

NORTH CAROLINA REAL ESTATE COMMISSION

Problem Topics on the License Examination

March 2022

Candidates have experienced varying levels of difficulty indicated below with the topics in the noted sections of the Broker Prelicensing Course Syllabus (see *Real Estate Licensing in North Carolina* booklet, pp. 16-17). The bulleted topics are the more specific topics or points with which candidates either had substantial difficulty or greater difficulty than Commission staff believes they should. [Bracketed info is relevant Syllabus sub-section.]

This information is provided to assist education providers, instructors, and applicants by identifying the topics where candidates' testable knowledge is relatively weak.

As used in this document:

- "National" refers to problem items from the National section of the license exam.
- "State" refers to problem items from the NC-specific section of the license exam.
- "Comments" refers to the *North Carolina Real Estate License Law & Rule Comments*
- "Manual" refers to the *North Carolina Real Estate Manual*

Overarching Issues

- Not reading the entire item and considering all answer options carefully
- Not paying attention to "absolute words," such as *must, shall, all, only, never*, etc.
- Multiple step math calculations

Broker Prelicensing Course Syllabus Section

- I. **Basic Real Estate Concepts** [*no noted issues*]
- II. **Property Ownership & Interests**
 - **Encumbrances:** [National - D.] More than 60% of the candidates do not understand encumbrances.
- III. **Property Taxation & Assessment**
 - **Property Taxation:** [State - A.] Half of the candidates do not understand when *ad valorem* property tax rates can be adjusted.
- IV. **Transfer of Title**
 - **Deeds:** [National - C.] About 60% of the candidates do not understand the purpose, essential elements, when to use various deed types, or importance of recording.
 - **Title Insurance:** [National - D.] Half of the candidates do not understand the purpose of title insurance or possible title problems that are covered.

V. Land Use Control

- **Government Controls:** [National - A.] About 55% of the candidates do not understand public land use controls.

VI. Environmental Issues in Real Estate

- **Disclosure:** [National - A. & B.] About 60% of candidates do not understand when disclosure is required.

VII. Brokerage Relationships: Laws & Practice

- **Creation of Agency:** [National - A.] About half of the candidates do not understand how agency relationships are properly created.
- **Agent's Duties:** [National - D. & E.] About 60% of the candidates do not understand broker's duties to a principal and a third party.
- **Property Disclosure** [National - D. & E.]
 - Between 60-70% of the candidates do not understand broker's affirmative duty to discover and disclose possible material facts to all parties, including property condition and environmental concerns.
 - About half of candidates do not understand that brokers have a responsibility to check facts before advertising.
- **RPOADS:** [State – F. 4.] Almost 60% of the candidates do not understand when RPOADS must be provided.
- **Dual and Designated Agency:** [State - H.]
 - More than 65% of candidates do not understand basic dual/designated agency relationships.
 - **Need for consent:** About 60% of the candidates do not understand when permission for dual agency must be obtained.

Suggestions: (See Comments, Manual, and Rule 58A .0104.) Instructors should use numerous examples of various fact situations (preferably enhanced with student role-play) in their instruction about application of the dual agency rules. Do not neglect scenarios where oral buyer agency is in play.

VIII. Agency Contracts (Sales) & Related Practices

- **Square Footage Guidelines:** [State - F. 2.] About half of the candidates do not understand the difference between above-grade and below-grade square footage.
- **Seller Agency:** [State - F. 6.] About 55% of the candidates do not understand the listing broker's responsibilities for compliance with Residential Lead-Based Paint Hazard Reduction Act.
- **Buyer Agency:** [State - G. & H.] About half of the candidates do not understand the requirements for the legal practice of oral buyer agency.

IX. Basic Contract Law

- **Basic Contract Law Concepts:** [National - A., B., C., & F.] More than 50% of the candidates do not understand basic contract concepts; the essential elements needed to mature an offer to a valid contract; contract breach and possible remedies; and paperless transactions.
- **Offers:** [National - B. 1.] More than 50% of the candidates do not understand how offers, counteroffers, and multiple offers work. Topic should include coverage of contingencies, and the concept of “*time is of the essence.*”
Suggestions: (See *Manual, and Rule 58A .0115.*) Instructors should use numerous examples of various fact situations (preferably enhanced with student role-play) in their instruction.

X. Sales Contracts & Related Practices

- **Drafting:** [State - A. 2.] More than 50% of the candidates struggle with what constitutes illegal drafting.
- **Handling Multiple Offers:** [State - C. 2.] Between 50-65% of the candidates do not know how the sharing of offer information must be handled.
Suggestions: (See *Comments, Manual, and Rule 58A .0115.*) Instructors should use numerous examples of various fact situations (preferably enhanced with student role-play) in their instruction.

XI. Real Estate Financing

- **Financing Basics:** [National - A. 1. & B. 1.-3.] About 70% of candidates are having difficulty with basic financing concepts and terminology.
- **Special Processes:** [National - B. 5. & 6.] Half of the candidates do not understand the concepts of foreclosure and short sale.
- **Types of Loans:** [National - D. & E.] More than 45% of candidates cannot differentiate between basic types of loans.
- **Lending Procedures, Practices & Legislation:** [National - J. & K.] More than 55% of the candidates do not understand the lending process through closing, including underwriting and the relevant federal laws.
- **Advertising:** [National & State - K. 1. d.] About 60% of candidates cannot apply advertising guidelines.
Suggestions: (See *Manual.*) Instructors should use numerous advertising examples to reinforce student’s ability to identify whether an ad is compliant.

XII. Closing a Sales Transaction

- **Closing Procedures:** [National - A. & C.] About half of the candidates do not understand the basic closing process and RESPA.
- **Closing Responsibilities:** [State - A.] About 50% of the candidates do not understand buyer responsibilities to prepare for closing.

XIII. Real Property Valuation

- **Estimating Value:** [National - B. & D.] About 45% of the candidates do not understand the economic principles of value and/or the 3 approaches to value.
- **CMA:** [National – D. 1.] About half of the candidates cannot select or make appropriate adjustments to comparables.
Suggestions: (See Manual.) Instructors should include numerous exercises to allow students to practice completion of a CMA. Math problems are possible on the National section of the exam.

XIV. Property Insurance Basics

- **Flood Insurance:** [State - B.] About 80% of the candidates do not understand when flood insurance is required.
Suggestions: (See Manual.) Such low performance on this topic indicates that a significant increase in coverage is needed.

XV. Landlord & Tenant

- **Eviction:** [State - B.] Over 65% of the candidates do not understand the term or the concept of summary ejection.
- **Tenant Security Deposit:** [State - B. 4.] About 60% of the candidates do not understand the landlord's responsibility regarding the tenant security deposit, especially in regard to final accounting.

XVI. Property Management

- **Basic Concepts:** [National - A., B., & C.] About half of candidates do not understand the basics of property management.

XVII. Fair Housing

- **Advertising:** [National & State - A. 1.] About 60% of candidates cannot apply advertising guidelines.
Suggestions: (See Manual.) Instructors should use numerous advertising examples to reinforce student's ability to identify whether an ad is compliant.

XVIII. Federal Income Taxation of Home Ownership [no noted issues]

XIX. Basic Construction [no noted issues]

XX. Basic Real Estate Investment [no noted issues]

XXI. NC Real Estate License Law & Commission Rules

- **Licensing:**
 - **Activities Requiring a License:** [State - A.] Over 50% of candidates do not know what activities require an active real estate license.
 - **Firm:** [State - A. 2. c.] More than 50% of candidates do not know when a firm license is required.
Suggestions: (See Comments and Video “Firm Licensing” on Commission website under Resources tab.)
- **Advertising:** [State - E. 1.] About 60% of candidates cannot apply advertising guidelines.
Suggestions: (See Comments, Manual, and Rule 58A .0105.) Instructors should use numerous advertising examples to reinforce student’s ability to identify whether an ad is compliant.
- **Broker Compensation:** [State - E. 4.] About 50-55% of candidates do not understand compensation rules for full and provisional brokers.
- **Trust Funds:** [National - G.] About 55% of the candidates do not understand the prohibition against commingling of funds.

XXII. Safety [not tested on exam]

XXIII. Real Estate Mathematics

- **Across the board:** [National] Between 50-65% of candidates are having difficulty with any math exam item that requires more than a one-step calculation.