

National Portion Overview

I. Property Ownership - 10% of questions

- A. Real and personal property; conveyances
- B. Land characteristics and legal descriptions
 - 1. Metes and bounds method of legal property description
 - 2. Lot and block (recorded plat) method of legal property description
 - 3. Government survey (rectangular survey) method of legal property description
 - 4. Measuring structures (linear and square footage)
 - 5. Land measurement
- C. Encumbrances and effects on property ownership
 - 1. Types of liens and their effect on the title and value of real property
 - 2. Easements, rights of way and licenses, including their effect on the title, value and use of real property
 - 3. Encroachments and their effect on the title, value and use of real property
 - 4. Potential encumbrances on title, such as probate, leases, or adverse possession
 - 5. Property rights that may be conveyed separately from use of the land surface, such as mineral and other subsurface rights, air rights, or water rights
- D. Types of ownership
 - 1. Ownership in severalty/sole ownership
 - 2. Implications of ownership as tenants in common
 - 3. Implications of ownership in joint tenancy
 - 4. Forms of common-interest ownership, such as Timeshares, Condominiums and Co-ops
 - 5. Property ownership held in a trust or by an estate
 - 6. Ownership by business entities
 - 7. Life Estate ownership

II. Land Use Controls and Regulations - 5% of questions

- A. Government rights in land
 - 1. Government rights to impose property taxes and special assessments
 - 2. Government rights to acquire land through eminent domain, condemnation and escheat
- B. Government controls on land use
- C. Private controls
 - 1. Deed conditions or restrictions on property use
 - 2. Subdivision covenants, conditions and restrictions (CC&Rs) on property use
 - 3. Condominium and owners' associations regulations or bylaws on property use

III. Valuation and Market Analysis - 8% of questions

- A. Appraisals
 - 1. Appraisals for valuation of real property
 - 2. Situations which require appraisal by a licensed or certified appraiser and brokerage-related actions that constitute unauthorized appraisal practice
 - 3. General steps in appraisal process
- B. Estimating Value
 - 1. Economic principles and property characteristics that affect value of real property
 - 2. Sales or market comparison approach to property valuation and appropriate uses
 - 3. Cost approach to property valuation and appropriate uses
 - 4. Income analysis approach to property valuation and appropriate uses
- C. Comparative Market Analysis (CMA)

1. Competitive/Comparative Market Analysis (CMA), BPO or equivalent
2. Automated Valuation Method (AVM), appraisal valuation and Comparative Market Analysis (CMA)

IV. Financing - 10% of questions

A. Basic Concepts and Terminology

1. Loan financing (for example, points, LTV, PMI, interest, PITI)
2. General underwriting process (e.g., debt ratios, credit scoring and history)
3. Standard mortgage/deed of trust clauses and conditions
4. Essential elements of a promissory note

B. Types of Loans

1. Conventional loans
2. Amortized loans, partially amortized (balloon) loans, interest-only loans
3. Adjustable-rate mortgage (ARM) loans
4. Government Loans
 - a. FHA insured loans
 - b. VA guaranteed loans
 - c. USDA/Rural Development loan programs
5. Owner financing (for example, installment or land contract/contract for deed)
6. Reverse-mortgage loans
7. Home equity loans and lines of credit
8. Construction loans
9. Rehab loans 10. Bridge loans

C. Financing and Lending

1. Real Estate Settlement Procedures Act (RESPA), including kickbacks
2. Truth-in-Lending Act (Regulation Z), including advertising
3. Requirements and time frames of TRID (TILA-RESPA Integrated Disclosures)
4. Equal Credit Opportunity Act
5. Lending Process (application through loan closing)
6. Risky loan features, such as prepayment penalties and balloon payments

V. Contracts - 19% of questions

A. General Contract Law

1. General principles of contract law
2. Elements necessary for a contract to be valid
3. Effect of the Statute of Frauds
4. Offer and a contract
5. Enforceability of contracts
6. Void, voidable and unenforceable contracts
7. Bilateral and unilateral contracts
8. Nature and use of option agreements
9. Notice, delivery, acceptance and execution of contracts
10. Appropriate use, risks, and advantages of electronic signatures and paperless transactions
11. Rights and obligations of the parties to a contract
12. Possible remedies for breach or non-performance of contract
13. Termination, rescission and cancellation of contracts

B. Purchase and Lease Contracts

1. Addenda and amendments to contracts
2. Purchase agreements
3. Contract contingencies and methods for satisfying them
4. Leases and rental agreements

- 5. Lease-purchase agreements
- 6. Types of leases
- C. Proper handling of multiple offers and counteroffers

VI. Agency - 13% of questions

- A. Agency and non-agency relationships
 - 1. Agency relationships and how they are established
 - 2. Types of listing contracts
 - 3. Buyer brokerage/tenant representation contracts
 - 4. Other brokerage relationships, including transaction brokers and facilitators
 - 5. Powers of attorney and other assignments of authority
 - 6. Conditions for termination of agency or brokerage service agreements
- B. Agent Duties
 - 1. Fiduciary duties of agents
 - 2. Agent's duties to customers/non-clients, including honesty and good faith
- C. Agency Disclosures
 - 1. Disclosure of agency/representation
 - 2. Disclosure of possible conflict of interest or self-interest

VII. Property Disclosures - 7% of questions

- A. Property Condition
 - 1. Seller's property condition disclosure requirements
 - 2. Property conditions that may warrant inspections or a survey
 - 3. Red flags that warrant investigation of public or private land use controls
- B. Environmental and Government Disclosures
 - 1. Environmental issues requiring disclosure
 - 2. Federal, state, or local disclosure requirements regarding the property
- C. Disclosure of material facts and material defects

VIII. Property Management - 3% of questions

- A. Duties and Responsibilities
 - 1. Procurement and qualification of prospective tenants
 - 2. Fair housing and ADA compliance specific to property management
 - 3. How to complete a market analysis to identify factors in setting rents or lease rates
 - 4. Property manager responsibility for maintenance, improvements, reporting and risk management
 - 5. Handling landlord and tenant funds; trust accounts, reports and disbursements
 - 6. Provisions of property management contracts
- B. Landlord and tenant rights and obligations

IX. Transfer of Title - 6% of questions

- A. Types of deeds
- B. Title Insurance and Searches
 - 1. Title insurance policies and title searches
 - 2. Potential title problems and resolutions
 - 3. Marketable and insurable title
- C. Closing Process
 - 1. When transfer of ownership becomes effective
 - 2. Process and importance of recordation
 - 3. Settlement procedures (closing) and parties involved
 - 4. Home and new construction warranties

D. Special Processes

1. Special issues in transferring foreclosed properties
2. Special issues in short sale transactions
3. Special issues in probate transactions

X. Practice of Real Estate - *12% of questions*

A. Antidiscrimination

1. Federal Fair Housing Act general principles and exemptions
2. Protected classes under Federal Fair Housing Act
3. Protections against discrimination based on gender identity and sexual orientation
4. Prohibited conduct under Federal Fair Housing Act (Redlining, Blockbusting, Steering, Disparate Treatment)
5. Fair housing advertising rules
6. Americans with Disabilities Act (ADA) obligations pertaining to accessibility and reasonable accommodations

B. Legislation and Regulations

1. Licensees' status as employees or independent contractors
2. Antitrust laws and types of violations, fines and penalties
3. Do -Not -Call List rule compliance
4. Proper use of Social Media and Internet communication and advertising

C. Duties and Responsibilities

1. Protection of confidential personal information (written, verbal or electronic)
2. Duties when handling funds of others in transactions
3. Licensee responsibility for due diligence in real estate transactions

D. Supervisory Responsibilities

1. Broker's supervisory responsibilities (licensees, teams and unlicensed assistants and employees)
2. Broker relationship with licensees (employees or independent contractors and governing rules)

XI. Real Estate Calculations - *7% of questions*

A. Calculations for Transactions

1. Seller's net proceeds
2. Buyer funds needed at closing
3. Real property tax and other prorations
4. Real property transfer fees
5. PITI (Principal, Interest, Taxes and Insurance) payments estimate given loan rate and term

B. General Concepts

1. Equity
2. Rate of return/Capitalization rate
3. Loan -to -Value ratio
4. Discount points and loan origination fee

Property Ownership - 10% of questions

Adverse Possession - Legal principle that grants title to someone who resides on or is in possession of another person's land. The property's title is granted to the possessor as long as certain conditions are met including whether they infringe on the rights of the actual owner and whether they are in continuous possession of the property.

Air rights - Legal rights of property owners to use the airspace above their property, extending out vertically.

Cooperative housing/co-ops - Look just like apartment buildings, but instead of buyers owning their unit, they own shares in the whole complex. Co-op home owners buy stock in the housing complex—and the ownership of that stock comes with a proprietary lease to their home.

Community property - Form of ownership by spouses during their marriage that they intend to own together.

Condominium (Condo) - Large property complex comprised of individual units, and each unit is owned separately.

Conveyance - Act of transferring property from one party to another.

Corporation Ownership - Ownership in real estate can be done as a corporation, whereby the legal entity is a company owned by shareholders but regarded under the law as having an existence separate from those shareholders.

Easement - Legal right for someone else to use a portion of your property for a specific purpose.

Encroachment - Situation in real estate where a property owner violates the property rights of his neighbor by building on or extending a structure to the neighbor's land or property intentionally or otherwise.

Encumbrance - Claim against a property made by a party who is not the property owner.

Joint tenancy - Refers to a legal arrangement in which two or more people own a property together, each with equal rights and obligations. Joint tenancies can be created by married and non-married couples, friends, relatives, and business associates. Occurs when two or more people hold title to real estate jointly, with equal rights to enjoy the property during their lives.

Judgment lien - If you have lost a court case and there was a judgment against you, the winning party of the lawsuit can file this against your home until the payment is collected. This type of lien is also sometimes imposed by an attorney if you do not pay your bill for legal services.

Lease - Agreement to rent a property for an agreed-upon rate and period of time. If a property is under a lease contract, the leaseholder has the right to continue residing in it even if it is sold.

Lien - Legal notice that's put on file as the consequence of an unpaid debt.

Life Estate Ownership - A form of joint ownership that allows the current property owner to remain in the home until they die, at which point it'll pass to the other specified owner. A life estate can be thought of as a way to pre-gift your home to your heirs while still maintaining ownership through your lifetime.

Littoral rights - A type of water rights that guarantee access to lakes, seas, and oceans.

Linear footage - Measure of distance in feet.

Lot and block - Type of legal description used for platted property. It identifies a parcel of land by reference to lot and block numbers within a subdivision, as identified on a subdivided plat duly recorded in the county recorder's office.

Mechanic's lien - When general contractors, carpenters, plumbers, painters, or other repair companies work on your home, they may file a claim on the property as insurance to make sure they're paid.

Ownership in severalty/tenancy in severalty/sole and separate ownership - A way of titling real estate to signify that you own the property by yourself rather than jointly.

Partnership Owners - Real estate can also be owned as a partnership. A partnership is an association of two or more people to carry on business for profit as co-owners. Some partnerships are formed for the express purpose of owning real estate. These partnerships can also be structured as limited partnerships, where investors take limited liability by not making managerial decisions regarding management or transaction decisions. In these cases, one general partner is typically responsible for making all business decisions on behalf of the limited partners.

Personal property - A class of property that can include any asset other than real estate.

Private Easements - These are specific agreements between property owners, such as sharing a driveway or granting access to a lake or beach.

Probate - Court-supervised process of reviewing a deceased person's assets and making sure they get distributed to their rightful heirs.

Real property - Parcel of land and structures that are permanently attached to the land.

Real estate trust - Legal arrangement in which the owner of a property transfers ownership to a trustee. The trustee holds and manages the property for the benefit of the owner or the beneficiaries of the owner's estate. A real estate trust can also be a company that owns, operates, or finances income-generating real estate. This allows investors to pool their capital and invest in large-scale real estate projects.

Rectangular Survey System/Government Survey System/Public Land Survey System - Method of plotting land boundaries in the United States using a large grid made up of rectangles.

Right of Way Easement - This allows a neighbor or utility company to access your property. For example, a neighbor might need to use your driveway to reach the main road, or there could be a pathway through your land to a neighborhood playground or trail.

Riparian rights - A type of water rights that give landowners access and usage of flowing bodies of waters like rivers and streams.

Square footage - Measurement of area.

Sole ownership - Exclusive ownership of a property or a business by one person. Can be characterized as ownership by an individual or entity legally capable of holding the title.

Subsurface rights/mineral rights - Legal rights to the minerals located beneath the surface of a piece of land. These rights are distinct from surface rights, which are the rights to use the surface of the land for residential, agricultural, commercial, or other purposes.

Tax lien - If you do not pay your federal, state, or county taxes, the government may file a tax lien on your home for what you owe on your property. assessments:

Tenancy in Common (TIC) - Legal arrangement in which two or more parties have ownership interests in a real estate property or parcel of land. Two or more persons hold title to real estate jointly, with equal or unequal percentages of ownership.

Tenants by entirety (TBE) - Ownership in real estate under the assumption that the couple is one person for legal purposes.

Timeshare - A collective model of vacation real estate in which multiple buyers own or lease allotments of usage, typically in one-week increments, for the same property.

Trust Ownership - These legal entities own the properties and are managed by a trustee on behalf of the beneficiaries of the trust. There are many advantages and disadvantages to holding real estate that falls outside the scope of this article, but all have to do with benefits surrounding managerial influence and financial and legal liability, in addition to tax and beneficiary considerations.

Utility Maintenance Easement - Utility companies often have easements to run power lines, cable, or other utilities on your property.

Water right - The legal rights of property owners to access and use bodies of water adjacent to lands they hold. Water rights can be based on different types of water, such as lakes, seas, oceans, rivers, or streams. Water rights give landowners access to bodies of water adjacent to one's property.

Land Use Controls and Regulations - 5% of questions

Animal restrictions - These restrictions limit or prohibit certain types or breeds of animals. For example, many residential properties restrict the ownership of livestock animals.

Bylaws - These govern how the HOA operates, covering topics such as management of common areas and board elections.

Condemnation - Used when the government does not have the right to take the land, and the landowner is not compensated.

Covenant - A rule that governs the use of real property.

CC&Rs (Covenants, Conditions, and Restrictions) - These set out the rules of the HOA community, describing requirements and limitations on property use.

Deed restrictions - Also known as covenants and restrictions, deed restrictions are agreements regarding property usage that are made between landowners. Under deed restrictions, property may only be used for specified purposes, and certain uses or behaviors may be prohibited.

Eminent domain - Term used to describe the right of the government to takeover privately owned real estate despite the owners' wishes. It often happens for land that is required for infrastructure works like highways, major pipe lines, railroads etc.

Escheat - When a property owner dies and leaves no proper documented inheritance plan, the property ownership reverts to the government.

Land-use controls - Government ordinances, codes, and permit requirements that restrict the private use of land and natural resources, to conform to public policies. There are several types of land-use regulations, including subdivision regulations, zoning, building codes, housing codes, curve-cut permit systems, historic preservation laws, and tree cutting laws.

Legal Binding - HOA bylaws are legally binding regulations that dictate daily operations and member adherence to community rules.

Personal property restrictions - Some deed restrictions limit the items that you can have on your property. Items such as hot tubs, pools, sports equipment, and other things may be prohibited.

Police power - Police power is the right of the government to enact and enforce laws for the benefit of the public.

Property tax - Perpetual installment payments to the government for the right to own property.

Renovation or building restrictions - Fences, sheds, and other structures may be restricted to keep properties looking uniform or to ensure your neighbors enjoy an unrestricted view from their property. Under these restrictions, you may not be able to renovate the exterior of your home, choose a new façade color, or build with certain material

Restrictions - CC&Rs contain restrictions on property use for both individual owners and common areas.

Use restrictions - Home business restrictions are one of the more common deed restrictions and may prohibit you from operating your small business from your home, placing business signs in your yard, or even renting out your home on Airbnb or other similar platforms.

Variance - Official permission to stray from the requirements of the covenant.

Vehicle restrictions - Vehicle restrictions may ban certain vehicles such as boats, trailers, work trucks, or even unlicensed or inoperable cars from being parked in driveways or on the street.

Zoning - Where properties of the same type, such as residential or commercial, are designated for particular geographic zones.

Valuation and Market Analysis - 8% of questions

Appraisal – A value analysis of your property from a certified or licensed appraiser hired by the lender during the home purchase or refinance process.

Automated Valuation Model (AVM) - A term for a service that combines mathematical or statistical modeling with databases of existing properties and transactions to calculate real estate values.

Broker Price Opinion (BPO) - Ordered by a lender or bank to value a property that could be in the process of being foreclosed, or refinanced.

Capitalization Rate - This measure is computed based on the net income that the property is expected to generate and is calculated by dividing net operating income by property asset value and is expressed as a percentage.

Comparative Market Analysis (CMA) - An estimate of a home's price used to help sellers set listing prices and help buyers make competitive offers. The analysis considers the location, age, size, construction, style, condition, and other factors for the property and comparables.

Cost Approach - A fundamental method in real estate valuation that provides valuable insights into the worth of a property. It is an approach that calculates the property's value based on the cost of constructing an equivalent building from the ground up, accounting for land value and depreciation.

Economic Principles Affecting Valuation

1. Principle of Anticipation

Buyers buy properties for future benefits. The principle says that value rises using anticipated benefits (money or amenities) to be gained from a property in the future.

2. Principle Of Demand, Supply, and Desire

The scarcity of a commodity influences its value by creating a greater demand for the item. Demand is also affected by desire. If there is an oversupply of apartments in a given area, the demand will reduce. The values and rents will go down.

3. Principle Of Substitution

The value of a property tends to be set at the cost of an equally desirable substitute property. In theory, no one should pay more for a property than what it would cost to obtain a site by purchase and sale and to construct a building of equal appeal and utility.

4. Principle Of Balance

This principle refers to the relationship between cost, added cost and the value it returns. For each dollar invested, the value should increase by more than one dollar.

5. Principle Of Progression

The idea behind this principle is, the price of a property escalates with an increased perceived value of a location.

6. Principle Of Regression

This is the opposite of progression principle. The price of a property decreases with a reduced perceived value of a site. For example, even if you have the best house in a neighborhood of storm- hit homes, the value of your property will go down.

Income Approach - A type of real estate appraisal method that allows investors to estimate the value of a property based on the income the property generates. It's used by taking the net operating income (NOI) of the rent collected and dividing it by the capitalization rate.

Sales Comparison Approach - A real estate appraisal method that compares one property to comparables, or other recently sold properties in the area with similar characteristics.

Financing - 10% of questions

Amortized loan - A type of loan that requires the borrower to make scheduled, periodic payments that are applied to both the principal and interest.

- An amortized loan payment first pays off the interest expense for the period; any remaining amount is put towards reducing the principal amount.
- As the interest portion of the payments for an amortization loan decreases, the principal portion increases.

Amortization - The practice of spreading an intangible asset's cost over that asset's useful life.

Adjustable-rate mortgage (ARM)/variable-rate mortgage - A home loan with an interest rate that adjusts over time based on the market. ARMs typically have a lower initial interest rate than fixed-rate mortgages.

Balloon payment - The final amount due on a loan that is structured as a series of small monthly payments followed by a single much larger sum at the end of the loan period

Bridge loan - A financing option that serves as a source of funding until you get permanent financing or pay off debt. Also known as swing loans, bridge loans are typically short-term loans, lasting an average of 6 months to 1 year. They can be used to finance the purchase of a new home before selling your existing house.

Conventional loan - A mortgage that's available through and backed by a private sector lender.

Construction loan - Used to finance the building of commercial or residential real estate. The loan applicant may be a real estate developer or an individual building a custom house. The loan is often short-term and is then replaced by longer-term mortgage financing.

Construction loans are considered relatively risky and usually have higher interest rates than traditional mortgage loans.

Contract for deed/rent-to-own contract/bond for deed/land contract/installment land contract - A contract in which the buyer pays for land by making monthly payments for a period of years. The buyer does not own or have title to the land until all the payments have been made under the contract.

Credit score - A three-digit number that rates your creditworthiness. FICO scores range from 300 to 850. The higher the score, the more likely you are to get approved for loans and for better rates.

Deed of trust - Transfers the legal title of a property to a third party such as a bank, escrow company, or title company to hold until the borrower repays their debt to the lender.

Debt-to-equity (D/E) ratio - A crucial metric used to assess a company's financial leverage. In the context of real estate, this ratio helps investors understand the degree of leverage a real estate company has.

Direct Loan - USDA Direct Loans are funded by the USDA and processed by your local Rural Development office. Direct Loans are meant to help low- to very-low-income borrowers obtain an affordable mortgage when otherwise unable to secure financing for a safe and sanitary house. Loans have a 33 to 38 year term depending on your income level.

Equal Credit Opportunity Act (ECOA) - A federal civil rights law designed to ensure fair lending practices. It prohibits lenders from discriminating against loan applicants, with the sole exception being their ability to repay the loan.

FHA insured loans - A Federal Housing Administration (FHA) loan is a home mortgage that is insured by the government and issued by a bank or other lender that is approved by the agency. FHA loans require a lower minimum down payment than many conventional loans, and applicants may have lower credit scores than is usually required.

Government Loans - Guarantees loans made by banks and finance companies. The most common government loans are student loans, housing loans, and business loans. Other loans include those for veterans and disaster relief.

Guaranteed Loan - This mortgage loan assists USDA-approved lenders in providing low- and moderate-income households with 100% financing for the purchase, build, rehabilitation, improvement or relocation of a primary residence in a rural area.

Home equity loans and lines of credit

Home equity loans and HELOCs are both financing tools that allow you to borrow against your ownership stake in your home.

1. Both act as second mortgages, using your home as collateral, and may offer tax deductions if the funds are used for substantial repairs or upgrades.
2. Home equity loans come with fixed interest rates and set monthly payments for the life of the loan.
3. HELOCs (home equity lines of credit) come with variable interest rates and fluctuating monthly payments (like credit cards).

Home equity lines of credit (HELOCs) and home equity loans are two similar finance tools — methods of borrowing money against the ownership stake you have in your home. Both typically allow you to tap up to 80 or 85 percent — even 90 percent — of your home's value, minus your outstanding mortgage balance.

Interest - A fee for taking on the risk of loaning a borrower money.

Interest-only mortgage - Is a type of mortgage in which the mortgagor (the borrower) is required to pay only the interest on the loan for a certain period. The principal is repaid either in a lump sum at a specified date, or in subsequent payments

Kickback - An illegal payment intended as compensation for preferential treatment or any other type of improper services received. The kickback may be money, a gift, credit, or anything of value. Paying or receiving kickbacks is a corrupt practice that interferes with an employee's or a public official's ability to make unbiased decisions. Kickbacks are often referred to as a type of bribery.

Loan-to-value (LTV) ratio - An assessment of lending risk that financial institutions and other lenders examine before approving a mortgage. Typically, loan assessments with high LTV ratios are considered higher-risk loans. Therefore, if the mortgage is approved, the loan has a higher interest rate.

Mortgage points/discount points - An option for buyers to pay an upfront fee at closing to buy down the interest rate on a loan. The term "points" is a common way of referring to a percentage of your loan amount.

Mortgage prepayment penalty - A fee that some lenders charge when you pay all or part of your mortgage loan off early. The penalty fee is an incentive for borrowers to pay back their principal slowly over a longer term, allowing mortgage lenders to collect interest.

Owner financing - A transaction in which a property's seller finances the purchase directly with the person or entity buying it, either in whole or in part. This type of arrangement can be advantageous for both sellers and buyers because it eliminates the costs of a bank intermediary.

Partially amortized loan - Amortizes only partially during the loan term before the borrower makes a balloon payment.

Principal, interest, taxes, insurance (PITI) - The sum components of a mortgage payment. Specifically, they consist of the principal amount, loan interest, property tax, and the homeowners insurance and private mortgage insurance premiums.

Private Mortgage Insurance (PMI) - A mortgage insurance that protects lenders when borrowers put down less than 20% of the home's value.

Promissory note - A written and signed promise to repay a sum of money in exchange for a loan or other financing.

Real Estate Settlement Procedures Act (RESPA) - Enacted by the U.S. Congress in 1975 to provide homebuyers and sellers with complete settlement cost disclosures. RESPA was also introduced to eliminate abusive practices in the real estate settlement process, prohibit kickbacks, and limit the use of escrow accounts. RESPA is a federal statute now regulated by the Consumer Financial Protection Bureau (CFPB).

Rehab loan - A loan that is used primarily in the rehabilitation of home or building. These types of loans may be made through traditional lenders, but are often insured by a governmental agency to make the risk more acceptable to the lender. The government sees the investment as a good way to rehabilitate and revitalize neighborhoods, as well as to expand the tax base in areas that have fallen into disrepair.

Repair and Rehabilitation Loan - Also known as the Section 504 Home Repair Program, this type of loan provides money to low-income homeowners so they can repair or improve their home by removing health, safety or sanitation hazards.

Reverse-mortgage loans - A reverse mortgage is a type of loan that allows homeowners ages 62 and older to borrow against their home's equity for tax-free payments. The reverse mortgage lender makes these payments to the homeowner. The homeowner doesn't have to repay the reverse mortgage until death, or when they permanently move out or sell the home.

Rural Housing Site Loan - Unlike the other types of USDA loans mentioned, Rural Housing Site Loans are available to private and public non-profit organizations to assist them in purchasing a site and developing housing for low- or median-income families in rural areas as a part of what's called the Self-Help Program.

Standard mortgage - Home loan where the borrower pays a fixed or variable interest rate and monthly payments for a certain amount of time. The most common mortgage term is 30 years in the U.S., but some mortgages can be shorter or longer. A fixed-rate mortgage has the same interest rate.

TILA-RESPA Integrated Disclosures - TRID is a series of guidelines enforced by the Consumer Financial Protection Bureau (CFPB) to create a more consumer-friendly mortgage process. These rules specify what information mortgage lenders must provide to borrowers and when. TRID also regulates lenders' fees and what is allowed as a mortgage matures.

Truth in Lending Act (Regulation Z) - Protects consumers in their dealings with lenders and creditors. The regulations found in the TILA apply to most kinds of consumer credit, from mortgages to credit cards. Lenders are required to clearly disclose information and certain details about their financial products and services to consumers by law. Regulation Z prohibits creditors from compensating loan originators for anything other than the credit extended and for steering clients to unfavorable options for the sake of higher compensation. Consumers are able to make better-informed decisions and, within limits, terminate unfavorable agreements, as a result of TILA regulations.

Underwriting - The process of assessing the risk and profitability of a property transaction.

USDA/Rural Development loan programs - USDA loans are a zero down payment mortgage option backed by the United States Department of Agriculture (USDA) and offered by USDA-approved lenders to help fund

rural housing development for low- to moderate-income individuals and families throughout the U.S. These government-backed loans can be used to purchase, build, repair or refinance a home in a rural area.

VA guaranteed loans - A VA-guaranteed loan is a loan made by private lenders (such as banks, savings & loans, or mortgage companies) to eligible veterans. These loans are for eligible service-members and veterans. They carry a number of benefits (such as no down payment) that make them far more appealing than conventional loans in most cases.

Contracts - 19% of questions

Absolute Net Lease - Tenants are responsible for virtually all expenses related to the property. This includes rent, property taxes, insurance, maintenance, and even structural repairs. Landlords typically have minimal obligations beyond property ownership.

Addendum - Informational or explanatory notes added to and made part of the existing contract once all parties involved have accepted it.

Amendment(alteration) - Altering the original document, which may include supplementary information.

Bilateral contract - Both parties agree to an obligation and involve equal obligation from the offeror and the offeree.

Contract - A formal, legally binding agreement: an agreement between parties, creating mutual obligations that are enforceable by law.

all contracts must contain these elements to be valid.

- Offer
- Acceptance
- Awareness
- Consideration
- Capacity
- Legality

Compensatory damages - Meant to reimburse a non-breaching party for financial losses suffered from a contract breach. They are used to make the non-breaching party whole again and can include expenses for loss of future earnings, hiring new parties to finish the contract, and so forth.

Contingency contract - A legal document that sets out a condition needing to be met before the contract can be concluded.

Contract right - Is the performance that is guaranteed to a person when they enter into a valid, legal contract with another person or entity.

Enforceable contract - A written or oral agreement that can be imposed in a court of law. If the law permits enforcement of a contract, execution of an agreement is the obligation of the assenting parties. Terms may not be violated or breached without causing the contract to void.

Execution of a Contract - The term “fully executed” can apply to several different situations. First, when a contract is said to be “fully executed,” it means that all parties to the agreement have fully performed their obligations, or that all of the terms and conditions of the contract have been fulfilled in their entirety.

Full-Service Lease (Gross Lease) - Tenants pay the base rent only.

Lease - A contract a landlord and tenant use to outline their rights and responsibilities when the tenant rents residential or commercial property from the landlord.

Net leases - Shift some expenses from the landlord to the tenant.

Single Net Lease (NN) - Tenants pay rent and property taxes.

Double Net Lease (NNN) - Tenants pay rent, property taxes, and insurance.

Triple Net Lease (NNN) - Tenants pay rent, property taxes, insurance, and all other expenses (maintenance, utilities, etc.).

Lease purchase agreement - Also known as a rent-to-own or lease-to-own agreement, lets someone rent a property for a specified period of time with the promise to purchase it at the end of the lease term.

Liquidated damages - Some contracts have provisions called a liquidated damages clause. The parties will select a pre-set amount of damages (i.e., liquidated damages). This pre-set amount is meant to mirror an estimate of the actual damages a party should obtain in the event of a contract breach. These typically occur in contracts where the subject matter may make it more difficult to foretell the number of actual damages.

Nominal damages - Nominal damages are more of a symbol than any actual type of compensation. These are awarded when no genuine harm was done due to the breach of contract since nominal damages can be as low as a dollar since they represent more of a symbolic victory or matter of contract principles.

Offer - An expression of a willingness to enter into a contract on certain terms; which must be firm, not ambiguous, or vague.

Option agreement - Is a financial derivative contract between two parties that grants one party the right, but not the obligation, to buy or sell an underlying asset at a predetermined price within a specified period.

Punitive damages - A court may allocate punitive damages when there is an incentive to penalize and deter the offending party from re-committing such outrageous and offensive actions. Therefore, these damages are seldom awarded in contract cases, and if they are, many states have placed limitations on their amounts.

Rescission - A remedy that cancels a contract from its inception, as if it never existed.

Restitution - Aims to restore an injured party to the position they were in before a contract was formed. Since restitution is only used to return the injured party to their initial status, additional damages, such as those for loss of earnings or profits, will not be included in this amount.

Remedies in equity - Refer to a different form of legal remedies, which have nothing to do with monetary awards.

Statute of frauds - A law that deems certain types of verbal contracts non-binding and unenforceable without written evidence to support them. Its job is to make sure both parties in a contract are protected from fraudulent behavior.

Termination - A remedy that ends a contract that already exists. Refers to ending a contract based on the terms and conditions specified within the contract itself or under applicable law.

Unenforceable contract - A written or oral agreement that will not be enforced by courts. There are many different reasons that a court may not enforce a contract. Contracts may be unenforceable because of their subject matter, because one party to the agreement unfairly took advantage of the other party, or because there is not enough proof of the agreement.

Unilateral contract - Only the offeror has an obligation. The offeree is not required to complete the task or action.

Void contracts - Void contracts miss one or more essential element that would make it valid. Because it's not an actual contract, neither party to it has to do anything to terminate it.

Voidable or voided contracts - Are those that are null in effect due to one or both parties violating agreement with failure to perform or adhere to terms and conditions as promised. A credible defense must be found to cite void, giving the victim party the right to annul or rescind the agreement.

Agency - 13% of questions

Agency - Occurs when one individual hires another to represent their best interests.

Agency Termination -

An agency relationship can be terminated in several ways:

- Completion of the purpose for which the agency was created, such as the sale of a property.
- Expiration of the term of the agency as all contracts are required to have an expiration date.
- By Force of Law in the following circumstances can end an agency relationship:
 - Bankruptcy: The trustee in the bankruptcy may choose to continue or terminate the agency relationship.
 - Change in law: If changes in the law would make the agent's duties illegal, the agency relationship would be terminated.
 - Loss of license: If the licensee loses a required license which is necessary to perform the tasks for which he was hired, the agency relationship would be terminated.
 - Death or incapacity of either party.
 - Destruction or condemnation of the property.
 - Mutual agreement by all parties to the contract

Agency by Estoppel - An agency relationship that was created when the licensee was acting on the consumer's behalf without the consumer's direct consent, but to the consumer's benefit.

Agency by Ratification - An agency representation agreement that was created AFTER a licensee did something on the consumer's behalf without the consumer's permission, but since the consumer is OK with what the licensee has done or has committed him to do, he accepts the actions done on his behalf.

Buyer agency agreement - When an individual buys a home and decides to use the services of a real estate agent, the buyer and the broker (via the salesperson) sign this.

Commingling - Mixing or pooling funds, most likely from different sources.

Conflict of interest - A situation in which an individual or organization is involved in potentially competing interests creating a risk that one interest might unduly influence another interest.

Designated Agency - A situation where the broker appoints one licensee to represent the seller and another licensee to represent the buyer in the same transaction.

Disclosure - Is the act of making it clear who an individual represents. In all states, brokers are required to make known to all parties involved in a real estate transaction exactly who they are representing via agency relationship disclosures.

Disclosure of a special relationship with either the buyer or the seller - When any type of special relationship exists between the licensee and any party of the transaction, all parties to the transaction must be informed.

Disclosure of agency relationships - While laws vary per state on the timing of the disclosure, licensees are required to disclose to all parties involved whom the licensee represents.

Disclosure of material facts - A material fact is information that, if known, would be significant enough to influence an individual's decision as to whether to enter into a contract on the specified terms.

Dual Agency - A situation where the licensee represents both sides of a transaction, the buyer and seller OR where different licensees from the SAME brokerage each represent the buyer and the seller. Dual agency must be disclosed to both the buyer and the seller and each side must consent to the dual agency situation in writing before the transaction may proceed.

Exclusive-Agency Buyer Agreement - The broker will only receive a commission payment if he discovers the property that the buyer ultimately purchases.

Exclusive-Buyer Agency Agreement (Exclusive Right to Represent) - Regardless of who discovers the suitable property that the buyer ultimately purchases, the buyer is legally obligated to pay a commission to the broker when the sale closes.

Exclusive listings - The seller has listed the property with one broker.

Exclusive-Right-To-Sell - The seller is legally obligated to pay the listing broker a commission when the sale of the listed property closes regardless of who finds the buyer.

Express agreement - An agency relationship that has been created between a licensee and a consumer via either a written service agreement or oral service agreement. The agreement outlines the duties and expectations of both sides and the compensation to be paid to the licensee.

Fiduciary - Is one whom trust and confidence has been placed and is expected to be loyal to the client, putting the interests of their client above their own interest. A fiduciary has specific responsibilities to his client that can be remembered with the acronym: COLD AC Fiduciary Responsibilities as “COLD AC”

Care - Possess skill and expertise in real estate matters superior to that of the average person.

Obedience - Must obey all LEGAL instructions from the principal.

Loyalty - Must place his client's interests above everyone else's, including his own.

Disclosure - Disclose all material facts that would be adverse or detrimental to the client's interest.

Accountability - Return all property coming into his possession within a reasonable time period.

Confidentiality - Keep confidential any information given in confidence

Flat Fee Listing - The practice in the real estate industry of a seller entering into an “à la carte service agreement” with a real estate broker who accepts a flat fee rather than a percentage of the sale price for the listing side of the transaction.

General agency - An agency relationship that gives the agent limited power to bind the principle/client to a contract. The agent is authorized by the client to perform several acts associated with the on-going operation of a single business.

Implied agreement - An agency relationship that has been formed based on the conduct of the licensee and the consumer. It is not an agreement that the two have made orally or in writing, but instead was formed by their conduct.

Letter of Authorization - A letter of authorization is a document that gives another person, known as an “agent,” the authority to act on another person’s behalf, known as the “principal.”

listing agreement - Hiring a broker (via the salesperson) as his agent with the task of selling the property.

Net Listing - When a brokerage sells a property and gives the seller the amount he wished to net from the sale and keeps the rest of the profit as a commission.

Non-agent/transaction broker/facilitator or intermediary - When an agency agreement is not in place, the licensee is referred to as this.

Non-exclusive listings - The seller may enter into contracts with multiple listing brokers at the same time.

Ostensible Agent - A person who has been given the appearance of being an agent (representative) for another (client), which would make anyone dealing with the ostensible agent reasonably believe he was an actual agent of the client.

Open-Buyer Agency Agreement - The buyer works with multiple brokerages to locate a suitable property and only pays a commission to the brokerage that discovers the property that the buyer ultimately purchases.

Power of Attorney - A document, signed by a principal and typically notarized, that gives another person the power to make decisions on behalf of the principal in accordance with the terms of the document.

Sales Commissions - When a seller agrees to hire a broker to sell his or her property, typically the seller will agree to compensate the broker with a percentage of the sales price. This compensation is commonly referred to as a sales commission or just commission.

Single Agency - A “one-on-one” agency relationship in which the licensee represents only one side of the real estate transaction, either the buyer or the seller.

Special agency (specific agency) - An agency relationship that gives the agent no power to bind the principle/client to a contract. The agent is authorized to perform a specific set of tasks for a specific amount of time but cannot agree to a contract on their client’s behalf.

Subagency - A type of representation that occurs when a cooperating sales associate from another brokerage, who is not the buyer’s agent, shows property to a buyer that is listed by another brokerage.

Universal agency - Occurs when one person is holding a power-of-attorney over another person. In a universal agency situation, the agent-in-fact (the person holding the power of attorney) has unlimited power to bind and act in place of the principle/client and to perform ALL tasks as if her or she what that person. A universal agent is considered to be the most powerful forms of representation.

written service agreement - Is a written contract between the two parties that outlines the duties and expectations of each side, plus the compensation to be paid.

Property Disclosures - 7% of questions

Comprehensive Environmental Response Compensation and Liability Act (CERCLA)/Superfund Amendment and Reauthorization Act (SARA) - Authorizes the President to respond to releases or threatened releases of hazardous substances into the environment. CERCLA authorities complement those of the Resource Conservation and Recovery Act, which primarily regulates ongoing hazardous waste handling and disposal.

Environmental Disclosures -

Brokers should be familiar with environmental hazards known to be common to their market area.

The listing broker and selling broker, if a subagent, must inform the seller or lessor of their obligations for environmental disclosures under the Residential Lead-Based Paint Hazard Reduction Act of 1992 for dwellings built prior to 1978.

Homebuyers must be alerted to any lead-based paint or related hazards.

Homebuyers must be given an agreed-upon time period for the opportunity to conduct a lead-based paint inspection or risk assessment at their expense.

A Certification and Acknowledgment of Disclosures must be attached to the offer to purchase.

A copy of the Certification and Acknowledgment must be kept by the seller and both agents for three years after closing or the beginning of the lease.

Latent Defect - A defect that is hidden but known to the seller only and cannot be revealed by an ordinary inspection of the agent or buyer, such as a crack in a basement wall that is concealed behind some drywall or paneling. A “non-disclosure” of a defect will result in seller committing “silent fraud”.

Lead Paint Disclosure - This requires that potential buyers and renters of housing built prior to 1978 receive certain information about lead and lead hazards in the residence prior to becoming obligated to buy or rent, and provides the opportunity for an independent lead inspection for buyers. Sellers, landlords, and agents are responsible for compliance.

Licensee's role regarding Property Conditions

If a licensee is aware of certain property defects, they have a duty to disclose the information to the buyer even if licensee was a seller's agent.

Licensee must encourage the seller to disclose all known defects even if the defect is not addressed in the seller's disclosure statement.

Material Facts - Have direct effect on value such as a leak in the roof, pollution, a bad furnace, etc. It may not be a defect but an issue that a buyer must know such as the fact that the seller has made an addition to the property without a permit or has an ongoing legal problem with a neighbor or the association. Material facts must be disclosed to the buyer.

Material Facts for Seller's Agent -

Disclosure of all offers,

buyer's ability to offer a higher price (in most states),

disclosing names of prospective buyers as well as any relationship, such as buyer being related to licensee, and disclosure of known material defects in property.

Material Facts for Buyer's Agent -

Disclosing property deficiencies,

disclosing provisions of offer to purchase that are not favorable to the buyer,

recommending the lowest price the buyer should offer regardless of the list price, &

disclosing how long the property has been listed

Non-Material Facts - Have no effect on value such as the reason for the sale, seller is sick, getting a divorce, seller lost job and is desperate for money, or, for example, that a murder or suicide has occurred in the house. No duty is imposed to disclose.

Patent Defect - A defect that can be discovered as a result of a reasonable inspection that is conducted on the property, such as an obvious roof leak, furnace problem, etc.

Property Disclosure - Sellers has duty to discover and disclose any known latent defects that threaten personal safety or structural soundness.

Residential Property Condition Disclosure Report (PDR) - Outlines any flaws or issues that home sellers (and their real estate agents) are aware of, which could negatively affect the property's value. Purchase agreement must identify that the buyer has or has not received the (PDR).

Retroactive liability - Liability for actions before CERCLA was passed. For example, in the Love Canal case all the waste was dumped long before CERCLA was passed in 1980, but the release of that waste was current and causing injury after the statute was enacted.

Required Disclosures -

- Whether the house has various appliances (refrigerator, dishwasher, air conditioning and/or heating system, security system, hot tub, garbage disposal, and so on) and if so, what condition they are in
- Roofing material and condition

- History of pest activity
- Water intrusion or related foundation or grading issues
- Neighborhood issues such as noise or pollution
- Local environmental hazards, and whether the property has been stigmatized in the public eye by dramatic circumstances such as a murder or other violent crime, hauntings or supernatural phenomena, suicide, or other serious criminal activity (more than a mere burglary).

Silent Fraud (Non-Disclosure) - The act of withholding information regarding concealed property defects from the buyer while the seller knows if such information is disclosed, it may result in losing the sale or offering a lower price. Example: Seller paves over an old, leaky underground storage tank because he does not want a potential buyer to find out about it.

Property Management - 3% of questions

Americans With Disabilities Act - Landlords must also provide reasonable accommodations to tenants, which can include renting to tenants who have service or emotional support animals.

Federal Fair Housing Act - Prohibits discrimination in housing based on race, color, national origin, religion, age, sex, disability, and familial status. State and local laws are often more expansive, and may include sexual orientation, gender identity, and marital status as protected groups.

The Fair Housing Act prohibits discrimination in housing because of:

- Race
- Color
- National Origin
- Religion
- Sex (including gender identity and sexual orientation)
- Familial Status
- Disability

Types of Housing Covered

The Fair Housing Act covers most housing. In very limited circumstances, the Act exempts owner-occupied buildings with no more than four units, single-family houses sold or rented by the owner without the use of an agent, and housing operated by religious organizations and private clubs that limit occupancy to members.

What Is Prohibited

In the Sale and Rental of Housing:

It is illegal discrimination to take any of the following actions because of race, color, religion, sex (including gender identity and sexual orientation), disability, familial status, or national origin:

- Refuse to rent or sell housing
- Refuse to negotiate for housing
- Otherwise make housing unavailable
- Set different terms, conditions or privileges for sale or rental of a dwelling
- Provide a person different housing services or facilities
- Falsely deny that housing is available for inspection, sale or rental
- Make, print or publish any notice, statement or advertisement with respect to the sale or rental of a dwelling that indicates any preference, limitation or discrimination
- Impose different sales prices or rental charges for the sale or rental of a dwelling
- Use different qualification criteria or applications, or sale or rental standards or procedures, such as income standards, application requirements, application fees, credit analyses, sale or rental approval procedures or other requirements
- Evict a tenant or a tenant's guest
- Harass a person
- Fail or delay performance of maintenance or repairs
- Limit privileges, services or facilities of a dwelling
- Discourage the purchase or rental of a dwelling
- Assign a person to a particular building or neighborhood or section of a building or neighborhood
- For profit, persuade, or try to persuade, homeowners to sell their homes by suggesting that people of a particular protected characteristic are about to move into the neighborhood (blockbusting)
- Refuse to provide or discriminate in the terms or conditions of homeowners insurance because of the race, color, religion, sex (including gender identity and sexual orientation), disability, familial status, or national origin of the owner and/or occupants of a dwelling
- Deny access to or membership in any multiple listing service or real estate brokers' organization

In Mortgage Lending:

It is illegal discrimination to take any of the following actions based on race, color, religion, sex (including gender identity and sexual orientation), disability, familial status, or national origin:

- Refuse to make a mortgage loan or provide other financial assistance for a dwelling
- Refuse to provide information regarding loans
- Impose different terms or conditions on a loan, such as different interest rates, points, or fees
- Discriminate in appraising a dwelling
- Condition the availability of a loan on a person's response to harassment
- Refuse to purchase a loan

Property manager responsibility

Maintenance and Repairs:

- Ensuring regular maintenance activities are performed on schedule to maintain property appeal and value. Routine Maintenance -
- Repair Management - Addressing repair requests promptly, overseeing contractors, and ensuring quality workmanship.
- Property Inspections - Conducting regular inspections to prevent further damage and keep properties in good condition.

Legal Compliance and Risk Management

Property managers navigate the complex landscape of legal compliance and risk management, including:

- Legal Adherence - Ensuring compliance with local, state, and federal laws and regulations related to property management and tenant rights.
- Implementing insurance and risk management strategies to protect the investment. Risk Management -
- Evictions - Managing the logistics of eviction processes in compliance with applicable laws.

Landlord Obligations to Tenant

- Possession
- Habitable condition

- Noninterference with use

Rental Procurement Process

- Rental application
- Documentation regarding income sources, credit history, rental history, and references.

Transfer of Title - 6% of questions

Bargain and Sale Deed - Includes a warranty that the grantor owns the property but doesn't guarantee against claims or liens. It does not protect the grantee against title-related problems that may arise after the transfer. The grantee assumes the risk of any encumbrances or defects in the title.

Builders Warranty - Provided by builders to their customers after the home is completed. They typically last one to two years for materials and workmanship and five to 10 years for structural issues.

Contract for Deed (also known as an installment land contract, a land contract, or a land sales contract)

- Is a type of unique real estate agreement where the seller essentially finances the buyer's purchase of the property.

In this arrangement, the buyer obtains equitable title (usually with a down payment) and starts making installments to the seller, including the agreed purchase price and any interest. The legal title remains with the seller until the purchase price is fully paid.

Once the buyer has paid everything, the seller is required to sign a deed that officially transfers the legal ownership of the property to the buyer.

Deed of Reconveyance - Used to release the property from the lien once the loan has been fully repaid. It acknowledges the satisfaction of the debt and transfers the legal title to the trustor (borrower). A deed of reconveyance is typically prepared by the trustee and recorded in the public records to provide clear evidence of the release of the lien.

Deed of Trust - Also known as a trust deed, establishes a legal arrangement involving a borrower, lender, and trustee (typically a title company). In this arrangement, the trustee holds the property title in trust for the lender until the borrower fully repays the loan. Upon complete repayment, the trustee transfers the title to the borrower.

General Warranty Deed - Typically used in residential real estate transactions, a general warranty deed guarantees that the seller has the full legal right to sell the property and that the property is free and clear of any claims, debts, liens, or other encumbrances throughout the property's history.

Gift Deed - Allows the grantor to transfer money or property as a gift without receiving consideration (money) in return. They are commonly seen in estate planning.

Grant Deed - A grant deed guarantees that:

- The grantor hasn't previously transferred the property to someone else, and
- The property wasn't burdened with debts or legal claims while under the grantor's ownership, except for those specifically mentioned in the deed.

Homeowners Insurance - A type of property insurance that protects your home and assets from various risks.

Insurable title - Does, or may have a known defect or defects in the chain of title. However, with an insurable title, a title insurance company has agreed in advance to provide insurance against the defects ever affecting the ownership or value of the property.

Lender's title insurance - This type of title insurance policy protects the financial interests of the company that issues the mortgage (just like mortgage insurance does).

marketable title - Means that the chain of ownership (title) to a particular piece of property is clear and free from defects.

Mortgage Deed - Is a document signed between a homeowner and a bank or lending institution to secure a loan. More specifically, it secures the property as collateral for a loan — meaning a “mortgage payment” is paid towards a loan debt, with the house serving as security in the event of a default.

Owner's title insurance - This policy protects you—the homebuyer. For an owner's title insurance policy, the coverage amount is usually equal to the purchase price and remains constant for as long as you or your heirs own the home. Owner's title insurance is optional and only needs to be purchased once.

Quitclaim Deed - The grantor “quits” any claim to the property and simply passes it to the grantee. It only transfers whatever interest the grantor has in the property and does not guarantee the grantor's ownership. In other words, it offers no warranty to the grantee.

Special Transaction Processes

Foreclosure - The action of taking possession of a mortgaged property when the mortgagor fails to keep up their mortgage payments.

Short Sale - A short sale in real estate is an offer of a property at an asking price that is less than the amount due on the current owner's mortgage.

Probate - The legal process of distributing a deceased person's assets according to their will or state laws.

Special Warranty Deed - Similar to a general warranty deed, a special warranty deed (also referred to as a limited warranty deed) assures the grantee that the grantor is the legal owner of the property and that it was not encumbered during their ownership.

Survivorship Deed - Allows co-owners of real estate to automatically transfer a deceased owner's share to the surviving owner(s). It can help avoid the probate process after the death of a joint property owner, as the property automatically passes to the surviving owner(s) without the need for the involvement of a will or trust.

Title insurance - A policy that covers third-party claims on a property that don't show up in the initial title search and arise after a real estate closing.

The title company searches for public records related to your home to try to find any title defects that could affect the lender's or buyer's property rights such as:

- **Liens** - Can get placed on the property by a contractor, tax authority or lender who hasn't been paid. You don't want to get stuck paying a previous owner's unpaid bills.
- **Easements** - Are someone else's right to use your property even though you are the owner. For example, if there are utility lines in your backyard, the utility company will have an easement that allows them to access your property if they need to work on the lines. The easement could limit your ability to use your property however you want.
- **Encumbrances** - Include liens (also called "financial encumbrances") as well as easements, but also include zoning laws, restrictive covenants imposed by homeowners associations and leaseholder rights.

Warranty Deed - Assures that the grantor has clear title to a parcel of real estate and has the full legal right to transfer (sell) it to the grantee. It also guarantees that the property is free and clear of any claims, debts, liens, or other encumbrances. Because of these strong guarantees, a warranty deed is the most commonly used type of deed in the US.

Practice of Real Estate - 12% of questions

Americans with Disabilities Act (ADA) - Requires employers to provide reasonable accommodations. These accommodations ensure equal opportunity in the application process, enable qualified individuals with disabilities to perform essential job functions, and allow employees with disabilities to enjoy equal benefits and privileges of employment.

Antitrust laws - Refer to illegal business practices that restrict competition, such as price-fixing, monopolization, and collusion. Violations can lead to severe legal consequences, including substantial fines and operational changes mandated by regulatory authorities. The three core federal antitrust laws are the Sherman Act, which outlaws "every contract, combination, or conspiracy in restraint of trade," and any "monopolization, attempted monopolization, or conspiracy or combination to monopolize". Criminal penalties are reserved for offenses like price-fixing, bid-rigging, or market allocation agreements, and a corporation can be fined up to \$100 million per offense.

Brokers Responsibilities

Brokers have supervisory responsibilities for all associated firm members, including managing brokers, sponsored licensees, employees, unlicensed personal assistants, and administrative staff. Brokers must exercise reasonable and adequate supervision of the provision of real estate brokerage services by associate brokers and salespersons assigned to the branch office or real estate team.

The relationship between a broker and licensees (employees or independent contractors) is governed by the following rules:

- A written employment agreement is required when a licensee joins a firm.
- Brokers must enter into a written agreement with each affiliated licensee.
- Brokers have responsibilities towards their affiliated licensees, including controlling work schedules and procedures.
- Real estate agents are generally accepted as independent contractors in the United States.
- Brokers must avoid certain activities to properly classify salespeople as independent contractors.
- Sales associates are licensed to perform transactions on behalf of their licensed broker.

Blockbusting - Inducing or attempting to induce a person to sell or rent a dwelling based on race, color, religion, sex, familial status, or national origin.

Disparate Treatment - Providing unequal treatment in housing sales or rental transactions based on protected characteristics.

Due diligence - Investigating property titles, analyzing financial records, and reviewing legal documentation to ensure seamless and successful transactions.

Fair housing advertising rules

Prohibition of Discriminatory Language: Advertisements must not indicate any preference, limitation, or discrimination based on protected classes. This includes avoiding phrases that suggest exclusivity or preference for certain demographics, such as "ideal for families" or "no children allowed".

Acceptable Language: While certain phrases are prohibited, others are acceptable. For example, describing property features like "quiet residential area" or "near parks" is permissible. However, avoid terms that have historically been associated with discrimination, such as "exclusive" or "restricted".

Equal Housing Opportunity Logo: All housing advertisements should include the Equal Housing Opportunity slogan or logo, which must be clear and legible. This logo should be at least equal in size to other logos in the advertisement.

Use of Images and Models: If using images of people in advertisements, ensure that they represent a diverse range of individuals to indicate that the housing is open to all, regardless of race, color, religion, sex, handicap, familial status, or national origin.

Digital Advertising Considerations: With the rise of digital advertising, advertisers must be cautious about automated targeting systems that may inadvertently lead to discriminatory practices. The Fair Housing Act applies to all forms of advertising, including online platforms, and advertisers must ensure that their targeting does not exclude or discriminate against protected classes.

Legal Obligations: Real estate professionals are legally obligated to comply with fair housing laws. This includes ensuring that all marketing materials, from flyers to online ads, adhere to these guidelines to avoid potential legal repercussions.

Federal Fair Housing Act - Prohibits discrimination in housing based on race, color, religion, sex, disability, familial status, or national origin. Exemptions include dwellings with four or fewer units where the owner lives in one of the units.

The Federal Fair Housing Act protects individuals from discrimination in housing based on the following seven protected classes:

- Race
- Color
- National Origin
- Religion
- Sex
- Familial Status (presence of children under 18)
- Disability

Fiduciary duties - When handling funds of others in real estate transactions, agents have fiduciary duties. These duties include confidentiality, obedience, loyalty, disclosure, accounting, and care.

Redlining - Discriminatory lending practices that prevent certain groups from buying homes in specific neighborhoods.

Steering - Directing potential buyers or sellers to avoid certain neighborhoods based on protected characteristics.

Real Estate Calculations - 7% of questions

Accrued interest - Interest that is due for your mortgage on the closing date. This is the number of days between your normal payment day of the month and the closing date times your daily interest rate.

Appraisal fee - Appraisal fee or expense required to be paid by the seller.

Buyer funds needed at closing/cash to close - Include the down payment, closing costs, prepaid items, and other fees that cannot be covered by the mortgage loan.

Capital Gains Tax - A tax equivalent to 6% of the selling price or the zonal value, whichever is higher, applicable to the seller.

Capitalization rate (or Cap Rate) - Is the rate of return on a real estate investment property. It is calculated by dividing the net operating income of a property by its current market value.

Closing fees - Any closing fees required to be paid by the seller.

Discount points and loan origination fee - Discount points are a way for borrowers to prepay interest on their mortgage, reducing the interest rate. Each point generally costs 1% of the loan amount and reduces the interest rate by approximately 0.25%. Unlike origination fees, points act as a prepayment of interest.

Documentary Stamp Tax (DST) - This is a national internal revenue tax imposed on documents that transfer property rights, typically 1.5% of the selling price or zonal value.

Home warranty - Any amount to be paid by the seller of the home to furnish a home warranty to the buyer.

Interest Rates - The LTV ratio can also affect the interest rate offered to the borrower. Lower LTV ratios typically result in more favorable interest rates, while higher ratios may lead to higher rates due to the increased risk.

Loan -to -Value ratio - $LTV\ Ratio = (Loan\ Amount / Appraised\ Property\ Value) \times 100$

Risk Assessment: Lenders use the LTV ratio to evaluate the risk associated with a loan. A higher LTV ratio indicates higher risk, as it suggests that the borrower has less equity in the property. Loans with high LTV ratios may come with higher interest rates or require private mortgage insurance (PMI) to protect the lender in case of default.

Loan Approval - Many lenders have specific LTV ratio thresholds that borrowers must meet to qualify for certain loan types. Generally, an LTV ratio of 80% or lower is preferred, as it indicates that the borrower has a significant equity stake in the property.

Miscellaneous Expenses - Additional costs may include notary fees, agent commissions, and other incidental expenses incurred during the registration process.

Payment Procedures - Sequence of Payments: Generally, the seller is responsible for the transfer tax, but this can be negotiated. The buyer typically pays the registration fees and other incidental costs.

PITI (Principal, Interest, Taxes and Insurance)

1. Principal - the amount of your loan (not including interest). Most likely, it is the cost of your house minus your down payment.
2. Interest - the rate at which the lender charges you for borrowing money.
3. Tax - property tax charged at the municipal level. You can find the exact amount on the website of the county where the house is located, or get it from your real estate agent.
4. Insurance - protection for your property in case of fire, lightning, break-in, flooding, etc. Most often, it is not required by law, yet demanded by the lender.

$$\text{PITI} = \text{monthly tax} + \text{monthly insurance} + \text{monthly mortgage payment}$$

Prepayment penalty - Any penalty you required to pay if you pay off a your second mortgage early. Most mortgages will not have a prepayment penalty.

Proration - In real estate involves the division of property expenses such as taxes and HOA fees between the buyer and seller based on the time each party owns the property.

Survey fee - Survey fee or expense required to be paid by the seller.

Termite inspection - Termite inspection fee or expense required to be paid by the seller.

Transfer tax - Percentage of the home purchase price that is paid as a transfer tax. This is a local tax imposed on the sale, donation, barter, or any other mode of transferring ownership of real property.

Title policy - Cost of title insurance required to be paid by the seller.

Revenue stamps - Revenue stamps tax or fee required to be paid by the seller.

