, fixtures and leased property clearly identified

### Price & Terms

- Agreement contains the listing price (but not required)
- Other key terms of sale should be included
- Seller should understand gross and net amounts

### Brokerage Fee/Firm's Compensation

- Usually a percentage of the gross sales price, but can be otherwise
- Fee is earned when a ready, willing and able buyer is produced
- Additional compensation must be disclosed
- Net listings are legal, but not recommended

### Protection Period (Extender Clause)

- Entitles firm to commission outside of listing period
- Happens when broker is the procuring cause
- Must provide seller with a list of potential buyers' names within 15 days





### Authority to Cooperate

- Specifies cooperation with other firms
- Seller must grant permission

#### Firm's Duties

- Advertise & market the property
- No discriminatory activities; comply with fair housing
- Engage in Internet marketing
- Seller must grant permission

#### Seller's Representations & Duties

- Complete the Residential Property Disclosure Statement (RPDS)
- Make lead-based paint disclosures (pre-1978)
- Cooperate with firm
- Convey marketable title

#### Handling Earnest Money

- Earnest money from buyer to be deposited into escrow
- Provides for proper parties to receive earnest money
- Earnest money shall be seller's sole remedy in the event of buyer's breach
- Disputed earnest money requires consent of both parties for release
- Seller agrees to allow escrow agent to retain the interest

#### Due Diligence by Agent

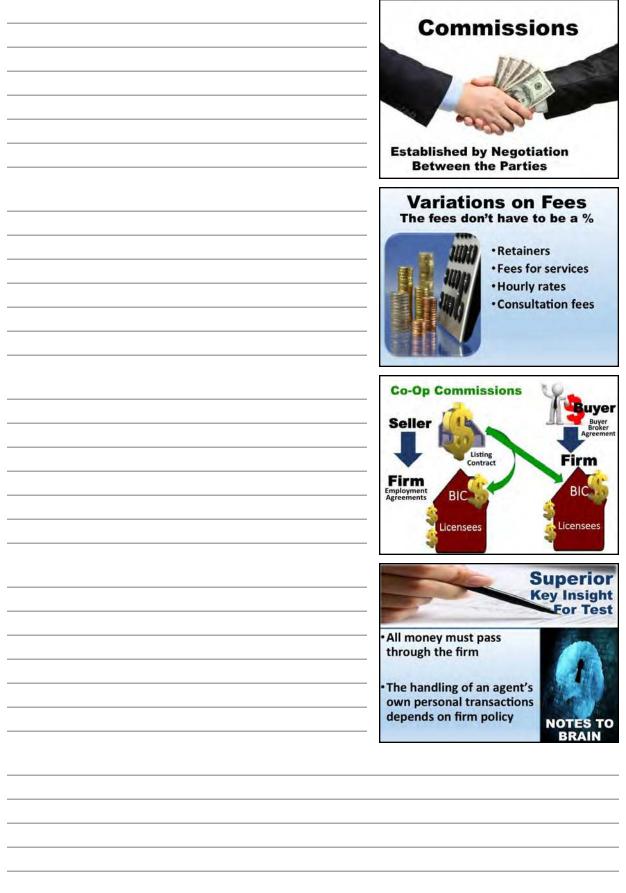
- Verify property information and condition
- Make truthful and accurate statements

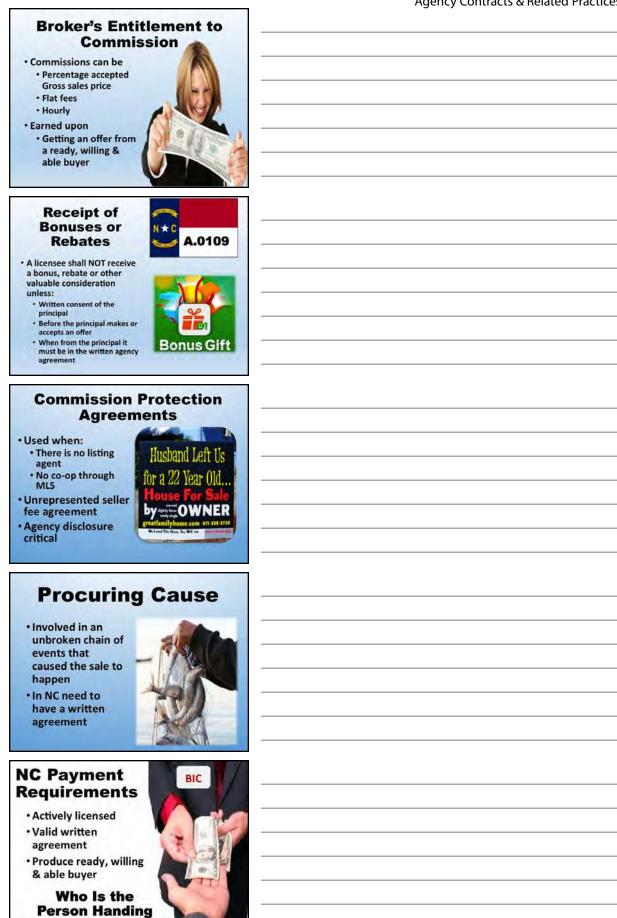
#### **Determining Square Footage**

- Agent to determine finished heated living area
- Follow NCREC Residential Square Footage Guidelines or URAR Guidelines

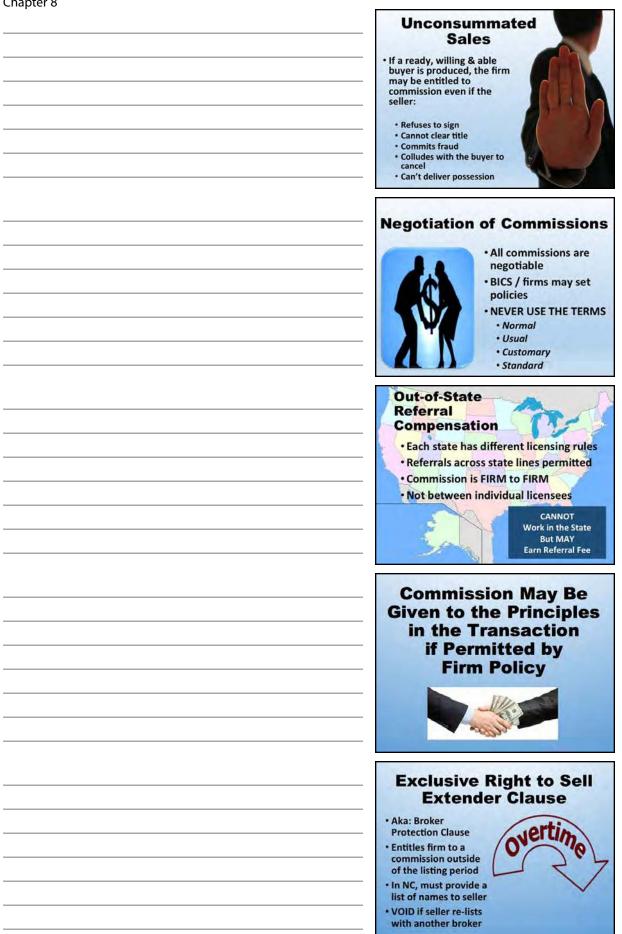
#### Execution

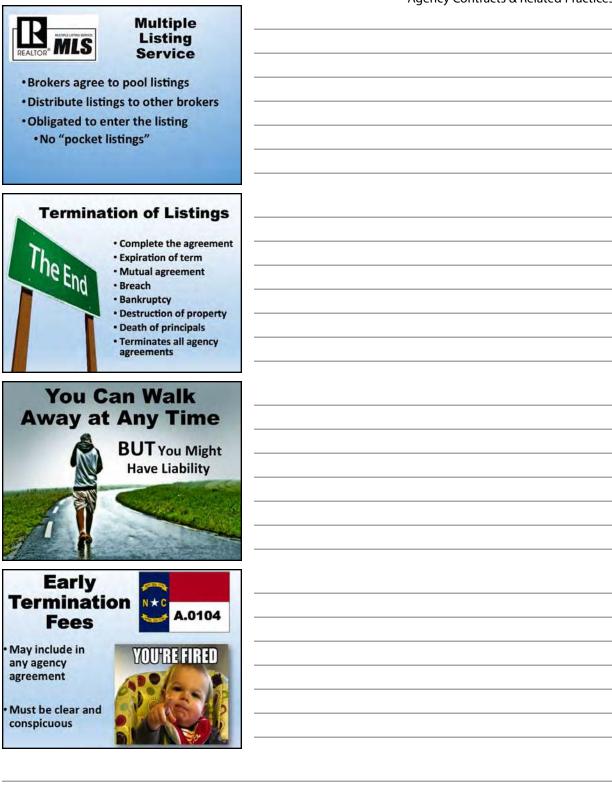
• All parties must sign and initial

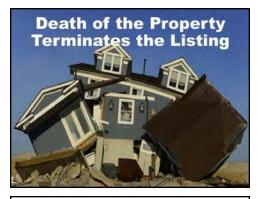




**You This Money?** 







#### **Death of the Seller Terminates the Listing**





### **Death of the Licensee**

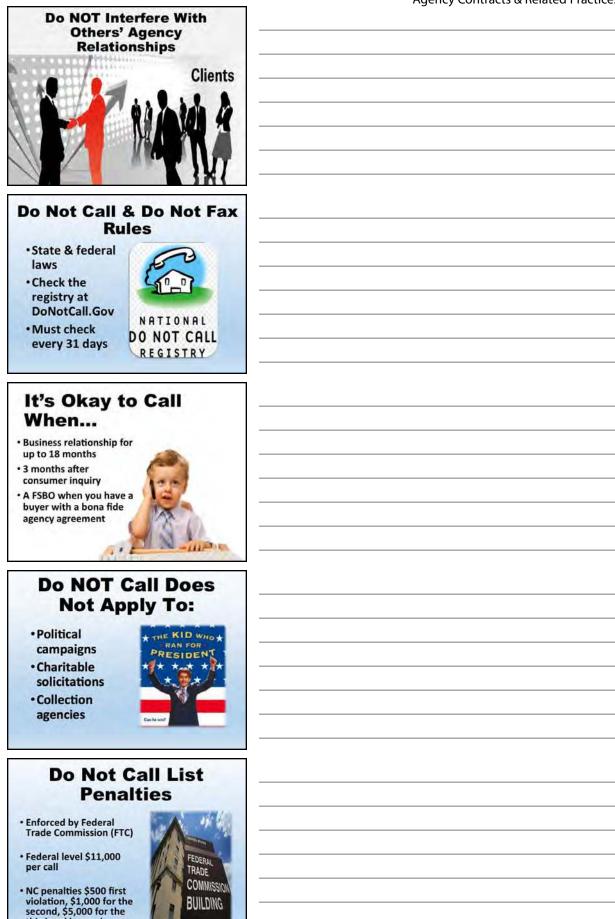


Now What?

- Listing agreement DOES NOT END
- The listing agreement is between the client and the firm

#### **Limitations on** Solicitation

- Clients of another
- Do not call rules
- Junk fax laws & rules
- Can Spam Act



third and beyond





A.0105 (c) Limited commercial brokers must disclose "Limited Commercial CIAL Broker" in the ad RFAI Listing Procedures A Step-by-Step Guide See Pages 162-163 Purchasing Your Own Listing Listing licensee must first withdraw as listing representative Seller may terminate listing with firm If seller agrees, the firm may appoint a different licensee to represent seller





#### Working With Buyers Brochure • At "first substantial contact" • Open house is not "substantial contact"

- Substantial contact comes with discussions of motivation, prices, terms and personal information
- Explain the agency choices
   Explain the content of the brochure



#### Non-Exclusive Buyers' Agent

AGENTS

• You can work for the buyer under an oral agreement until the time of offer, BUT:



- It can't be exclusive
- Can't impose a time period for the agreement







This form is the employment agreement for services between a firm and/or broker and the buyer of a property. The actual form is located in *Modern Real Estate Practices in North Carolina*. See Appendix D.

### Parties to the Agreement

- All buyers need to be included (both spouses)
- The agreement is with the firm, not the agent

#### Types of Property & Duration

- Buyer indicates type of property sought
- Must have a beginning and ending date

#### **Compensation of Firm**

- Can be percentage or price
- May come from cooperating listing firm
- Buyer agrees to pay fee if the amount from co-op is less than agreement
- Buyer authorizes additional compensation

### **Brokerage Firm Duties**

- Seek properties
- Present all offers and counteroffers
- Disclose material facts
- Account for all funds

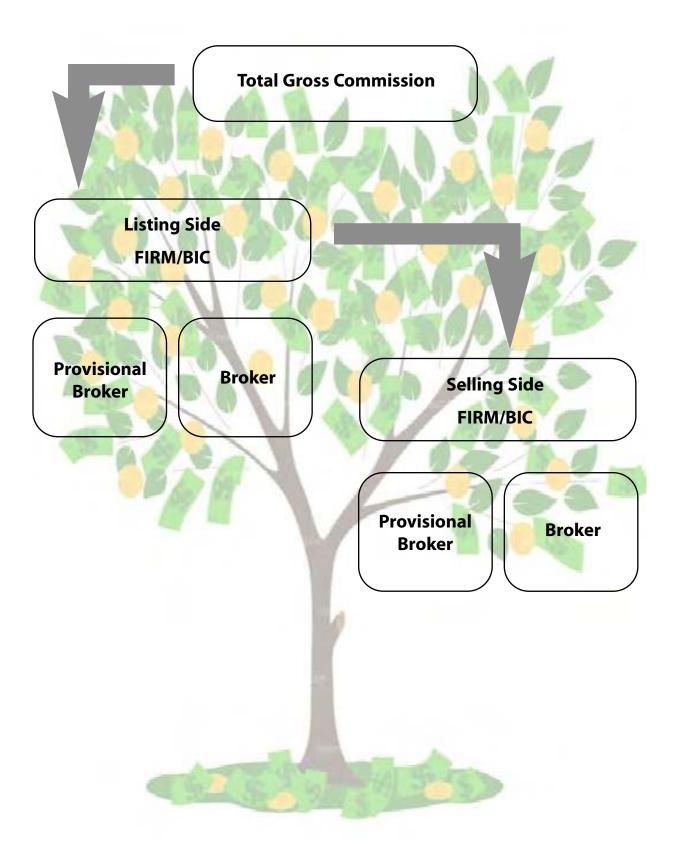
#### **Buyer Obligations**

- To work exclusively with the firm
- Cooperate and pay commission

### **Reconfirmation of Agency**

- Buyer acknowledges and authorizes dual agency
- Buyer acknowledges and authorizes designated agency

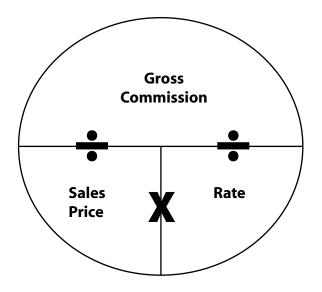
# Must Be in Writing Prior to the Presentation of the First Offer





# The SUPERIOR WAY Commission Math Formula

- **1. Sales Price × Rate = Gross Commission**
- 2. Gross Commission ÷ Rate = Sales Price
- 3. Gross Commission ÷ Sales Price = Rate

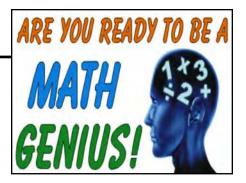


Example: If a property sold for \$220,000 and the commission rate was 5.5%, what is the total gross commission earned?

#### \$220,000 × 5.5% = \$12,100 gross commission

## Real Estate Commission Math PROBLEMS

1. The sales price of a property is \$200,000. The commission rate is 7%. The listing firm and selling firm split is 50/50. The selling firm splits 60% to the provisional broker and 40% to the firm.

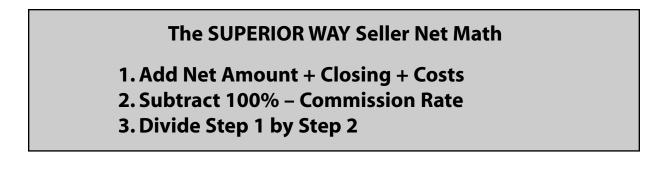


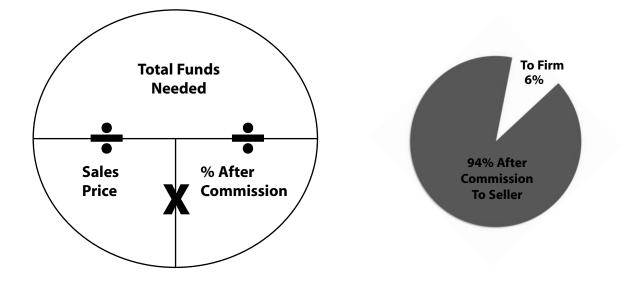
- A. What is the gross commission amount?
- B. What is the provisional broker's commission amount?
- C. What is the selling company's commission amount after the agent is paid?
- 2. The selling sales associate received \$3,900. The selling sales associate's commission split with their company was 95% to the agent and 5% to the company. The listing firm and selling firm split the gross commission 50/50. The commission rate is 7%. What is the sales price of the property?
- 3. If the seller received 10% less than the list price of \$100,000, what was the gross commission if the commission rate was 6%?
- 4. Two brokers split a 6% commission equally on a \$73,000 home. The selling provisional broker was paid 70% of his broker's share. The listing provisional broker was paid 30% of his broker's share. How much did the listing provisional broker receive?
- 5. The list price for a house was \$150,000. It sold for 5% less than the list price. The listing firm and selling firm split the commission 50/50. The selling provisional broker received 60% of the selling firm's split. The listing agent received 70% of the listing firm's split. What was the amount of commission received by the selling and listing firm and the selling and listing associates? Commission rate is 6%.

### Real Estate Commission Math SOLUTIONS

1. Gross Commission Gross Commission \$14,000  $200,000 \times 7\% = 14,000$  $14,000 \div 2 = 7,000$ Listing Firm \$7,000 \$7,000 × 60% = \$4,200 - Provisional broker \$7,000 × 40% = \$2,800 - Firm Selling Firm \$7,000 Broker \$4,200 Firm took in \$7,000 and paid \$4,200 Firm net was \$2,800 Gross Commission 2.  $$3,900 \div 95\% = $4,105.26$ Based on sales price \$8,210.56 \$17,293.23 \$4,105.26 × 2 = \$8,210.526  $8,210.526 \div 7\% = 117,293.23$ Listing Firm \$4,105.26 Selling price = \$117,293.23 Selling Firm \$4,105.26 \$3,900 3.  $$100,000 \times 90\% = $90,000$ Associate  $90,000 \times 6\% = 5,400$ 4.  $$73,000 \times 6\% = $4,380$ Gross Commission \$4,380 Based on sales price \$4,380 ÷ 2 = \$2,190 - Firm \$73,000 \$2,190 × 30% = \$657 – Provisional broker Listing Firm \$2,190 Selling Firm \$2,190 Broker \$657 Gross Commission Based on sales price 5. \$150,000 - \$7,500 = \$142,500\$8,550 \$142,500  $142,500 \times 6\% = 88,550$ Listing Firm \$4,275  $8,550 \div 2 = 4,275$ \$4,275 × 60% = \$2,565 - Selling agent Selling Firm \$4,275 \$4,275 - \$2,565 = \$1,710 - Firm Broker \$2,992.50 \$4,275 × 70% = \$2,992.50 - Listing agent Broker Of the \$4,275, the firm \$4,275 - \$2,992.50 = \$1,282.50 - Firm \$2,565 would keep \$1,282.50 Of the \$4,275, the firm would keep \$1,710

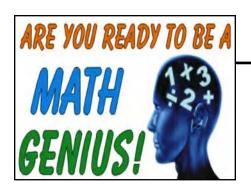






Example: A seller wants to net \$100,000. The seller is paying \$1,000 in closing costs. The commission rate is 6%. What sales price is required to net the seller \$100,000?

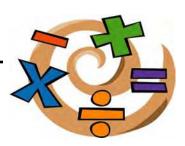
### $101,000 \div 94\% = 107,446.80$



- A seller wants to net \$65,000. The seller is paying \$2,000 in closing costs. The commission rate is 7%. What sales price is required to net the seller \$65,000?
- 2. Sam Seller wants to net \$85,000, pay \$500 in closing costs and pay a commission rate of 6.5%. What sales price is required to net Sam \$85,000?
- 3. Susie Sellers wants to net \$206,000, pay \$5,000 in closing costs and pay a commission rate of 8%. What sales price is required to net Susie \$206,000?
- 4. Sallie wants to net \$150,000 on the sale of her property. She will pay \$3,000 in closing costs. She will pay a commission rate of 6.5%. What is the minimum sales price required for Sallie to receive her net amount?
- 5. You are listing a house and the seller wants to net \$200,000 after paying a 6% commission and \$3,000 in closing costs. What will the house have to sell for in order for the seller to net \$200,000?
- 6. You are on a listing appointment and the sellers tell you they would like to net \$135,000 from the sale of their home. You estimate they will have to pay \$950 in miscellaneous closing costs. You will charge them a 6.5% commission to sell the property. They also have a loan payoff of \$53,500. What must the property sell for to ensure they receive their desired net?

### Seller Net Math SOLUTIONS

- 1. 1 → \$65,000 + 2,000 = \$67,000 2 → 100% - 7% = 93% 3 → \$67,000 ÷ 93% = \$72,043.01
- 2. 1 → \$85,000 + \$500 = \$85,500
  2 → 100% 6.5% = 93.5%
  - 3 → \$85,500 ÷ 93.5% = \$91.443.85
- 3. 1 → \$206,000 + \$5,000 = \$211,0002 → 100% - 8% = 92% 3 → \$211,000 ÷ 92% = \$229,347.82
- 4.  $1 \rightarrow \$150,000 + \$3,000 = \$153,000$   $2 \rightarrow 100\% - 6.5\% = 93.5\%$  $3 \rightarrow \$153,000 \div 93.5\% = \$163,636.36$
- 5.  $1 \rightarrow $200,000 + $3,000 = $203,000$   $2 \rightarrow 100\% - 6\% = 94\%$  $3 \rightarrow $203,000 \div 94\% = $215,957.44$
- 6.  $1 \rightarrow \$135,000 + \$950 + \$53,500 = \$189,450$  $2 \rightarrow 100\% - 6.5\% = 93.5\%$ 
  - $3 \rightarrow \$189,450 \div 93.5\% = \$202,620.32$





# The SUPERIOR WAY Profit & Loss Math

- 1. Treat the number in the problem as 100%
- 2. If Profit occurs, ADD to 100%
- 3. If Loss occurs, SUBTRACT from 100%
- 4. Calculations from Original to Present Multiply
- 5. Calculations from Present to Original Divide

The Multiplier You Use Is Always + or - from 100%

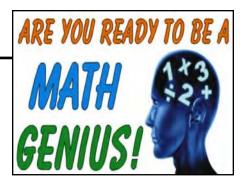
Example: A house cost \$150,000 and was sold for a 20% profit. What was the amount of the sales price?

> 100% + 20% = 120% \$150,000 × 1.20 (120%) = \$180,000

Example: A house sold for \$48,000 at a 15% loss. What was the original cost?

> 100% – 15% = 85% \$48,000 ÷ .85 (85%) = \$56,470

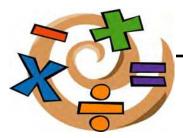
1. A house cost \$70,000 and sold for a 10% profit. What was the sales price?



2. A house cost \$80,000 and sold for a 9% loss. What was the sales price?

3. A house sold for \$90,000 at a 12% profit. What was the original cost?

4. A house sold for \$100,000 at a 9% loss. What was the original cost?



- 1.  $$70,000 \times 1.10 (110\%) = $77,000$
- 2.  $\$80,000 \times .91 (91\%) = \$72,800$
- 3.  $90,000 \div 1.12 (112\%) = 80,357$
- 4. \$100,000 ÷ .91 (91%) = \$109,890

## Chapter 8 Vocabulary Venture Get in Shape Review

Do Not Call Registry:

**Exclusive Agency:** 

Exclusive Buyer Agency:

Exclusive Right to Sell:

Extender Clause:

Flat Fee Listing:

Multiple Listing Service (MLS):

Net Listing:

Non-exclusive Buyer Agency Agreement:

**Open Listing:** 

**Override Clause:** 



Procuring Cause of Sale:

Protection Agreement:

Reading, Willing and Able Buyer:

**Retainer Fee:** 

### Your Self-Assessment Survival Guide Checklist End of Chapter 8

- Review Questions in Principles & Practices, Chapter 8
   Superior Online Quiz for Chapter 8
   Real Estate Commission Math
   Seller Net Math
   Profit & Loss Math
   Vocabulary Venture
- Review Form 101: Exclusive Right to Sell Listing Agreement
- Review Form 201: Exclusive Buyer Agency Agreement

Percentage on *Principles & Practices* Chapter 8 Review \_\_\_\_\_

Percentage on Superior Online Chapter 8 Quiz

In the interests of my own success and survival,

I certify that I have completed the above checklist.



# Chapter 9: Basic Contract Law







#### Essential Elements of a Contract

- 1. Mutual Meeting of the agreement Minds
- 2. Competent parties
- 3. Consideration
- 4. Legal purpose

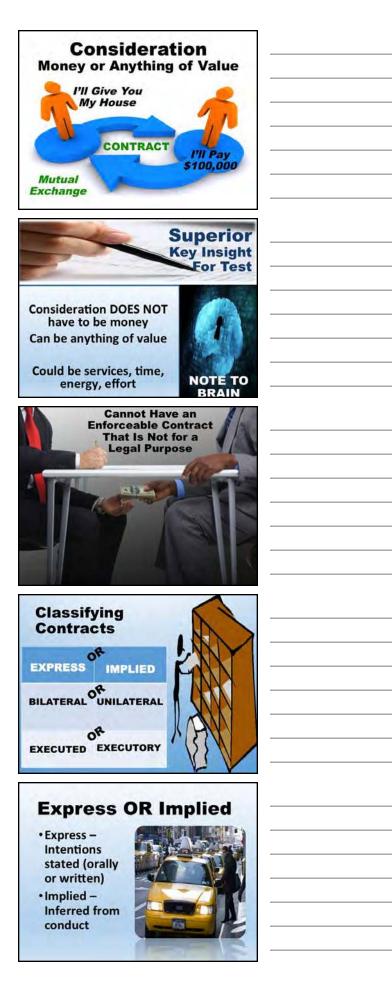


## **Mutual Agreement**

- •Cannot force people into agreement
- •Without duress
- •Of their own free will



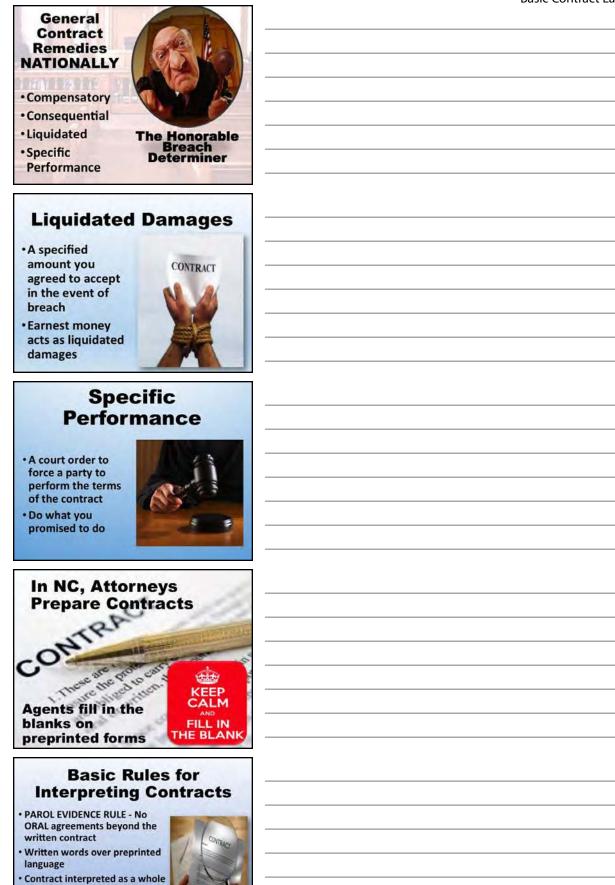




	Bilateral OR Unilateral
	<ul> <li>Bilateral – Two promises (both parties bound to do something)</li> <li>Unilateral – Only one party is bound</li> <li>WANTED (DEAD OR ALLIVE?)</li> <li>Manual Contract</li> <li>Manual Contract</li> </ul>
	<ul> <li>Executed &amp; Executory</li> <li>Executory – Tasks remaining to be done and transaction is closed</li> <li>Executed – All tasks performed</li> </ul>
	A Residential Purchase Contract Is: EXPRESS IMPLIED BILATERAL UNILATERAL EXECUTED EXECUTORY After Closing Before Closing







- Words get ordinary meaning
- · words get ordinary meaning
- Ambiguous terms get construed against the drafter

# Chapter 9 Vocabulary Venture Get in Shape Review

Accord & Satisfaction:



Assignment:

**Bilateral Contract:** 

Breach of Contract:

Consideration:

Contractual Capacity:

Counteroffer:

Damages:

Duress:

**Executed Contract:** 

**Executory Contract:** 

**Express Contract:** 

**Full Performance:** 

Illusory Offer:

Implied Contract:

**Mutual Assent:** 

Novation:

Offeror:

Offeree:

Parol Evidence Rule:

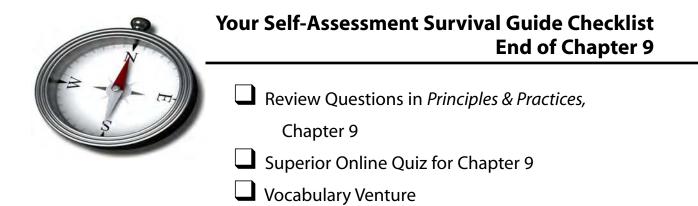
Statute of Frauds:

**Unilateral Contract:** 

Valid Contract:

Void Contract:

Voidable Contract:

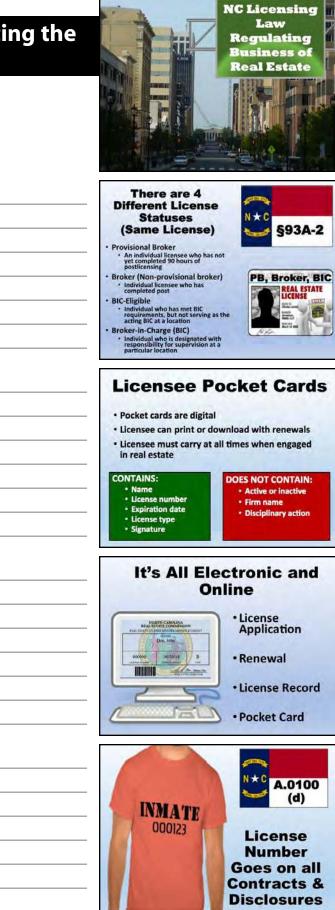


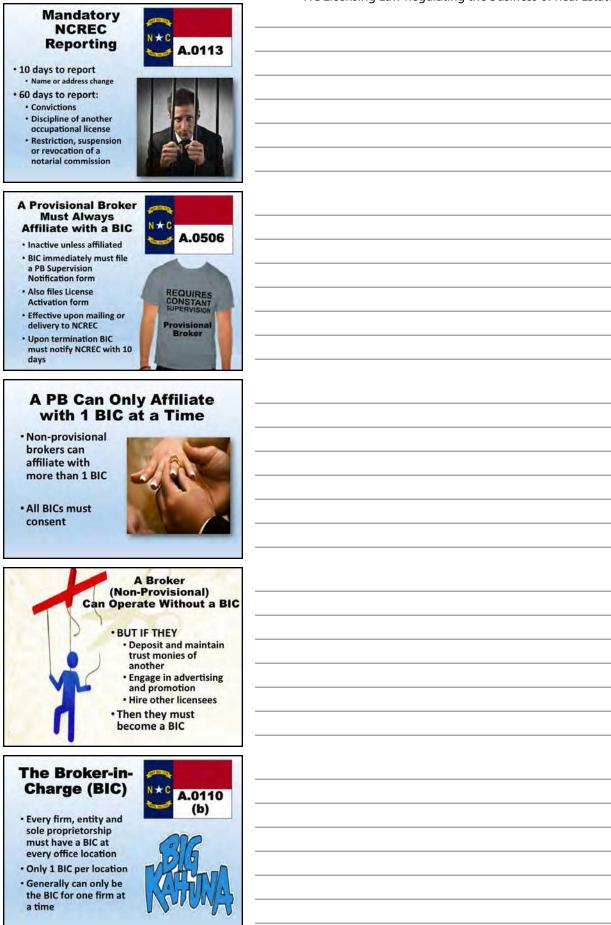
Percentage on Principles & Practices Chapter 9 Review \_\_\_\_\_

Percentage on Superior Online Chapter 9 Quiz \_\_\_\_\_

In the interests of my own success and survival, I certify that I have completed the above checklist.

# NC Licensing Law Regulating the Business of Real Estate















#### **Sole Proprietorship**

- Formed no entity
- Tax as regular income



No shelter
 No limit of
 liability

# Corporation

- Legal entity
  Owned by stock
- holdersCan be one or
- many

  Double taxation
- S Corp reports
- income but doesn't pay it



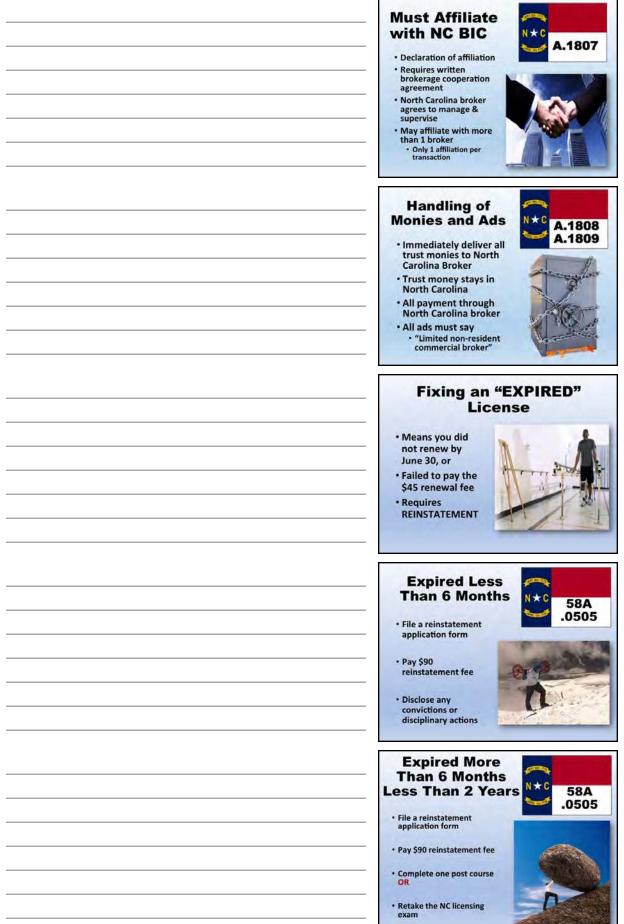
#### Limited Liability Company (LLC)

- Simple
- business entity
- Liability
   protection
- Each owner is a
- manager • Reports income

but pays no tax

<ul> <li>Partnerships</li> <li>General partner</li> <li>Full liability</li> <li>Limited partner</li> <li>Liability to extent of investment</li> <li>Every partnership has general partners</li> </ul>
<ul> <li>North Carolina Licensing Law Note</li> <li>Every entity (Corp., LLC, Partnership) other than a sole proprietor needs a real estate license</li> <li>A license is obtained by filing the application and paying the fee</li> <li>Firm licenses expire on June 30 every year</li> </ul>
<ul> <li><b>Trade Names vs.</b> <b>Entities</b></li> <li>Doing business (d/ b/a) or using a trade name is not the same thing as forming an "Entity"</li> <li>A sole proprietor can use a trade name and not have an entity</li> </ul>
An Entity Needs a Qualifying Broker • Must be licensed (NOT PB) • Good character • Must be principal of the entity • Officer of the corporation • Manager of the LLC • Partner of the partnership
Qualifying Broker Duties• Appoint a BIC in each location• Appoint a BIC in each location• Maintain and renew entity license• Retain firm's pocket card• Notify NCREC of any changes within 10 days







### Licensing Case Law Studies & Application PROBLEMS

1. John is non-provisional broker who is not affiliated with a BIC, nor is John a BIC himself. He does business as John's Realty. He regularly makes referrals and occasionally represents buyers. The brokerages to whom he refers clients make checks out payable directly to John.



- A. Must John be affiliated with a BIC?
- B. Does John have to become a BIC?
- C. Does John have to create an entity?
- 2. Wanda is a BIC for ABC realty. Wanda fails to complete the required BICUP course by June 10.
  - A. What will be the status of Wanda's license on June 30?
  - B. What will be the impact on ABC Realty?
  - C. How can Wanda again become the BIC for ABC Realty?
- 3. David is a provisional broker who wants to create an LLC entity.
  - A. Can David be the qualifying broker for the entity?
  - B. Can David be the BIC of the entity?
  - C. How soon can David create an entity and be both the BIC and the qualifying broker?

- 4. Sandy is a non-provisional broker and wants to start her own company.
  - A. Can Sandy do this?
  - B. What requirements must Sandy meet to become the BIC?
  - C. Does Sandy need to become a qualifying broker?
- 5. Jill is a non-provisional broker who works out of her home. She is a BIC and is not affiliated with any brokerage
  - A. Can Jill engage in the full practice of real estate?
  - B. Does Jill need to create an entity?
  - C. If she creates an entity, will she be the qualifying broker?

- 1. John is non-provisional broker who is not affiliated with a BIC, nor is John a BIC himself. He does business as John's Realty. He regularly makes referrals and occasionally represents buyers. The brokerages to whom he refers clients make checks out payable directly to John.
  - A. Must John be affiliated with a BIC? No, only a provisional broker must be affiliated with a BIC.
  - B. Does John have to become a BIC? John does not have to become a BIC unless he (1) handles trust monies of another, (2) engages in advertising and promotion or (3) hires other licensees. In order to become a BIC, he will need to have 2 years of experience out of the last 5, file a declaration and complete the 12-hour course within 120 days.
  - C. Does John have to have a firm license? No, John only needs a firm license if he creates an entity. No real estate firm or licensee ever has to create an entity. John is doing business as a sole proprietor.
- 2. Wanda is a BIC for ABC realty. Wanda fails to complete the required BICUP course by June 10.
  - A. What will be the status of Wanda's license on June 30? Wanda's license will become inactive for failure to complete the required CE. If she had failed to renew she would have an expired license.
  - B. What will be the impact on ABC Realty? *A firm location without a BIC becomes inactive and the licensees will be severed. This will make the licenses of all the provisional brokers affiliated with ABC Realty inactive as well.*
  - C. How can Wanda again become the BIC for ABC Realty? Wanda will have to get her license active by completing the required CE (all of the current year plus making up her deficiency). Then she will have to retake the 12-hour BIC course before she can be redesignated as the BIC.
- 3. David is a provisional broker who wants to create an LLC entity.
  - A. Can David be the qualifying broker for the entity? No. A provisional broker cannot be a qualifying broker for an entity.

- B. Can David be the BIC of the entity? *No. A provisional broker cannot be a BIC.*
- C. How soon can David create an entity and be both the BIC and the qualifying broker? David will first have to complete his post-licensing education. Once he is a nonprovisional broker, he could be a qualifying broker if he meets the requirements. In order to become the BIC of the entity, he will have to have 2 out of the last 5 years' requisite experience.
- 4. Sandy is a non-provisional broker and wants to start her own company.
  - A. Can Sandy do this? Yes. She is a full broker, not on provisional status. She could create an entity or operate as a sole proprietorship.
  - B. What requirements must Sandy meet to become the BIC? She will have to demonstrate she has the required experience (2 out of the last 5 years), file a declaration and complete the 12-hour BIC course within 120 days of her designation.
  - C. Does Sandy need to become a qualifying broker? Sandy does not need to be the qualifying broker. A qualifying broker is only required if she forms an entity. She could be the qualifying broker, but the QB and the BIC do not have to be the same licensee.
- 5. Jill is a non-provisional broker who works out of her home. She is a BIC and is not affiliated with any brokerage
  - A. Can Jill engage in the full practice of real estate? *Yes. She is a full broker and a BIC.*
  - B. Does Jill need to create an entity? *No. She can operate as a sole proprietor.*
  - C. If she creates an entity, will she be the qualifying broker? *Probably. However, the BIC and QB do not have to be the same person.*

Student Notes		

# Chapter 10: Sales Contracts & Related Procedures



**Delivery of** Instruments N×C A.0106 Rule (a) Deliver all documents immediately, NEVER later than 3 days All written agreements, contracts, offers **Retention of** Records 58A.0108 A licensee must provide copies of transaction documents: To the FIRM OR SOLE 3 0475 PROPRIETORSHIP (BIC) with which they are affiliated · Within 3 days of the broker's receipt **Exception for** Lease Delivery N×C A.0106 to Owner (b) **Exemption for leases and** rental agreements to owner Owner authorizes LEASE • Provide to owner on reasonable request MUST deliver them to owner within 45 days of lease execution Drafting Legal **Documents** A.0111 Brokers cannot draft legal documents Contracts, leases involving the rights of others CONTRACT Can complete preprinted forms Parties drafting documents Should use an attorney May draft documents for themselves **The Purchase** Contract Seller Buyer GrantOR GrantEE The PURCHASE CONTRACT is a **Conveyance Document** Aka: Performance Agreement





#### **Termination of Offers**





## North Carolina Offer to Purchase Contract **NCAR Form 2T Survival Road Map**

This form is the conveyance document between the seller and buyer. The actual form is located in Modern Real Estate Practices in North Carolina. See Appendix D.



#### **Property Identification**

- The property must be accurately described
- The street address is not required

#### **Purchase Price**

The purchase price of the property must be included

#### **Effective Date**

- The date the contract was formed upon last offeree's signature
- Not binding until communicated

#### Settlement, Settlement Date and Closing

- Closing is the recording of the deed
- Settlement is the process of signing and gathering funds
- Funds are not disbursed until recording

#### **Fixtures & Personal Property**

- Offer contains a list of items that automatically transfer
- Personal property does not get conveyed with the contract
- Personal property gets conveyed with a separate bill of sale

#### **Buyer Representations & Obligations**

- To close as promised
- To pay certain fees and expenses
- To conduct all due diligence, appraisal, mortgage, inspections within the due diligence period

#### Seller Representations & Obligations

- To convey clear title
- If seller breaches, must refund earnest money, due diligence fee and reasonable costs incurred by buyer during the due diligence period

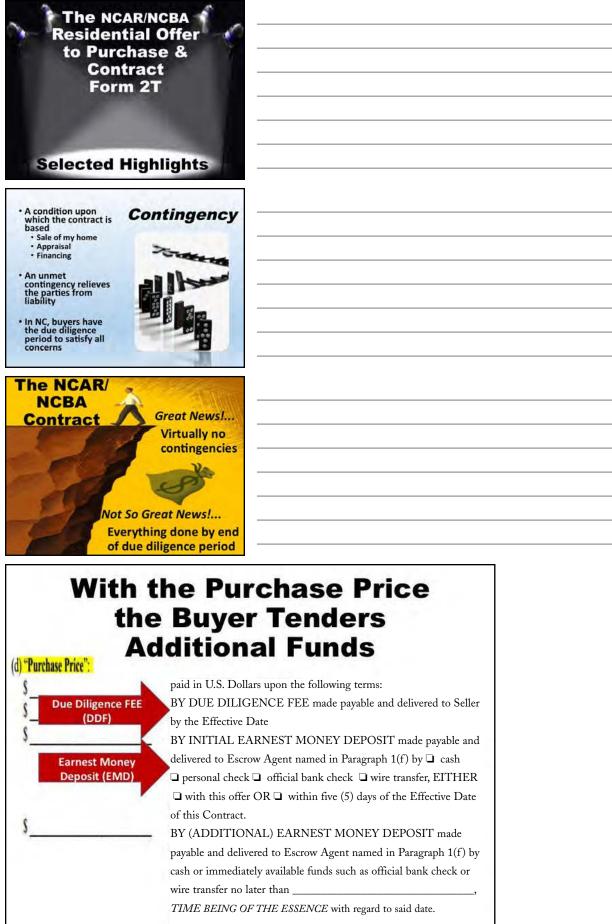
#### Condition of Property/Risk of Loss

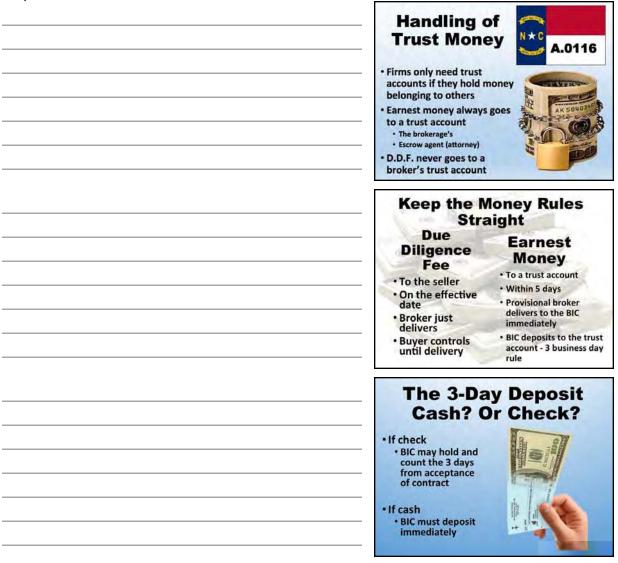
- Risk of losses travels with title to the property
- Seller promises same or better condition as of the date of contract

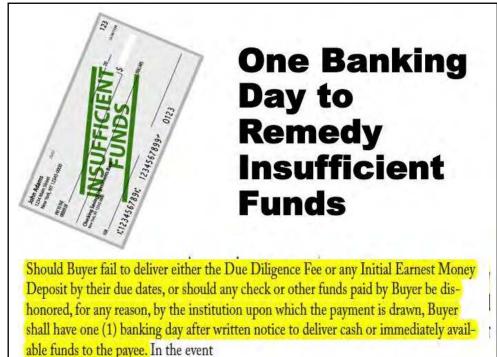
#### Delay in Settlement or Closing

- Time is NOT of the essence
- Provides a 14-day delay grace period











(h) "Due Diligence": Buyer's opportunity during the Due Diligence Period to investigate the Property and the transaction contemplated by this Contract, including but not necessarily limited to the matters described in Paragraph 4 below, to decide whether Buyer, in Buyer's sole discretion, will proceed with or terminate the transaction.

(i) "Due Diligence Fee": A negotiated amount, if any, paid by Buyer to Seller with this Contract for Buyer's right to conduct Due Diligence during the Due Diligence Period. It shall be the property of Seller upon the Effective Date and shall be a credit to Buyer at Closing. The Due Diligence Fee shall be non-refundable except in the event of a material breach of this Contract by Seller, or if this Contract is terminated under Paragraph 8(1) or Paragraph 12, or as otherwise provided in any addendum hereto. Buyer and Seller each expressly waive any right that they may have to deny the right to conduct Due Diligence or to assert any defense as to the enforceability of this Contract based on the absence or alleged insufficiency of any Due Diligence Fee, it being the intent of the parties to create a legally binding contract for the purchase and sale of the Property without regard to the existence or amount of any Due Diligence Fee.

(j) "Due Diligence Period": The period beginning on the Effective Date and extending through 5:00 p.m. on \_\_\_\_\_

\_TIME BEING OF THE ESSENCE with regard to said date.

# Buyer Has a Right to Cancel Within the Due Diligence Period

4. BUYER'S DUE DILIGENCE PROCESS:

WARNING: BUYER IS STRONGLY ENCOURAGED TO CONDUCT DUE\_DILIGENCE DURING THE DUE DILIGENCE PERIOD. If Buyer is not satisfied with the results or progress of Buyer's Due Diligence, Buyer should terminate this Contract, PRIOR TO THE EXPIRATION OF THE DUE DILIGENCE PERIOD, unless Buyer can obtain a written extension from Seller. SELLER IS NOT OBLIGATED TO GRANT AN EXTENSION. Although Buyer may continue to investigate the Property following the expiration of the Due Diligence Period, Buyer's failure to deliver a Termination Notice to Seller prior to the expiration of the Due Diligence Period will constitute a waiver by Buyer of any right to terminate this Contract based on any matter relating to Buyer's Due Diligence. Provided however, following the Due Diligence Period, Buyer may still exercise a right to terminate if Seller fails to materially comply with any of Seller's obligations under Paragraph 8 of this Contract or for any other reason permitted under the terms of this Contract or North Carolina law.



Beyond the Due Diligence Period NO Contingencies

- Financing
- Appraisals
- Survey issues
- Homeowner's insurance
- Flood problems



(e) "Earnest Money Deposit": The Initial Earnest Money Deposit, the Additional Earnest Money Deposit and any other earnest monies paid in connection with this transaction, hereinafter collectively referred to as "Earnest Money Deposit", shall be deposited and held in escrow by Escrow Agent until Closing, at which time it will be credited to Buyer, or until this Contract is otherwise terminated. In the event: (1) this offer is not accepted; or (2) a condition of any resulting contract is not satisfied, then the Earnest Money Deposit shall be refunded to Buyer. In the event of breach of this Contract by Seller, the Earnest Money Deposit shall be refunded to Buyer upon Buyer's request, but such return shall not affect any other remedies available to Buyer for such breach. In the event of breach of this Contract by Buyer, the Earnest Money Deposit shall be paid to Seller upon Seller's request as liquidated damages and as Seller's sole and exclusive remedy for such breach, but without limiting Seller's rights under Paragraphs 4(d) and 4(e) for damage to the Property or Seller's right to retain the Due Diligence Fee. It is acknowledged by the parties that payment of the Earnest Money Deposit to Seller in the event of a breach of this Contract by Buyer is compensatory and not punitive, such amount being a reasonable estimation of the actual loss that Seller would incur as a result of such breach. The payment of the Earnest Money Deposit to Seller shall not constitute a penalty or forfeiture but actual compensation for Seller's anticipated loss, both parties acknowledging the difficulty determining Seller's actual damages for such breach. If legal proceedings are brought by Buyer or Seller against the other to recover the Earnest Money Deposit, the prevailing party in the proceeding shall be entitled to recover from the non-prevailing party reasonable attorney fees and court costs incurred in connection with the proceeding.

# Settlement (Signing of All Documents) Can be Delayed up to 14 Days Without Causing a Breach

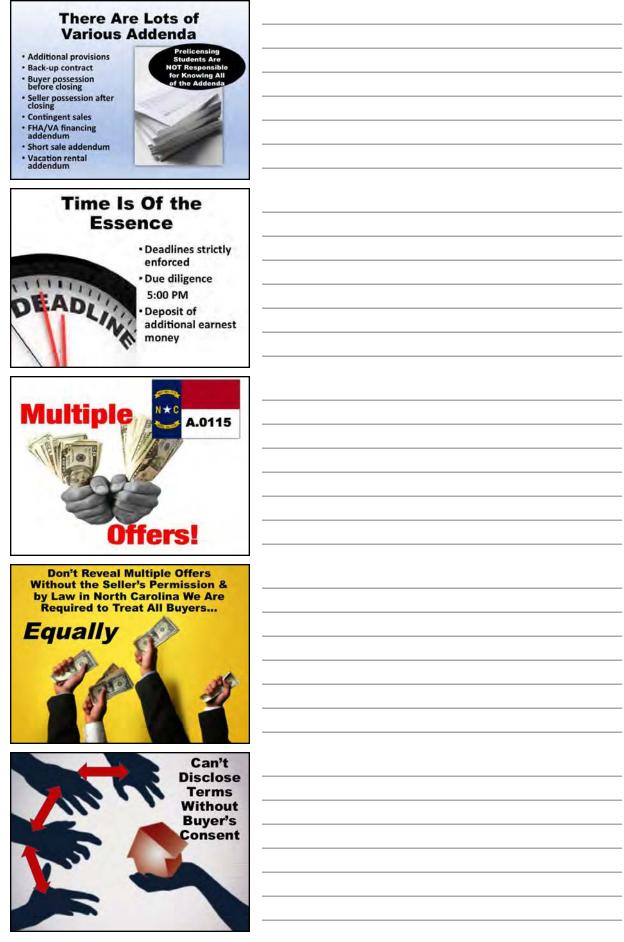
(k) "Settlement": The proper execution and delivery to the closing attorney of all documents necessary to complete the transaction contemplated by this Contract, including the deed, settlement statement, deed of trust and other loan or conveyance documents, and the closing attorney's receipt of all funds necessary to complete such transaction.

(1) "Settlement Date": The parties agree that Settlement will take place on \_\_\_\_\_\_ (the "Settlement Date"), unless otherwise agreed in writing, at a time and place designated by Buyer.

# Closing Is Defined as Recordation

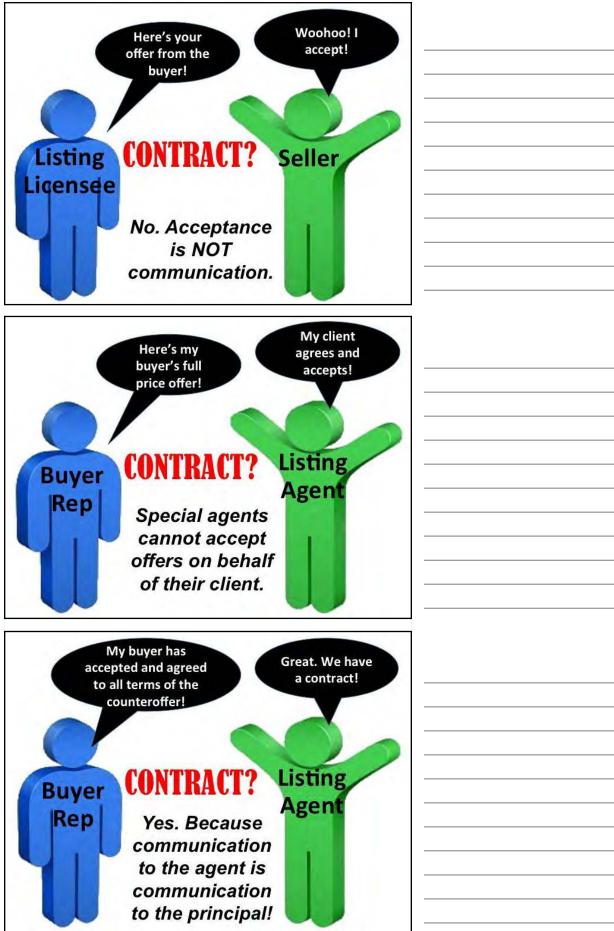
(m) "Closing": The completion of the legal process which results in the transfer of title to the Property from Seller to Buyer, which includes the following steps: (1) the Settlement (defined above); (2) the completion of a satisfactory title update to the Property following the Settlement; (3) the closing attorney's receipt of authorization to disburse all necessary funds; and (4) recordation in the appropriate county registry of the deed(s) and deed(s) of trust, if any, which shall take place as soon as reasonably possible for the closing attorney after Settlement. Upon Closing, the proceeds of sale shall be disbursed by the closing attorney in accordance with the settlement statement and the provisions of Chapter 45A of the North Carolina General Statutes. If the title update should reveal unexpected liens, encumbrances or other title defects, or if the closing attorney is not authorized to disburse all necessary funds, then the Closing shall be suspended and the Settlement deemed delayed under Paragraph 13 (Delay in Settlement/Closing).

 Amendment: Changing Terms of Existing Contract
All changes should be dated and initialed by all parties
Addendum:
Use of specific forms to add terms to the contract
 contract O













#### Characteristics of Land Installment Contracts

- Buyer provides down payment
- Seller retains title
- Buyer makes
- payments
- Seller transfers
   title upon full
- payment



#### Specific North Carolina Requirements



• Seller must record within 5 days of execution

Buyer must be given 30 days to cure default prior to forfeiture of interest

#### **Options to Purchase**

- Must be in writing
- Conner Act
   requires recording
- "I will sell IF you decide to buy."



Deliver in 3
 calendar days



OptionEE is not bound to buy

Remember "OR" gives & "EE" receives

#### **Right of First Refusal**

- A pre-emptive right to buy the property
- I get to buy IF you decide to sell
- Also a unilateral contract
  Owner is NOT

obligated to sell



# Notes From Review of the Offer to Purchase and Contract for New Homes







# Chapter 10 Vocabulary Venture Get in Shape Review

Contract for Deed:

Vocabulary

Due Diligence Fee:

Effective Date:

Equitable Title:

Installment Land Contract:

Legal Title:

Liquidated Damages:

Offeror:

Offeree:

Option:

Optionor:

Optionee:

Right of First Opportunity to Purchase:

Right of First Refusal:

### Your Self-Assessment Survival Guide Checklist End of Chapter 10



Review Questions in *Principles & Practices,* Chapter 10

- Superior Online Quiz for Chapter 10
- Uvocabulary Venture
- Review Form 2T: Residential Offer to Purchase and Contract

Percentage on Principles & Practices Chapter 10 Review \_\_\_\_\_

Percentage on Superior Online Chapter 10 Quiz \_\_\_\_\_

In the interests of my own success and survival,

I certify that I have completed the above checklist.



### In-Class Assessment #1 Review & Practice Session

### In-Class Midterm #1 Review

Percentage on Midterm #1 Review \_\_\_\_\_

### **Exam & Test Tips**

- Read the entire question
- Read every answer
- Watch OUT for the word EXCEPT
- Before you answer, ask yourself:"What is the question asking me?"
- Manage time Save math for last



**Superior Jeopardy Game Show Review** 

- 1. The seller of a property has cold feet and has decided to breach an otherwise valid contract by not completing the sale. The buyer has elected to sue for specific performance. What could be the result of such an action?
  - A. The seller must reimburse the buyer for all expenses, but will not be forced to sell the home.
  - B. The buyer may seek punitive damages with treble damages.
  - C. The court may force the seller to sell the home.
  - D. The seller may force the buyer to rescind the contract.
- 2. The terms *meridian* and *parallels* refer to which of the following real property legal descriptions?
  - A. Plat maps
  - B. Lot and block references
  - C. Metes and bounds
  - D. Government survey rectangular method
- 3. Provisional broker John works for Sandra, who is a BIC. Sandra has a listing that one of John's buyer clients wants to see. In regard to the agency relationship that will be formed with John's buyer client, what type of agency relationship will both John and Sandra have in this transaction?
  - A. They will both be single agents.
  - B. They will both be dual agents.
  - C. They will both be designated agents, if that is what the firm practices.
  - D. John will be a designated agent and Sandra will be a dual agent.
- 4. Which of the following statements is correct regarding members of the North Carolina Real Estate Commission:
  - A. There are 9 Commission members who are appointed by the governor.
  - B. The Commission members are all members of the real estate profession.
  - C. Members of the Real Estate Commission are appointed by both the governor and the Legislature, and at least 3 of them must have a real estate license.
  - D. The Real Estate Commission must have at least 3 members from the general public.

- 5. Once a provisional broker is licensed, in regard to continuing education, the provisional broker must adhere to which of the following Commission Rules:
  - A. Complete 90 hours of CE in the first 3 years of licensure
  - B. Complete 8 hours of CE, plus 30 hours of postlicensing in the first year of licensure
  - C. Complete 8 hours of CE every year by June 10, prior to the second renewal of the provisional broker's license
  - D. Complete 8 hours of CE every year, commencing upon completion of the postlicensing requirement
- 6. Which of the following is true regarding supply and demand in the real estate market?
  - A. As demand increases and supply increases, prices tend to increase.
  - B. As demand decreases and supply increases, prices tend to increase.
  - C. As supply increases and demand decreases, prices remain the same.
  - D. As supply decreases and demand increases, prices tend to rise.
- 7. All of the following would be considered an appurtenance, EXCEPT:
  - A. A building on the property
  - B. The right or privilege to exclude others from the property
  - C. A fence that surrounds the property
  - D. Growing crops that are attached to the ground
- 8. A homeowner lives in a homeowner's association that has some protective covenants originally created by the developer. One of the neighbors has constructed a shed on their property, which violates these provisions. The homeowner would be able to enforce these by a process that would involve:
  - A. Contacting the local zoning authority about the violation
  - B. Submitting written notice of the violation to the developer
  - C. Filing a lawsuit in court
  - D. They cannot be enforced if the neighbor properly obtained a variance

- 9. All of the following items would normally remain with a property and transfer to the new owner, EXCEPT:
  - A. Gas logs attached to pipes in a fireplace
  - B. Awnings that have been installed above the home's windows
  - C. A \$4,000 gazebo in the backyard with no foundation
  - D. A \$100 pewter switch plate cover next to the front door
- 10. A homeowner would like to install a new heating and cooling system. His home is 50 feet by 70 feet and has 10-foot ceilings. The home also has a 20 foot by 20 foot detached garage. What is the total cubic footage of air in this home?
  - A. 24,500 cubic feet
  - B. 2,450,000 cubic feet
  - C. 245,000 cubic feet
  - D. 35,000 cubic feet
- 11. A two-acre rectangular parcel has four lots. Each lot is 90 feet wide. How many feet deep is each lot?
  - A. 87,120 feet
  - B. 24.2 feet
  - C. 242 feet
  - D. 190 feet

12. Which of the following statement is true about timeshares?

- A. They do not have to be registered with the NC Real Estate Commission.
- B. They may be transferred prior to registering with the NC Real Estate Commission.
- C. They must be registered with the NC Real Estate Commission prior to sale.
- D. The timeshare broker may be fined by the NC Real Estate Commission.
- 13. All of the following are considered to be leasehold interests in real estate, EXCEPT:
  - A. Estate for years
  - B. Estate at will
  - C. Estate at sufferance
  - D. Life estate

- 14. An owner of a property reserved a life estate that was conditioned upon the life of a relative. At the end of the life estate, the owner specified that the property was to be transferred to their children. What type of interest do the children have in the property?
  - A. A reversionary interest
  - B. A life tenancy
  - C. A fee simple ownership
  - D. A remainder interest
- 15. A neighbor has been using a lot that is adjacent to them for a long period of time. They regulary mow the grass and have had a garage and shed constructed on the lot. If the original owner decides to sell the lot, does the neighbor have any legal rights to the property?
  - A. Yes, the neighbor is a squatter. If they use the property for the statutory period, they may claim ownership by adverse possession.
  - B. No, squatters are never allowed to acquire property; they may only receive a prescriptive easement.
  - C. Yes, but only if the neighbor files with the clerk of court and pays fair market value for the property.
  - D. No, the neighbor may not acquire the property because they never had the owner's permission to use the property.
- 16. None of the following are essential elements of a contract to purchase real property, EXCEPT:
  - A. Earnest money
  - B. Consideration
  - C. Due diligence fee
  - D. Recording prior to closing
- 17. A buyer had their offer accepted by the seller, but has decided to cancel within the due diligence period. In this situation:
  - A. The listing broker agent must complete the Earnest Money Release form with the seller's and buyer's signatures before releasing any earnest monies to the buyer.
  - B. The buyer is entitled to a refund of both their earnest money and their due diligence fee.
  - C. The earnest money must be returned to the buyer immediately.
  - D. The broker can only release the money to the buyer without the seller's consent if the broker is acting as a dual agent.

- 18. A buyer and seller are under contract. While under contract, the buyer lost their job and is unable to produce the necessary funds for closing. The listing firm insists that the seller pay the commission promised in the listing agreement. The listing firm's argument is that they produced a ready, willing and able buyer. Which of the following will most likely occur?
  - A. The listing firm will be able to collect because the listing agreement is a valid binding contract, even if the buyer is unwilling and unable.
  - B. The listing firm will not be able to collect because the Good Funds Settlement Act requires funds to be good.
  - C. The listing firm will most likely have a difficult time collecting their commission because the buyer did not produce the necessary funds.
  - D. The listing firm should place a lien on the buyer's real and personal property to collect their commission.
- 19. A sixteen-year-old enters into a contract to purchase an investment property from an elderly couple. What is the status of the contract?
  - A. The contract is voidable at the seller's option.
  - B. The contract is enforceable as long as all the essential elements of the contract are present.
  - C. The contract is void because the elderly couple entered it with a minor.
  - D. The contract is voidable at the buyer's option.
- 20. In the state of North Carolina, building codes have been established to create minimum construction standards to assure the safety of the building's occupants. Which of the following statements is correct regarding building codes?
  - A. Building codes are created at the local level but enforced by the state.
  - B. Building codes are created and enforced at the local level.
  - C. Building codes are created at the state level through the Building Code Council but enforced at the local level.
  - D. There are no building codes in North Carolina. Enforcement of construction is done through zoning.
- 21. A life tenant who has received a conventional life estate may do all of the following, EXCEPT:
  - A. Sell their interest in the property
  - B. Will their interest to their children
  - C. Encumber the property
  - D. Obtain a loan against the property

- 22. Two properties are adjacent to each other. One of the properties benefits from the existence of an easement. In regard to the property that is benefiting, what is the easement called?
  - A. Dominant easement
  - B. Servient easement
  - C. Easement in gross
  - D. Easement appurtenant
- 23. John is the BIC at ABC Brokerage. Paul is a provisional broker at ABC, and Sally is a full broker at ABC. Fred is a full broker with XYZ Brokerage. Under this situation, who can properly be named as designated agents in a real estate transaction?
  - A. John & Sally
  - B. John & Paul
  - C. Paul & Fred
  - D. Fred & Sally
- 24. On June 1, Sandra received a phone call from a buyer who asked if a particular property was still on the market. During the phone call, they scheduled an appointment with Sandra to see the property. On June 5, she met the buyers at her office and discussed with them their loan prequalification and their reasons for moving. On June 8, the buyer wrote an offer on the property. When must Sandra provide the buyers with the NCREC brochure, *Working With Real Estate Agents*?
  - A. On June 1, when they first contacted her.
  - B. On June 1, because she plans to show them the property.
  - C. On June 5, when she met with them in her office.
  - D. On June 8, prior to the buyers writing an offer.
- 25. Jan is the BIC with Top Gun Realty. She has a listing agreement with a seller, and one of her provisional brokers, Donald, has a buyer under a buyer agency agreement. Donald's buyer wishes to see the property listed by Jan. In regard to the clients in this transaction, Jan and Donald will be in what type of agency relationship?
  - A. Single agents
  - B. Designated agents
  - C. Dual agents
  - D. They cannot be in an agency relationship because Jan is a BIC and Donald is a provisional broker.

- 26. Ben & Jerry, two ice cream moguls, decided to purchase a property and took title as tenants in common. If Jerry dies intestate, who will control his interest in the property?
  - A. Whoever Jerry has named in his will.
  - B. Ben will own the property.
  - C. Jerry's spouse and children will own the property.
  - D. The property will be owned according to state laws on intestate succession.
- 27. Which of the following statements made by a real estate agent could create an implied agency relationship between the real estate agent and a buyer?
  - A. "I need to let you know that the roof has a small leak and the seller is addressing it."
  - B. "Doesn't this pea green carpet look stunning?"
  - C. "You should take this deal; it's the best one for you."
  - D. "There has been talk of a new highway being sited just a half a mile from here."
- 28. All of the following would create an agency relationship, EXCEPT?
  - A. The payment of money
  - B. A written agency contract between the buyer and agent
  - C. An oral buyer agency agreement
  - D. The actions of the parties
- 29. The process by which the government takes title to private land for the public use and pays the owner just compensation is known as:
  - A. Eminent domain
  - B. Condemnation
  - C. Easement by necessity
  - D. Police power

30. In a cooperative, what the buyer receives is an interest in:

- A. A corporation's stock and a proprietary lease
- B. Jointly owned tenancy in common
- C. Their unit and an undivided interest in the common area
- D. The ownership of the building by the entireties

31. The encumbrance that takes priority over all other liens on a property is:

- A. The lien for any unpaid property taxes
- B. Recorded mechanic's liens
- C. Liens of the homeowner's association
- D. Federal IRS income tax liens

32. All of the following would be an encumbrance on a parcel of real estate, EXCEPT:

- A. Real estate taxes
- B. A loan made by a bank
- C. An easement
- D. Unpaid medical bills that are in collections
- 33. The Statute of Frauds requires that:
  - A. Deeds must be recorded to be valid.
  - B. Deeds must be notarized.
  - C. Contracts for the exchange of real estate must be in writing in order to be enforceable.
  - D. All leases for longer than one year must be in writing.
- 34. Jack, a buyer, was never provided with a Residential Property Disclosure Statement by the seller. Under NC law, Jack has the right to:
  - A. Cancel his contract within 5 days.
  - B. Cancel his contract at any time prior to closing.
  - C. Cancel his contract within 3 days of the date of his offer.
  - D. Cancel his contract within 3 days of the date the contract was accepted.
- 35. The ad valorem tax rate may adjust:
  - A. Once at least every 8 years
  - B. Once at least every 4 years
  - C. Once a year
  - D. Once at least every 2 years

- 36. A provisional broker whose firm has a listing with a seller owes fiduciary obligations to the seller when working with the seller because:
  - A. The client is the provisional broker's client.
  - B. All agents owe fiduciary duties to sellers.
  - C. Subagency imposes on the provisional broker the fiduciary obligations of the firm.
  - D. The seller is the provisional broker's customer.
- 37. How many acres are there in the following legal description: the N  $^{1\!\!/}_{2}$  of the SE  $^{1\!\!/}_{4}$  and the SE  $^{1\!\!/}_{4}$  of the NE  $^{1\!\!/}_{4}$ 
  - A. 80 acres
  - B. 40 acres
  - C. 120 acres
  - D. 160 acres
- 38. Which characteristics are correct regarding a planned unit development (PUD)?
  - A. There is typically no homeowner's association associated with a PUD.
  - B. PUD differs from a normal subdivision in that buildings may be clustered together rather than complying with normal lot size and setback, which leaves more room for open spaces and recreational areas.
  - C. PUDs can only exist in areas that have spot zoning.
  - D. The homeowners in a PUD hold title to the common areas as tenants in common.
- 39. The annual property tax bill is \$3,780. If the tax rate is 180 mills, what was the assessed value of the property?
  - A. \$2,100.00
  - B. \$21,000.00
  - C. \$210,000.00
  - D. \$680.40

- 40. A licensee tells a prospective buyer that the home they are buying contains great insulation and low-cost utility bills without doing any research or investigation. If the insulation in the home turns out to be of inferior quality and the heating bills extremely high, the representation made by the licensee to the buyer would be best classified as:
  - A. Puffing
  - B. Willful omission
  - C. Negligent misrepresentation
  - D. Willful misrepresentation
- 41. The following statements are correct about tenancy by the entirety, EXCEPT:
  - A. Property that is purchased after marriage, if held in both the husband and wife's names, will by default be titled as tenants by the entirety.
  - B. If a married couple becomes separated, any property they acquired after marriage will remain as tenants by the entirety unless they take action to change the ownership status.
  - C. Property acquired prior to marriage does not automatically become tenancy by the entirety ownership.
  - D. If a married couple becomes divorced, any property acquired during the marriage that was deeded as tenancy by the entireties will remain as such.
- 42. A buyer makes an offer on a property. After the offer has been presented, the listing agent informs the buyer's agent that there are multiple offers being presented to the seller. When the buyer is informed of the multiple offer situation, the buyer asks the buyer's agent, "What are the prices of the competing offers?" Under NC Real Estate Commission rules:
  - A. The listing agent can never disclose prices and terms of competing offers on the property.
  - B. The seller can give the listing agent permission to "shop offers" and disclose the prices, terms, conditions and provisions to all buyers' agents.
  - C. If all buyers making offers on the property agree that their offers can be disclosed to other buyers, then mutual agreement by the buyers will allow disclosure of the price and terms of all offers.
  - D. The disclosure of the price and terms of other offers is only permitted when the agent is practicing single agency.

43. Which of the following statements is correct regarding the NC Timeshare Act?

- I. A person who sells timeshares for a timeshare developer must have a NC real estate license.
- II. The NC Real Estate Commission can fine a timeshare developer \$500 for each violation of the NC Timeshare Act because of actions of the developer or their agents.
- A. I only
- B. II only
- C. Both I and II
- D. Neither I nor II
- 44. Which of the following statements is correct regarding NC Residential Property Disclosure Act?
  - I. Sellers are required to disclose all defects in their property.
  - II. If the buyer does not receive the NC Residential Property Disclosure Statement by time of offer, then the buyer has a 5 calendar day period of time to cancel the sales contract.
  - A. I only
  - B. II only
  - C. Both I and II
  - D. Neither I nor II
- 45. In many states, other than North Carolina, property is considered to be equal between husband and wife. Any property acquired during the marriage is deemed to have been obtained by mutual effort. When a spouse dies, the surviving spouse retains their one-half interest in the property and the other half of the estate is inherited by the decedent's heirs. In what manner do these people hold title:
  - A. Joint tenancy
  - B. Tenancy in common
  - C. Community property
  - D. Tenancy by the entireties

46. The reason that deeds are recorded under the Conner Act is because:

- A. Deeds are subject to the Statute of Frauds.
- B. Recording provides actual notice to all of the parties in the transaction.
- C. Recording provides constructive notice of the transfer.
- D. The Conner Act does not require deeds to be recorded.
- 47. All of the following would be ways in which an agency relationship can be terminated without the parties incurring any further liability, EXCEPT:
  - A. Death of the principal
  - B. Destruction of the property
  - C. Unilateral revocation
  - D. Filing of bankruptcy by the seller
- 48. A licensee who is involved in a transaction as a dual agent must:
  - I. Disclose and get the consent of all parties involved
  - II. Avoid discussions about motivations, prices and terms with all parties
  - A. I only
  - B. II only
  - C. Both I & II
  - D. Neither I nor II

49. What is the typical type of agency between a seller and a real estate firm?

- A. Universal
- B. General
- C. Special
- D. Servient

- 50. A deed that only warrants claims and encumbrances against the property during the term of the grantor's ownership is a:
  - A. General warranty deed
  - B. Bargain & sale deed
  - C. Quit-claim deed
  - D. Special warranty deed
- 51. During the previewing of a property, the prospective buyer asks the listing agent about whether or not a garage located on the property is within the boundaries of the property line. If the garage extends over the property line, which of the following statements is false:
  - A. The agent should advise the buyer to get a survey.
  - B. The seller is required to disclose the existence of the encroachment on the seller's property disclosure.
  - C. The existence of an easement for such a purpose would solve an encroachment problem.
  - D. If the garage has existed for a required statutory period, the issue may be resolved by the existence of a prescriptive easement.
- 52. All of the following would result in termination of an easement, EXCEPT:
  - A. Sale of the property
  - B. Merger
  - C. Mutual agreement
  - D. Abandonment
- 53. A valid and enforceable contract must have all of the following elements, EXCEPT:
  - A. Contain a meeting of the minds
  - B. Be for a legal purpose
  - C. Monetary consideration
  - D. Competent parties

- 54. Which of the following statements are correct regarding the issuance of title insurance:
  - A. The title insurance will insure the owner against any encroachments or issues with the property.
  - B. The title insurance protects the purchaser.
  - C. The title insurance only protects against errors in the recorded documents and any undisclosed liens or encumbrances.
  - D. The title insurance should be obtained by the owner to protect the owner's investment and equity.
- 55. This type of legal description would be used in heavily populated areas and is usually used to convey the smallest parcels in subdivisions:
  - A. Metes and bounds
  - B. Government survey
  - C. Lot and block
  - D. Street addresses
- 56. The annual taxes on a parcel of property are \$2,800. These taxes have been paid by the seller. When the property is transferred, how will the proration of these taxes be handled on the Closing Disclosure:
  - A. A debit to the buyer and a debit to the seller
  - B. A debit to the buyer and a credit to the seller
  - C. A credit to the buyer and a debit to the seller
  - D. A credit to the buyer and a credit to the seller
- 57. Under the federal Sherman Anti-Trust Act, which of the following statements would a real estate professional be legally permitted to make:
  - A. Informing a consumer that another company does not train its agents well
  - B. Telling a prospective seller that if they check around they would find that your commission is about the average in the market
  - C. Informing a client that your broker insists that the commission be 7%
  - D. Telling a buyer to avoid looking at a certain listing because the agent listing it works with a company with a bad reputation

58. All offers to purchase and documents to clients should be delivered:

- A. Within 3 days of the signature of all parties
- B. Immediately, but never later than 3 business days
- C. Immediately
- D. Immediately, but never later than 3 calendar days

59. Once a provisional broker has taken possession of earnest money and due diligence fees:

- A. The earnest money and due diligence fees must be deposited into a trust account.
- B. The provisional broker may hold the earnest money until the contract is accepted and the due diligence fee should be given to the seller immediately.
- C. All monies should be delivered to the BIC immediately.
- D. The due diligence fee is refundable during the due diligence period, but the earnest money is not.
- 60. An offer to purchase would include all of the following, EXCEPT:
  - A. Confirmation of the agency relationship of the parties
  - B. The fees to be charged to the parties
  - C. An accurate description of the property
  - D. The obligations and duties of the buyer to the seller
- 61. Which of the following is correct regarding the cancellation of a timeshare agreement in North Carolina?
  - A. The buyer has 5 days to cancel, and the developer must refund their money with 10 days.
  - B. The buyer has 3 days to cancel, and the feveloper must refund their money within 15 days.
  - C. The buyer has 5 days to cancel, and the developer must refund their money within 30 days.
  - D. The buyer has 3 days to cancel, and the developer must refund their money within 10 days.

- 62. A buyer tendered an offer to purchase with a 10-day due diligence period and a settlement date for 30 days later. The buyer provided a \$3,000 earnest money deposit and a \$500 due diligence fee. Three days prior to closing, the buyer lost their job and now cannot complete the transaction. Under this scenario, what will be the disposition of the funds:
  - A. The buyer will get back their earnest money deposit and due diligence fee.
  - B. The buyer will lose both their earnest money and due diligence fee.
  - C. The buyer loses their due diligence fee but will get back their earnest money.
  - D. The buyer loses their earnest money but gets back their due diligence fee.
- 63. All of the following would be terminated at the death of the parties, EXCEPT:
  - A. An offer to purchase that has not yet been accepted
  - B. A listing agreement
  - C. A life estate
  - D. A purchase contract that has been fully signed and accepted by all parties
- 64. Which of the following statements is correct regarding the seller's property disclosure statement:
  - A. The seller must disclose all material issues with the property.
  - B. If the statement is not provided to the buyer, the buyer has 5 days to cancel the contract.
  - C. The agent may be liable for the seller's omissions if the agent did not disclose material facts.
  - D. Agents and sellers are only liable for the representations they make.
- 65. The annual taxes on a parcel of property are \$2,520. These taxes have not been paid by the seller. If closing occurs on November 15 and the escrow agent is instructed to collect and pay the full taxes, how will this appear on the Closing Disclosure?
  - A. The buyer will be debited \$2,520.
  - B. The seller will be credited \$315, and the buyer will be debited \$2,205.
  - C. The buyer will be credited \$315, and the seller will be debited \$2,205.
  - D. The buyer will be debited \$315, and the seller will be debited \$2,205.

- 66. Under which of the following type of listing agreement will an agent be paid only if they or another agent find the buyer, but not if the seller sells the property on their own?
  - A. Open listing
  - B. Net listing
  - C. Exclusive right to sell listing
  - D. Exclusive agency listing

67. The substitution of an existing contract for another contract is a concept known as:

- A. Assignment
- B. Reallocation
- C. Novation
- D. Rescission
- 68. A bargain and sale deed would contain which of the following covenants:
  - A. Covenant against encumbrances
  - B. Covenant of further assurances
  - C. Covenant of seizin
  - D. Covenant of quiet enjoyment

69. Which type of property ownership blends ownership of a unit with tenancy in common?

- A. Townhomes
- B. Condominiums
- C. Cooperatives
- D. Planned unit developments
- 70. An agent must discuss agency with a prospective buyer or seller at "first substantial contact." This is the moment the consumer begins talking about confidential information; motivation; personal wants, needs, and desires; or any terms and conditions they would accept regarding the purchase of a home. All of the following information is required to be discussed/provided, EXCEPT:
  - A. The agent must discuss their brokerage split with their firm.
  - B. The agent must provide the *Working with Agents* brochure.
  - C. The agent must discuss and explain the agency relationships that are available to the consumer.
  - D. The agent must disclose the status of their agency relationship with the consumer.

- 71. When someone dies testate, the people who inherit the decedent's real property from an executor would be receiving:
  - A. Legacy
  - B. Bequest
  - C. Devise
  - D. Descent

72. Which of the following is incorrect regarding designated agency:

- A. The firm's broker in charge makes the designation.
- B. A firm may inform a consumer that designated agency is not available to them.
- C. The brokers in designated agency must work for different firms.
- D. The firm must have policies and procedures in place to enforce designated agency rules.
- 73. When an owner of real property sells or transfers it and retains their right or interest to the mineral rights, they are creating:
  - A. An easement that must appear in the deed
  - B. An encroachment that affects subsequent ownership of the land
  - C. A reservation and exception that must appear in the deed
  - D. An illegal interference in the bundle of rights of the buyer
- 74. A purchase contract in which one of the parties has made a substantial misrepresentation or omission is:
  - A. Void
  - B. Enforceable
  - C. Voidable by the party damaged by the misrepresentation
  - D. Unenforceable

#### 75. All of the following would be considered involuntary alienation of real estate, EXCEPT:

- A. A foreclosure by a lender
- B. A condemnation proceeding
- C. A transfer in a will
- D. Escheat

Student Notes

# FINANCE & VALUATION: Chapters 11–13 BLANK – FOR TAB PLACEMENT ONLY

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