Florida Real Estate Commission  
SALES ASSOCIATE COURSE SYLLABUS  
(FREC COURSE I)  
January 1, 2015  
(effective date)

TABLE OF CONTENTS
SECTION 1: Administrative Matters And Course Overview; The Real Estate Business
SECTION 2: Real Estate License Law And Qualifications For Licensure
SECTION 3: Real Estate License Law And Commission Rules
SECTION 4: Authorized Relationships, Duties And Disclosure
SECTION 5: Real Estate Brokerage Activities: Guides For Sales Associates
SECTION 6: Violations Of License Law, Penalties And Procedures
SECTION 7: Federal And State Laws Pertaining To Real Estate
SECTION 8: Property Rights: Estates And Tenancies; Condominiums, Cooperatives, And Time-Sharing
SECTION 9: Title, Deeds And Ownership Restrictions
SECTION 10: Legal Descriptions
SECTION 11: Real Estate Contracts
SECTION 12: Residential Mortgages
SECTION 13: Types Of Mortgages And Sources Of Financing
SECTION 14: Real Estate Related Computations And Closing Of Transactions
SECTION 15: The Real Estate Market
SECTION 16: Real Estate Appraisal
SECTION 17: Introduction To Residential Product Knowledge
SECTION 18: Real Estate Investments And Business Opportunity Brokerage
SECTION 19: Taxes Affecting Real Estate
SECTION 20: Planning And Zoning
Suggested formatting and instructional techniques:

- When discussing the application and examination process refer students to the Candidate Information Booklet.
- Use application based instruction.
- When available utilize case studies.
- Emphasize the role of ethics in the practice of real estate.
- Where applicable refer students to the Florida Administrative Code and Florida Statute.
- Section times are not required to be three hours in duration provided the overall course is 60-hours of instruction with 3-hour end-of-course examination. Allocate your time based upon the complexity of the material.
- Refer students to available online services offered by the Department of Business and Professional Regulation when discussing application, license renewal and general account information.
- Where appropriate incorporate the most timely forms and applications used in the field.
- While the syllabus contains structured areas of study if you find that subject matter from different sections applies to the topics you are covering you may incorporate the material into that section.
SECTION 1
COURSE OVERVIEW: THE REAL ESTATE BUSINESS

Learning Objectives:
• Describe the various activities of real estate brokerage
• Distinguish among the five major sales specialties
• Identify the role of property managers
• Explain the appraisal process and the role of the appraiser
• Understand the mortgage process and the role of mortgage loan originator
• Explain the three phases of development and construction
• Distinguish among the three categories of residential construction

Key Terms:
• absentee owner
• appraisal
• appraiser
• broker price opinion (BPO)
• business opportunity
• comparative market analysis (CMA)
• dedication
• farm area (target market)
• follow-up
• property management
• real estate brokerage
• special-purpose property
• subdivision plat map
• USPAP
• MLS

Outline
I) Introduction to the Real Estate Business
   A Overview of the real estate industry
      1) The real estate industry's role in the nation's economy
      2) Many industries are dependent on real estate activity
   B Real estate is a business of many specializations
      1) Expert information is the product that a broker or a sales associate must market
         (a) Knowledge of property transfer
         (b) Knowledge of market conditions
         (c) Knowledge of how to market real estate

II) Real Estate Brokerage
   A Sales and Leasing
      1) A business in which real estate license-related activities are performed under the authority of a real estate broker
      2) The broker acts as an agent or intermediary between two or more people in the negotiation of the sale, purchase or rental of real estate
      3) A sales associate works for the broker, providing services to prospective buyers and sellers
4) Requires expert information that the average layperson does not possess
5) More efficient to acquire this information through a real estate professional
6) Real estate brokers and sales associates often specialize in a particular geographic area or property type. This method of target marketing is often called "farming"
7) Five major sales specialties
   (a) Residential
   (b) Commercial
   (c) Industrial
   (d) Agricultural
   (e) Businesses

B Property Management
1) Need for property managers
   (a) Absentee ownership
2) Services typically provided by a property manager
   (a) Distinguish between Community Association Manager (CAM)
3) Scope of work detailed in a management agreement
4) Property manager's charge is to protect the owner's investment and maximize owner's returns

C Appraising
1) The process of estimating the value of real estate
2) Types of real estate activities that require appraisal services
3) State-certified, licensed and registered appraisers are regulated by the Florida Real Estate Appraisal Board
4) Real estate licensees may appraise real property provided they do not represent themselves as state-certified, registered or licensed appraisers
5) Real estate licensees must comport to USPAP when conducting appraisals of real property--define USPAP
6) Comparative market analysis versus appraisal--define CMA
   (a) CMAs exempt from USPAP
7) USPAP's Ethics Rule regarding compensation

D Financing
1) The business of providing funds for real estate transactions
2) Sources of funds to finance real estate transactions
3) Importance of expertise in financing matters and knowledge of how to solve financing problems
4) Mortgage loan originator and mortgage bankers must be licensed as such

E Counseling
1) The service of analyzing existing or potential projects and providing advice
2) Extensive knowledge and expertise is required

III) Development and Construction
A Land acquisition
B Subdividing and development
C Subdivision plat map is recorded
D Developer often dedicates land to a governmental body for public use
E Construction
   1) Types of residential construction
(a) Spec homes
(b) Tract homes
(c) Custom homes

IV) The Role of Government
   A Local government
   B State government
   C Federal government

V) Professional Organizations
   A Variety of professional organizations are in existence
   B National Association of REALTORS® (NAR)
   C Florida REALTORS®
   D Local Board (Association) of REALTORS®
   E Distinguishing between holding a Real Estate license vs. being a Realtor
SECTION 2
REAL ESTATE LICENSE LAW AND QUALIFICATIONS FOR LICENSURE

Learning Objectives:
• Identify the qualifications for a sales associate's license
• Describe the application requirements for licensure including nonresident application requirements
• Explain the importance of responding accurately and completely to the background information questions on the licensure application
• Illustrate the background check procedure conducted by the DBPR
• Describe the education requirement for pre- and post-license education and continuing education
• Distinguish among the various license categories
• Identify services of real estate where licensure is required
• Recognize actions that constitute unlicensed activity
• Recognize exemptions from real estate licensure
• Distinguish between registration and licensure
• Explain mutual recognition agreements

Key Terms:
• adjudication withheld
• broker
• broker associate
• caveat emptor
• compensation
• Florida resident
• license/registration
• nolo contendere / no contest
• prima facie evidence
• real estate services
• sales associate
• expungement vs. sealing

Outline
I) History and purposes of real estate license laws
   A  History of Florida's real estate license law
      1) Department of Business and Professional Regulation
      2) Division of Real Estate
      3) Florida Real Estate Commission
   B  Need for regulation
      1) Caveat emptor
   C  Purpose of regulation
      1) Consumer protection
   D  Important real estate statutes and rules
II) License Categories
A Broker
B Sales associate
C Broker associate

III) General Licensure Provisions
A Age
B High school diploma or its equivalent
C Honest, trustworthy, of good moral character
D Disclose if under investigation, convicted of a crime or ever entered a plea of nolo contendere / no contest or guilty
E Aliases—A/K/A
F Disclose if denied, or had a license disciplined or pending discipline in another jurisdiction
G Disclose if Denied, surrendered, or revoked license or registration to practice a regulated profession in any jurisdiction
H Guilty of any conduct or practice that would have been grounds for suspension or revocation under Chapter 475, F.S.
I U.S. citizenship (Chapter 455.10)
J Qualification of immigrants for examination (Chapter 455.11, F.S.)
K Requirement for United States social security number (Chapter 559, F.S.)

IV) Application Requirements
A Fees
B Application form
   1) Responding accurately and completely to background information on the application
C Background check procedure
D Period to check for errors and omissions
E Period to inform applicant of approval or denial of application
F Rights of an applicant
G The length of time a licensure application is valid
   1) Initial application
   2) Exam eligible
H Nonresident application requirements
I Regulations pertaining to pre-license courses
J Identify what is public record

V) Sales Associate License Requirements
A Education exemptions
B Sales associate pre license course
C State licensure examination

VI) Broker License Requirements
A Education exemptions
B Experience requirement
C Broker pre license course
D State licensure examination

VII) Mutual Recognition Agreements with Other States
A Florida resident defined
B Distinguish between mutual recognition and reciprocity

VIII) Information included on the real estate license
A Prima facia evidence that holder of a real estate license possesses current and valid licensure

IX) Registration vs. Licensure

X) License Renewal Education
   A Post licensure requirement
   B Continuing education
   C Reactivation education

XI) Real Estate Services
   A Individuals who are required to be licensed
   B Individuals who are exempt from licensure

XII) Unauthorized Practice of Law

**SECTION 3**

**REAL ESTATE LICENSE LAW AND COMMISSION RULES**

*Learning Objectives:*
- Describe the composition, appointment and member qualifications of the Florida Real Estate Commission
- Define the powers and duties of the Commission
- Explain the different licensure statuses
- Distinguish between active and inactive license status
- Describe the regulations regarding involuntarily inactive status
- Distinguish between multiple and group licenses

*Key Terms:*
- active/inactive
- canceled
- cease to be in force
- current
- group license
- involuntarily inactive
- license authority voided
- multiple licenses
- null and void
- voluntarily inactive

*Outline*

I) Regulation by Department of Business and Professional Regulation
   A Organizational structure
   B Definitions; F.S. 455.01
   C Legislative intent; requirements; F.S. 455.02
   D Department powers and duties; F.S. 455.203
   E Licensing examinations
   F Licenses, fees, statuses, and renewal
      1) Active status
      2) Inactive status
         (a) Voluntarily inactive status
         (b) Involuntarily inactive status
3) License ceases to be in force (F.S. 475.23)
4) Members of armed forces (F.S. 455.02)

G Types of real estate license
   1) Multiple and group licenses

II) Division of Real Estate
   A Organizational structure

III) The Florida Real Estate Commission; Rules Governing Internal Organization and Operation; 61J2-20
   A Purpose of regulation
   B General structure
      1) Composition and qualifications of members
      2) Legal counsel
      3) Meetings and minutes
   C Duties and powers of the Commission
      1) Specific areas of responsibility
      2) Rule making
      3) Education
      4) Discipline
SECTION 4
AUTHORIZED RELATIONSHIPS, DUTIES AND DISCLOSURE

Learning Objectives:
• Describe which provisions of the Brokerage Relationship Disclosure Act apply only to residential real estate sales and list types of real estate activities that are exempt from the disclosure requirements
• Define residential transaction
• Distinguish among nonrepresentation, single agent and transaction broker
• List and describe the duties owed in the various authorized relationships
• Compare and contrast the fiduciary duties owed in a single agent relationship and the duties owed in a transaction broker relationship
• Describe the disclosure procedures for the various authorized relationships
• Describe the required content and format of the various disclosure forms
• Explain the procedure for transition from a single agent to a transaction broker
• Describe the disclosure requirements for non-residential transactions where the buyer and seller have assets of $1 million or more
• List the events that will cause an agency relationship to be terminated
• Distinguish between and explain the disclosure requirements and forms pursuant to Florida Statute
• Identify Information That is Subject to Public Record

Key Terms:
• agent
• caveat emptor
• consent to transition
• customer
• designated sales associate
• dual agent
• fiduciary
• general agent
• limited representation
• nonrepresentation
• principal
• residential sale
• single agent
• special agent
• subagency
• transaction broker

Outline
1) Concept of agency
   A Historical perspective of agency relationships
      1) Statutory law
      2) Common law
   B Types of agents
      1) General agent
      2) Special agent
   C Fiduciary relationships
1) Dealing at arm's length
2) Caveat emptor
3) Dual agency
4) Subagency
5) Customer vs. client

D Agency relationships determined by broker

II) Disclosure Requirements
A Applies to residential sales only
B Disclosure requirements do not apply to:
   1) Non residential transactions
   2) The rental or leasing of real property, unless an option to purchase all or a portion of the property improved with four or fewer residential units is given
   3) Auctions
   4) Appraisals
   5) Dispositions of any interest in business enterprises or business opportunities, except for property with four or fewer residential units

III) Authorized Brokerage Relationships
A Nonrepresentation
   1) Customer means a member of the public who is or may be a buyer or seller of real property and may or may not be represented by a real estate licensee in an authorized brokerage relationship
   2) Duties
      (a) Dealing honestly and fairly
      (b) Disclose all known facts that materially affect the value of residential property which are not readily observable to the buyer
      (c) Accounting for all funds entrusted to the licensee
   3) Disclose the no brokerage relationship (nonrepresentation) notice in writing before the showing of property (Section 475.278(4)(b), F.S.)
B Single agent relationship
   1) Single agent is a broker who represents, as a fiduciary, either the buyer or seller but not both in the same transaction
   2) The party with whom a real estate licensee has entered into a single agent relationship is the principal
   3) Duties
      (a) Dealing honestly and fairly
      (b) Loyalty
      (c) Confidentiality
      (d) Obedience
      (e) Full disclosure
      (f) Accounting for all funds
      (g) Skill, care and diligence in the transaction
      (h) Presenting all offers and counteroffers in a timely manner
      (i) Disclosing all known facts that materially affect the value of residential real property that are not readily observable
   4) Give the single agent disclosure before, or at the time of, entering into a listing agreement or an agreement for representation or before showing the property, whichever occurs first
   5) Required information on the disclosure per Statute
   6) Required format of the disclosure per Statute

11
C  Transaction broker relationship
   1) Presumption of transaction brokerage relationship
   2) Transaction broker means a broker who provides limited representation to a
      buyer, a seller, or both, in a real estate transaction, but does not represent either in
      a fiduciary capacity or as a single agent
   3) Transaction brokers provide a limited form of nonfiduciary representation to a
      buyer, a seller, or both in a real estate transaction
   4) Duties include:
      (a) Dealing honestly and fairly
      (b) Accounting for all funds
      (c) Using skill, care, and diligence in the transaction;
      (d) Disclosing all known facts that materially affect the value of residential
          real property and are not readily observable to the buyer
      (e) Presenting all offers and counteroffers in a timely manner, unless a party
          has previously directed the licensee otherwise in writing
      (f) Limited confidentiality, unless waived in writing by a party. This limited
          confidentiality will prevent disclosure that the seller will accept a price
          less than the asking or listed price, that the buyer will pay a price greater
          than the price submitted in a written offer, of the motivation of any party
          for selling or buying property, that a seller or buyer will agree to financing
          terms other than those offered, or any other information requested by a
          party to remain confidential
      (g) Any additional duties that are mutually agreed to with a party
   IV) Consent to Transition From Single Agent to Transaction Broker
      A  A single agent relationship may be changed to a transaction broker relationship at
          any time during the relationship between an agent and principal, provided the
          agent gives the transition disclosure and the principal consents to the transition
          before a change in relationship
      B  Procedure
          1) Give the single agent disclosure before, or at the time of, entering into a listing
             agreement or an agreement for representation or before showing of property,
             whichever occurs first
          2) Give transition disclosure and secure consent (signature) from party
      C  Required information on the disclosure per Statute
      D  Required format of the disclosure per Statute
   V) Designated sales associate
      A  Non-residential transaction limitations
      B  Disclosure requirements
      C  Single agent duties
   VI) Discipline
      A  Violations and penalties
   VII) Record keeping and retention
      A  Documenting agency disclosure
SECTION 5
REAL ESTATE BROKERAGE ACTIVITIES AND PROCEDURES

Learning Objectives:
• Identify the requirements for real estate brokerage office(s) and the types of business entities that may register
• Explain what determines whether a temporary shelter must be registered as a branch office
• List the requirements related to sign regulation
• List the requirements related to the regulation of advertising by real estate brokers
• Explain the term *immediately* as it applies to earnest money deposits
• Describe the four settlement procedures available to a broker who has received conflicting demands or who has a good-faith doubt as to who is entitled to disputed funds
• Explain the rule regarding the advertisement of rental property information or lists or negotiation of rentals
• Describe the obligations placed on a sales associate who changes employers and/or address

Key Terms:
• arbitration
• blind advertisement
• commingle
• conflicting demands
• conversion
• corporation (INC)
• deposit
• earnest money
• escrow account
• escrow disbursement order
• general partnership
• good-faith doubt
• interpleader
• kickback
• limited liability company (LLC)
• limited liability partnership (LLP)
• limited partnership
• litigation
• mediation
• ostensible partnership
• professional association (PA)
• point of contact information
• sole proprietorship
• trade name

Outline
I) Brokerage offices
   A Sales associates must be registered and work under direction and control of broker's office or branch office
II) Guidelines for advertising
   A False or misleading advertising
      1) Penalties for false advertising
   B Any advertising must be worded so that a reasonable person knows that the
      advertiser is a real estate licensee
   C "Blind" advertising is prohibited; it must always reveal the licensed name of the
      brokerage firm
   D Any person advertising real estate services is interpreted as acting as a broker
   E Sales associates cannot advertise or conduct business in his or her own name
   F All types of Internet advertising
      1) Point of contact information

III) Handling of deposits
   A Requirement to deposit in an escrow account monies received from a client or
      customer
      1) Definition of escrow account
      2) Sales associate Must deliver funds by end of next business day
      3) Meaning of "immediately" for a broker
      4) Deposit notification if deposited with title company or attorney within 15 days
   B Management of escrow accounts
      1) If the account is interest bearing, requirement for written authorization for
         distribution of interest
      2) Requirement to inform broker immediately of any conflicting demands
         concerning disbursement of escrowed funds
      3) Good-faith doubt procedure when it is not clear which party should receive
         the escrowed property
         (a) Situations that are considered good-faith doubt
      4) Settlement procedures
         (a) Mediation
         (b) Arbitration
         (c) Litigation
            (1) Interpleader
            (2) Declaratory judgment
            (d) Escrow disbursement order

IV) Rental Lists and Rental Companies
   A Requirement
      1) Provide a receipt when offering rental information for a fee
         (a) Required language under Rule 61J2-10.030, F.A.C.
      2) Refund procedures
         (a) Fail to attain rental
         (b) Material misrepresentation
         (c) Request must be made within 30 days
   B Penalties for advertising obsolete or otherwise inaccurate rental lists
      1) License suspension or revocation
      2) First degree misdemeanor
         (a) Punishable by up to one year of imprisonment and/or fine of up to $1,000
V) Broker/Sales associate licensee as an expert in specific aspects of property transfer
   A Requirement to avoid offering an opinion of title since it can be relied on as expert opinion.
   B Ability to offer a representation of value, avoiding misrepresentation through exaggeration, etc.
   C Misrepresentation of value by a licensee as fraud, breach of contract, or breach of trust
   D Unauthorized practice of law

VI) Commissions
   A "Fixing" commissions or fees is illegal
   B A Sales associate cannot contract directly with a principal
      1) The sales associate's commission is by agreement with the broker
      2) A sales associate cannot sue a principal over a commission
   C "Kickbacks" are legal only under limited conditions
      1) All parties to the transaction must be fully informed of the kickback
      2) It must not be prohibited by other law
      3) It is unlawful to share a commission with an unlicensed person, except for the seller or buyer of the property
      4) It is unlawful for a licensee to pay any unlicensed person for performing real estate services
   D The details of commission agreements with sales associates should be part of a broker's policy manual

VII) Change of Employer
   A A sales associate must inform FREC about a change of employer
      1) Within ten days
      2) On a prescribed form
   B A Sales associate's obligation of confidentiality with respect to principals or the broker does not end with termination of employment
   C Duplication of records from a previous employer constitutes breach of trust, even if the one copying the records originated them, if done for the purpose of taking listings to the new employer
   D Removal of records from a previous employer's office constitutes theft

VIII) Unauthorized display of names or insignia of real estate organizations or associations is prohibited by FREC rules

IX) Change of address procedure and penalty for failure to notify FREC

X) Types of Business Entities
   A Entities that may register as a brokerage
      1) Sole proprietorship
      2) General partnership
      3) Limited partnership
         (a) Ostensible partnerships are prohibited
      4) Corporation
         (a) For profit
         (b) Not for profit
      5) Limited liability company
      6) Limited liability partnership
   B Entities that may not register as a brokerage
      1) Corporation sole
      2) Joint venture
3) Business trust
4) Cooperative association
5) Unincorporated associations

C A sales associate is prohibited from being an officer or director in a real estate brokerage corporation, or a general partner in a brokerage limited partnership

XI) Trade names
A No trade name (fictitious name) may be used by a sales associate; sales associates must register under their true name only
SECTION 6
VIOLATIONS OF LICENSE LAW, PENALTIES AND PROCEDURES

Learning Objectives:
• Explain the procedures involved in the reporting of violations, the investigation of complaints and the conduct of hearings
• Define the elements of a valid complaint
• Discuss the composition of the probable-cause panel
• Recognize events that would cause a license application to be denied
• Distinguish actions that would cause a license to be subject to suspension or revocation
• Identify individuals who would be eligible and the procedure to seek reimbursement from the Real Estate Recovery Fund
• Identify individuals who are not qualified to make a claim from the Real Estate Recovery Fund
• Describe the monetary limits imposed by law on the Real Estate Recovery Fund
• Explain the penalty for a first and second degree misdemeanor and what real estate activities are first degree misdemeanors
• Provide Examples of Unlicensed Practice of Law
• Illustrate Presumptions for a Party Performing Real Estate Services

Key Terms:
• breach of trust
• citation
• complaint
• commingle
• concealment
• conversion
• culpable negligence—failure to account for and deliver
• formal or administrative complaint
• fraud
• legally sufficient
• mediation
• misrepresentation
• moral turpitude
• notice of noncompliance
• probable cause
• recommended order
• stipulation
• subpoena
• summary/emergency suspension order
• voluntary relinquishment for permanent revocation

Outline
I) Disciplinary Procedure (Chapters 120, F.S.; 455, F.S.; 475, F.S.; 60Q and 61J2 of the Florida Administrative Code)
   A The complaint
      1) Filed with DBPR
      2) The complaint must be legally sufficient
3) Notice of noncompliance for first-time offense of a minor violation

B  DBPR conducts investigation
   1) Anonymous complaints
   2) Withdrawal of complaints
   3) When an investigation of a subject is undertaken the DBPR forwards a copy
       of the complaint to the subject (notice exception for criminal violation)
   4) Investigative report is submitted by legal to the probable-cause panel

C  Probable-cause Panel
   1) Composition of probable-cause panel
   2) Purpose is to determine whether probable cause exists
   3) Letter of guidance

D  If probable cause is found, a formal/administrative complaint is filed

E  Licensee is entitled to an informal or a formal hearing
   1) Election of rights form
   2) If no dispute of material fact the case can be presented in an informal hearing
       before the FREC

F  Stipulation

G  Voluntary Relinquishment for Permanent Revocation

II) Commission meeting (probable-cause panel members are excused)

A  Formal hearings are conducted by administrative law judges
   1) hears evidence
   2) makes findings of fact
   3) submits who prepare a recommended order to FREC

B  FREC (probable-cause members excused) consider the administrative law judge's
   report and recommended order and then issues a final order
   1) Summary/Emergency suspension order

C  Judicial Review (appeal process)
   1) Stay of enforcement
   2) Writ of supersedeas

III) Violations and Penalties

A  The Florida Real Estate Commission is authorized to:
   1) Deny a license application
      (a) Grounds for denial
   2) Refuse to renew a license
   3) Suspend a license up to 10 years
   4) Revoke a license
      (a) Exceptions to permanent revocation
         (1) Filed for renewal without complying with the continuing or post-
             licensing education requirement
         (2) Filed an application for licensure which contained false or fraudulent
             information
      (b) Revoke without prejudice
   5) Issue citations
   6) Impose a fine
      (a) Maximum $5,000 per violation of Chapter 455, F.S.
      (b) Maximum $5,000 per violation of Chapter 475, F.S.
   7) Impose probation
   8) Issue notice of noncompliance
   9) Mediation
B Violations and recommended penalties (see Disciplinary Guidelines, 61J2-24.001, F.A.C.)
C Penalties that may be issued by a court of law
   1) Second degree misdemeanor
   2) First degree misdemeanor
      (a) Failing to provide accurate and current rental information for a fee
   3) Civil penalties
      (a) Denial and recovery of compensation
   4) Third degree felony
      (a) Unlicensed activity
         (1) Fine of not more then $5,000 and/or up to 5 years in jail
      (b) Falsifying an application
IV) Real Estate Recovery Fund
   A Applies to real estate brokerage transactions:
      1) Involving Florida real estate
      2) Involving a licensee under Chapter 475, F.S
      3) Violating any part of Chapter 475, F.S.
   B Persons not qualified to make a claim
   C Payment for claims from the fund
   D Authorized fund limit and fees
SECTION 7
FEDERAL AND STATE LAWS PERTAINING TO REAL ESTATE

Learning Objectives:
• Explain the significance of the Jones vs. Mayer court case
• List the real estate included under the different fair housing acts
• Recognize the groups protected under the 1968 Fair Housing Act
• List the property exempt from the 1968 Fair Housing Act
• Understand the provisions of the 1988 Fair Housing Amendment
• Describe the types of discriminatory acts that are prohibited under the 1968 Fair Housing Act
• Describe the HUD process for handling a complaint under the 1968 Fair Housing Act
• Describe the objectives and major provisions of the Americans with Disabilities Act
• Describe the major provisions of the Florida Residential Landlord and Tenant Act
• Describe the major provisions of the Interstate Land Sales Disclosure Act

Key Terms:
• blockbusting
• familial status
• handicap status
• property report
• public accommodation
• redlining
• subdivided land
• steering

Outline
I) Federal Laws
   A Civil Rights Act of 1866
      1) Jones v. Mayer case
   B Civil Rights Act of 1964
   C Civil Rights Act of 1968
      1) Fair Housing Act of 1968 and amendments
         (a) Prohibits discrimination in sales, leasing, advertising sales or rentals, financing or brokerage services
         (b) Protection from discrimination based on race, color, religion, sex, national origin, handicap or familial status
            (1) Familial status defined
            (2) Handicap defined
         (c) Groups not covered
            (1) Marital status
            (2) Age
            (3) Occupation
         (d) Two categories of housing covered by the 1968 Fair Housing Act:
            (1) Single-family
            (2) Multifamily
         (e) Real estate transactions exempted under the Act
         (f) Acts prohibited:
            (1) Refusing to rent
(2) Quoting different terms
(3) Discriminatory advertising
(4) Steering
(5) Blockbusting
(6) Redlining
(7) Denying membership
(8) False statements regarding availability
(g) Housing for older persons
(h) Equal housing opportunity poster
(i) Enforcement of the Fair Housing laws
   (1) Complaints filed with HUD under the 1968 Fair Housing Act (as amended)
   (2) Civil suits filed in Federal district court
   (3) Action taken by the Department of Justice
(j) Responsibility and liability of real estate licensees
D Americans with Disabilities Act of 1990
   (1) Access to public transportation, public accommodation and commercial facilities
   (2) New construction and renovation of public accommodations and commercial facilities
E Interstate Land Sales Full Disclosure Act
II) State Laws
   A Florida Fair Housing Law
   B Florida Americans with Disabilities Accessibility Implementation Act
   C Florida Residential Landlord and Tenant Act
      (1) Overview of the law
      (2) Deposits and advance rents
      (3) Landlord's obligation to maintain premises
      (4) Tenant's obligations
      (5) Landlord's access to premises
      (6) Vacating premises
      (7) Termination of rental agreements by the tenant
      (8) Termination of rental agreements by the landlord
      (9) Eviction procedure
SECTION 8
PROPERTY RIGHTS: ESTATES AND TENANCIES;
CONDOMINIUMS, COOPERATIVES, COMMUNITY
DEVELOPMENT DISTRICTS, HOMEOWNER ASSOCIATIONS,
AND TIME-SHARING

Learning Objectives:
• Define real property based on the definition in Chapter 475, F.S.
• List and explain the physical components of real property
• Explain the four tests courts use to determine if an item is a fixture
• Distinguish between real and personal property
• Describe the bundle of rights associated with real property ownership
• List the principal types of estates (tenancies) and describe their characteristics
• Describe the features associated with the Florida homestead law
• Distinguish between cooperatives, condominiums and time-shares and describe the four main documents associated with condominiums

Key Terms:
• community development districts
• condominium
• cooperative
• declaration
• estate for years
• exempt property
• fee simple estate
• fixture
• freehold estate
• homeowner associations
• homestead
• joint tenancy
• land
• leasehold estate
• life estate
• personal property
• proprietary lease
• Prospectus
• real estate
• real property
• remainderman
• right of survivorship
• separate property
• tenancy at sufferance
• tenancy at will
• tenancy by entireties
• tenancy in common
• time-share
Outline
I) Land, Real Estate and Real Property
   A Definition of real property (Section 475.01, F.S.)
   B Physical components of real property
      1) Surface rights
      2) Subsurface rights
      3) Air rights
   C Water rights
      1) Riparian rights
      2) Littoral rights
      3) Accretion and erosion
      4) Alluvion and Reliction
II) Real Versus Personal Property
   A Real property is basically land and improvements on the land
   B Personal property usually consists of items having a limited life, which are easily
      movable from one place to another
      1) Personal property (or chattel, or personalty) includes any property that is not
         real property
   C Fixtures
      1) A fixture is an item that was once personal property, but is now legally
         considered to be real property
      2) Legal tests of determination:
         (a) Intent of the parties
         (b) Method or degree of attachment
         (c) Agreement and/or relationship of the parties
         (d) Adaptation of the item
      3) Listing and sale contracts should clearly specify which items are considered
         real property in the transaction and any personal property that is to be
         included
   D Definition of a trade fixture
      1) Fixture versus trade fixture
III) Basic Property Rights
   A "Bundle of Rights" include the rights of:
      1) Possession
      2) Enjoyment
      3) Disposition
      4) Control
      5) Exclusion
IV) Freehold Estates
   A An estate refers to the degree, quantity, nature and extent of interest (ownership
      rights) a person can have in real property
   B Estates are divided into two general groups:
      1) Freehold estates which are for an indefinite length
      2) Leasehold estates (or nonfreehold) which are for a fixed term
   C Freehold estates include:
      1) Fee simple estate
         (a) Fee, fee simple, fee simple absolute...defined as the largest bundle of
            rights we have. All three terms mean the same thing. Most titles are held
            in fee.
2) Life estate
   (a) Conventional life estates are created by action of the grantor
       (1) Use during life of holder or whoever’s life the interest is based on.
           Often used by husband for wife with children as remaindermen
       (2) Remainder estate
       (3) Reversion estate
   (b) Legal life estates are created automatically by law
       (1) Homestead is a legal life estate
           (i) Homeowner's principal residence is protected from certain creditors
           (ii) Not protected from real estate property taxes or from a mortgage for purchase or cost of improvements

V) How Ownership Can Be Held
   A Severalty—sole ownership. Only one party is needed to sign deed (Spouse must sign if homesteaded)
   B Co-ownership
       1) Tenancy in common
       2) Joint tenancy with right of survivorship
           (a) Creating a joint tenancy
       3) Tenancy by the entireties

VI) Leasehold (Nonfreehold) Estates
   A An interest in real property for a definite period (measured in calendar time)
   B Types of leasehold estates
       1) Estate for years
       2) Tenancy at will
       3) Tenancy at sufferance

VII) Cooperatives, Condominiums, Community Development Districts (CDD), Homeowner Associations (HOA) and Time-Sharing
   A Cooperatives
       1) Own stock in a corporation
       2) Stock ownership carries right of occupancy through a proprietary lease
       3) Corporation pays property tax; each shareholder pays prorata
       4) Transfer is accomplished by sale of stock
       5) Disclosures required by The Cooperative Act (F.S. 719)
   B Condominiums
       1) Own individual unit in fee simple
       2) Undivided interest in common areas
       3) Property tax levied on individual unit
       4) Transfer by deed
       5) Declaration and bylaws
           (a) Rights and obligations of condominium owners
       6) Disclosures required by The Condominium Act (F.S. 718)
   C Time-Share
       1) Share ownership or right of occupancy for a time interval in a unit
       2) Legal formats
           (a) Interval ownership
           (b) Right-to-use
       3) Disclosures required under Florida Vacation Plan and Time-Sharing Act (F.S. 721) and Rule 61J2, F.A.C.
D  HOA (Chapter 720, F.S.)
   1) Define
   2) Disclose
E  CDD (Chapter 190, F.S.)
   1) Define
   2) Disclose
SECTION 9
TITLE, DEEDS AND OWNERSHIP RESTRICTIONS

Learning Objectives:
- Differentiate between voluntary and involuntary alienation
- Explain the various methods of acquiring title to real property and describe the conditions necessary to acquire real property by adverse possession
- Distinguish between actual notice and constructive notice
- Distinguish between an abstract of title and a chain of title
- Explain the different types of title insurance
- Describe the parts of a deed and the requirements of a valid deed
- List and describe the four types of statutory deeds and the legal requirements for deeds
- List and describe the various types of governmental and private restrictions on ownership of real property
- Distinguish among the various types of leases

Key Terms:
- abstract of title
- acknowledgment
- actual notice
- adverse possession
- alienation
- assignment
- chain of title
- condemnation
- construction lien
- constructive notice
- deed
- deed restriction
- easement
- eminent domain
- encroachment
- escheat
- further assistance
- general warranty deed
- grantee
- granting clause
- grantor
- gross lease
- ground lease
- habendum clause
- intestate
- lien
- net leases
- percentage lease
- police power
- quiet enjoyment
- quitclaim deed
- seisin
Outline
I) Concept of Title
   A Ownership in a bundle of rights
   B Equitable title
   C Transferred voluntarily or involuntarily by operation of law
II) Transfer by Voluntary Alienation
    A Deed
    1) When real property is sold or conveyed by gift
    B Will
    1) Parties to a will
       a) Deceased person who made the will is called a testator (if a male) or a testatrix (if female)
       b) Devisee is the person receiving real property, or beneficiary if it is personal property
    2) Property conveyed by will
       a) Devise if its real property
       b) Bequest if its personal property
III) Transfer by Involuntary Alienation
    A Transfer by descent
    1) Person who dies without a will died intestate
    2) A form of involuntary alienation because the state (not the deceased) determines the disposition of property
    3) Passes to legal descendants known as heirs
    B Escheat
    1) Provides for the property of a person who dies intestate and who has no known heirs to pass to the state
    C Eminent domain
    1) Governmental power to take land from an owner through the legal process called condemnation
    D Adverse possession
    1) Conditions for alienation by adverse possession
IV) Notice to Legal Title
    A Actual notice
    B Constructive notice
       1) Acknowledgment
       2) Lis Pendens
V) Protection of Title
    A Title companies
    B Chain of title vs. Abstract of title
    C Title opinion
    D Title insurance
       1) Owner's policy
       2) Lender's policy
VI) Deeds
A Parties to the deed
   1) Grantor
   2) Grantee
B Parts of a deed
   1) Grantor and grantee
   2) Consideration
   3) Words of conveyance (granting clause)
   4) Interest or estate being conveyed (habendum clause)
   5) Deed restrictions
   6) Exceptions and reservations
   7) Appurtenances
   8) Legal description of property
   9) Voluntary delivery and acceptance
   10) Signature of the grantor and two witnesses
C Requirements for a valid deed
   1) The deed must be in writing (Statute of Frauds)
   2) The names of grantor and grantee
   3) Grantor must have legal capacity
   4) Consideration must be described
   5) A granting clause or words of conveyance
   6) A habendum clause must define the quality of the ownership interest being conveyed
   7) Legal description of the property being transferred
   8) Grantor must sign
   9) Delivery and acceptance
D Types of statutory deeds
   1) General warranty deed
   2) Special warranty deed
   3) Bargain and sale deed
   4) Quitclaim deed
   5) Special purpose deeds
      (a) Personal representative’s deed
      (b) Guardian’s deed
      (c) Committee’s deed
      (d) Tax deed
E Deed Clauses
   1) Covenant of seisin
   2) Covenant against encumbrances
   3) Covenant of quiet enjoyment
   4) Covenant of further assurance
   5) Covenant of warranty forever
F Legal requirements
VII) Ownership Limitations and Restrictions
A Government restrictions
   1) Police power
   2) Eminent domain
   3) Taxation
B Private restrictions
1) Deed restrictions
   (a) Restrictive covenants
2) Easements
   (a) Appurtenant
   (b) In gross
   (c) By prescription
   (d) By necessity
   (e) Implied easement
      (1) encroachment
3) Leases
   (a) Types of leases
      (1) Gross
      (2) Net
      (3) Percentage
      (4) Variable/Index
      (5) Ground
   b) Assignment
   c) Sublease
   d) Sale subject to lease
4) Liens
   (a) What is a lien
   (b) Types
      (1) Voluntary
      (2) Involuntary
   (c) Classifications
      (1) General
         (i) Judgment
         (ii) Income tax
         (iii) Estate tax
      (2) Specific
         (i) Property tax & special assessment
         (ii) Mortgage
         (iii) Vendors
         (iv) Construction (mechanics/materialman’s)
   (d) Lien priority
      (1) Satisfaction
         (i) Superior
         (ii) Junior
SECTION 10
LEGAL DESCRIPTIONS

Learning Objectives:
• Describe the purpose for legal descriptions
• Understand the licensee’s role and responsibilities as it pertains to legal descriptions
• Explain and distinguish among the three types of legal descriptions
• Describe the process of creating a legal description using the metes-and-bounds method
• Locate a township by township line and range
• Locate a particular section within a township
• Understand how to subdivide a section
• Calculate the number of acres in a parcel based on the legal description, and convert to square feet
• Explain the use of assessor's parcel numbers
• Apply the measurements associated with checks, townships and sections

Key Terms:
• base line
• benchmark
• check
• datum
• government survey system
• legal description
• lot and block
• metes and bounds
• monument
• point of beginning
• principal meridian
• range
• section
• survey
• terminus
• township
• township line/tier

Outline
I) Purpose of Legal Descriptions
   A) A legal description is a method of describing the location of real estate that will be accepted by a court
      1) Established boundary lines
II) Types of Legal Descriptions
   A) Metes-and-Bounds
      1) Oldest method of land description
      2) *Metes* refers to *distance* (measured in feet) and bounds refers to *direction*
      3) Begin with reference point called a point of beginning (POB)
      4) Monuments are fixed objects used to establish boundaries
5) Compass bearings are used to describe the direction of the boundary lines
   (a) Circle = 360°
   (b) Directions given in degrees (°), minutes (′) and seconds (″)
   (c) For example, N 45°25′20″E = North 45 degrees, twenty-five minutes, 20
       seconds East

B Government Survey System
1) Based on the logic that you can identify any point on a plane by reference to
   two axes
2) Primary reference lines running in a north-south direction are called principal
   meridians and lines running in an east-west direction are called base lines
3) Range lines run north-south every 6 miles. The north-south strip of land
   formed by two range lines is called a range
4) Township lines run east-west every 6 miles. The east-west strip of land
   formed by two township lines is called a tier or township
   (a) Numbering system of township lines and ranges
5) Intersection of two range lines and two township lines form a 6-mile square
   called a township
   (a) There are 36 sections in a township
   (b) Numbering system of sections within townships
6) Correction lines
7) Using the government survey system
   (a) Locating sections
   (b) Subdividing sections
   (c) Calculating size
   (d) "And" in legal description
8) Fractional sections and government lots

C Lot and block survey method
1) Also called recorded plat method
2) Recorded survey called a plat map
3) Platted subdivision divided into blocks and lots

III) Assessor's Parcel Number
A To aid in the assessment of property for tax collection
B Tax maps based on recorded plat maps
   1) Other land in county
C Assessment roll
   1) Every parcel in county listed by parcel number
   2) Shows owner's name and address of record
   3) Assessed value of land and structures

IV) Preparation and Use of Surveys
A Benchmarks
SECTION 11
REAL ESTATE CONTRACTS

Learning Objectives:
• List and describe the essentials of a contract
• Distinguish among formal, parol, bilateral, unilateral, implied, expressed, executory and executed contracts
• Describe the various ways in which an offer is terminated
• Describe the various methods of terminating a contract
• Explain the remedies for breach of a contract
• Describe the effect of the Statute of Frauds and the Statute of Limitations
• Describe the elements of an option
• Differentiate among the various types of listings
• Explain and describe the various disclosures required in a real estate contract
• Recognize what constitutes fraud
• Recognize what constitutes culpable negligence

Key Terms:
• assignment
• attorney-in-fact
• bilateral contract
• competent
• contract
• culpable negligence
• exclusive-agency listing
• exclusive-right-of-sale listing
• fraud
• liquidated damages
• meeting of the minds
• net listing
• novation
• open listing
• option contract
• Statute of Frauds
• Statute of Limitations
• unenforceable
• unilateral contract
• valid contract
• void contract
• voidable contract

Outline
I) Contracts in General
   A Definition of a contract
   B Preparation of contracts
   C Statute of Frauds
   D Statute of Limitations
   E Void, voidable and unenforceable contracts
II) Essentials of a Contract
   A Contractual capacity of the parties
   B Offer and acceptance
   C Legality of object
   D Consideration

III) Authority of Real Estate Licensees to Prepare Contracts

IV) Classification of Contracts
   A Bilateral or unilateral contracts
   B Expressed or implied contracts
   C Executory or executed contracts
   D Formal or informal contracts

V) Contract Negotiation
   A Parties to offer
      1) Offeror
      2) Offeree
   B Ways an offer is terminated

VI) Termination of Contracts
   A Methods of terminating contracts
   B Remedies for breach
   C Assignment of contracts

VII) Contracts Important to Real Estate

   A Employment Agreements
      1) Conditions created by listing agreements
      2) Information included in listing agreements
      3) Types of listings:
         (a) Open listing
         (b) Exclusive-agency listing
         (c) Exclusive-right-of-sale listing
         (d) Net listing
      4) Buyer broker agreement
   B Sales contracts
      1) Contract negotiation
         (a) Offers and counteroffers
         (b) Acceptance
      2) Earnest money deposits
      3) Equitable title
      4) Information included in sales contracts
         (a) Date, time and place of closing
         (b) Purchase price
         (c) Financing terms
         (d) Quality of title to be conveyed
         (e) Type of deed
         (f) Items of personal property included
         (g) Type of evidence of title to be provided
         (h) Items to be prorated
      5) Required disclosures
         (a) Radon gas disclosure
         (b) Energy efficiency disclosure
(c) Lead-based paint disclosure
(d) Homeowner association disclosure
(e) Flood insurance disclosure
(f) Condominium and cooperative disclosures
(g) Property tax disclosure
(h) Building code violation disclosure

6) FAR/BAR contract forms
7) Disclosure of defects that materially affect the value of residential property
   1) Johnson vs. Davis
   2) “As is” provision
   3) Duty for licensees to disclose

C Option contracts
D Installment sale contract

VIII Miscellaneous Real Estate Contract Considerations
A Procuring cause
B Telephone solicitation laws
C Multiple listing service
D Ethical practices
1) When in doubt disclose
2) Fraud
3) Culpable negligence
SECTION 12
RESIDENTIAL MORTGAGES

Learning Objectives:
• Distinguish between title theory and lien theory
• Describe the essential elements of the mortgage instrument and the note
• Describe the various features of a mortgage including down payment, loan-to-value ratio, equity, interest, loan servicing, escrow account, PITI, discount points and loan origination fee
• Explain assignment of a mortgage and the purpose of an estoppel certificate
• Explain the foreclosure process and distinguish between judicial and nonjudicial foreclosure
• Describe the mortgagor's and mortgagee's rights in a foreclosure
• Calculate loan-to-value ratio
• Explain the use of discount points and calculate approximate yield on a loan
• Distinguish among the various methods of purchasing mortgaged property

Key Terms:
• acceleration clause
• assumption
• blanket mortgage
• buydown
• contract for deed (land contract)
• defeasance clause
• deed in lieu of foreclosure
• discount points
• due on sale clause
• equity
• equity of redemption
• escrow
• estoppel certificate
• hypothecation
• interest
• lien theory
• lis pendens
• land development loans
• loan origination fee
• loan servicing
• loan-to-value ratio
• mortgage
• mortgagee
• mortgagor
• note
• novation
• partial release clause
• PITI
• prepayment clause
• prepayment penalty
• receivership clause
• right to reinstate
• satisfaction of mortgage
• short sales
• subject to
• subordination agreement
• take-out commitment
• title theory

Outline
I) Mortgage concepts
   A Mortgage law
      1) Title theory
      2) Lien theory
   B Loan instruments
      1) Promissory note (essential elements)
      2) Mortgage instrument
         (a) Parties to a mortgage
         (b) Satisfaction of mortgage
      3) Hypothecation
   C First mortgages versus junior mortgages
      1) Determining what priority a mortgage lien has
      2) Subordination agreements

II) Essential elements of the mortgage
   A Important mortgage provisions
      1) Promise to repay
      2) Taxes and insurance
      3) Covenant of good repair
   B Other mortgage provisions
      1) Prepayment clause
         (a) Prepayment penalty clause
      2) Acceleration clause
      3) Right to reinstate
      4) Due on sale clause
      5) Defeasance clause

III) Common mortgage features
   A Down payment
   B Loan-to-value-ratio
      1) Equity
   C Interest
   D Loan servicing
   E Escrow (impound) account
      1) PITI
   F Discount points
   G Loan origination fee
   H Take out commitment

IV) Assignment of the mortgage
    A Estoppel certificate

V) Methods of Purchasing Mortgaged Property
A Provisions under subject to the mortgage
B Provisions under assumed mortgage
   1) Effects of due on sale clause
   2) Novation
C Contract for deed (land contract)
   1) Distinguish a contract from deed from a normal sales contract and a mortgage
   2) Advantages and disadvantages of contract for deeds
   3) How a contract for deed is typically used
VI) Default
   A Consequence of default
   B Judicial versus nonjudicial foreclosure
      1) Deed in lieu of foreclosure
      2) Lis pendens
   C Rights of mortgagor in foreclosure
      1) Equity of redemption
   D Rights of mortgagee
      1) Surplus money action
   E Results of foreclosure
      1) Effect on mortgagor/owner
         (a) Deficiency judgments
         (b) Effect on creditors or other claimants to title
         (c) Effect on mortgagee
         (d) Effect on title
   F Short sales
SECTION 13
TYPES OF MORTGAGES AND SOURCES OF FINANCING

Learning Objectives:
• Describe the mechanics of an adjustable rate mortgage and the components of an ARM
• Describe the features of an amortized mortgage and amortize a level-payment plan mortgage when given the principal amount, the interest rate and the monthly payment amount
• Distinguish among the various types of mortgages
• Describe the characteristics of FHA mortgages and common FHA loan programs
• Identify the guarantee feature of VA mortgage loans and the characteristics of VA loan programs
• Explain the process of qualifying for a loan and how to calculate qualifying ratios
• Distinguish among the primary sources of home financing
• Describe the role of the secondary mortgage market and know the features of the major agencies active in the secondary market
• Describe the major provisions of the federal laws regarding fair credit and lending procedures
• Recognize and avoid mortgage fraud

Key Terms:
• adjustable rate mortgage (ARM)
• amortized mortgage
• balloon payment
• biweekly mortgage
• conforming loan
• disintermediation
• home equity loan
• index
• intermediation
• level payment plan
• lifetime cap
• margin
• MIP
• mortgage broker
• mortgage fraud
• mortgage loan originator
• negative amortization
• nonconforming loans
• package mortgage
• partially amortized/balloon mortgage
• payment cap
• periodic cap
• purchase money mortgage
• reverse annuity mortgage
• teaser rate
• UFMIP
Outline
I) Conventional mortgages
   A Neither government insured nor guaranteed
      1) Down payment and LTV ratio
   B PMI
      1) Qualifying ratios
      2) Interest rate
      3) Assumption
      4) Prepayment
II) Common Types of Mortgages
   A Amortized mortgage
      1) Monthly payment is constant for term of mortgage
      2) As loan is paid off, amount applied to principal increases as amount applied to interest decreases
      3) 30-year and 15-year terms
      4) Amortizing a level-payment plan mortgage
   B Adjustable rate
      1) Mechanics of an adjustable rate mortgage
      2) Components of an ARM
         (a) Index
         (b) Margin
         (c) Adjustment interval
         (d) Interest rate caps
            (1) Periodic caps
            (2) Lifetime cap
         (e) Payment caps
            (1) Negative amortization
            (2) How negative amortization can result from payment caps
         (f) Teaser rates
III) Custom mortgages
   A Partially amortized mortgage
      1) Balloon payment
   B Biweekly mortgage
   C Package mortgage
   D Home equity loans
   E Purchase money mortgage
   F Reverse annuity mortgage
IV) Government Insured FHA Program
   A Purpose of FHA
   B Characteristics of FHA mortgage loans
      1) Loan insurance
      2) Lending source
      3) Discount points
      4) Amount of down payment
      5) Loan limit
      6) Insured commitment
      7) Insurance premium
         (a) UFMIP
         (b) MIP
8) Qualifying ratios
9) Interest rate
10) Appraisal
11) Closing costs
12) Assumption
13) Prepayment

C Common FHA loan programs
1) Section 203(b); homeownership; fixed rate
   (a) Loan assumption criteria
2) Condominium units
3) Homeownership; adjustable rate

V) VA loan guarantee program
A The guarantee feature
B Characteristics of VA mortgage loans
1) Qualifications
2) Eligibility
   (a) Licensees should rely on the VA lender to determine eligibility
3) Lending source
4) Eligible property
5) Discount points
6) Qualifying ratios
7) Loan limits
8) Loan guarantee
9) Amount of down payment
10) Entitlement
11) Reusing the entitlement
12) Appraisal
13) VA funding fee
14) Loan origination fee
15) Prepayment
16) Assumption
17) Interest rate

VI) Qualifying for a loan
A Qualifying the Buyer
   1) The loan application process—Uniform Residential Loan Application
   2) Credit evaluation and credit scoring
   3) Qualifying ratios
      (a) Housing expense ratio
      (b) Total obligations ratio
   4) Qualifying the property
   5) Information required by lender

VII) Primary sources of home financing
A Mortgage Lenders
   1) Savings associations
      (a) Types of loans offered
   2) Commercial banks
      (a) Types of loans offered
   3) Credit unions
      (a) Types of loans offered
B Mortgage broker
  1) Their role - how they operate
C Mortgage loan originator
D Seller financing
  1) Contract for deed (land contract)
  2) Amortized mortgage
E Government programs
  1) Mortgage bond financing

VIII) Secondary Mortgage Market
A Effects of the mortgage market
  1) Circulate the mortgage money supply
     (a) Intermediation and disintermediation
  2) Standardize loan requirements
     (a) Conforming loans
     (b) Portfolio lenders
B Fannie Mae
  1) Private (not a government agency) corporation that trades on NYSE
  2) Secondary market for VA, FHA and conventional loans
  3) Issues mortgage-back securities to investors
  4) Largest single private mortgage purchaser
C Government National Mortgage Association (GNMA)
  1) Wholly owned government corporation under HUD
  2) Provides a secondary market for VA and FHA loans
  3) Mortgage-backed securities program
D Freddie Mac
  1) Created by Congress in 1970
  2) Shares sold publicly
  3) Buy conventional loans
E Nonconforming loans
  1) Broker and correspondent loans
  2) Private investors through mortgage brokers and bankers

IX) Mortgage Fraud
A Common types of mortgage fraud
  1) Straw borrowers
  2) No document loans
B Red flags
  1) Inflated appraisal
  2) Inflated contract prices
C Ethical practices

X) Laws regarding fair credit and lending procedures
A Equal Credit Opportunity Act (ECOA)
  1) Prohibits discrimination in loan underwriting on the basis of sex, marital
     status, race, religion, age, or national origin. (A lender cannot require an
     applicant's spouse to join in (sign) a loan application)
  2) Prohibits discriminatory treatment of income from alimony, child support,
     public assistance, or part-time employment
  3) Prohibits inquiry about, or consideration of, child bearing plans or
     potential for child bearing
B Consumer Credit Protection Act (Truth in Lending Act)
1) Implemented by Federal Reserve Regulation Z
2) Requires disclosure of full credit costs
3) Requires disclosure of annual percentage rate (APR)

C Real Estate Settlement Procedures Act (RESPA)
1) Applies to virtually any closing involving a "standard" home mortgage loan from a financial institution or mortgage banker
2) Requires that the borrower be provided a booklet of information regarding closing costs
3) Requires advanced estimates of closing costs
4) Requires that the borrower be able to examine the RESPA-specified closing statement in advance
5) Prohibits kick-backs to a lender from vendors of closing related services
SECTION 14
REAL ESTATE RELATED COMPUTATIONS AND CLOSING OF TRANSACTIONS

Learning Objectives:
• Compute the sales commission
• Calculate the percent of profit or loss, given the original cost of the investment, the sale price and the dollar amount of profit or loss
• Define settlement and title closing
• List the preliminary steps to a closing
• Prorate the buyer's and seller's expenses
• Calculate the dollar amount of transfer taxes on deeds, mortgages and notes
• Allocate taxes and fees to the proper parties and compute individual costs
• Explain the rules of thumb for closing statement entries
• Explain the major sections of the Uniform Settlement Statement
• Demonstrate ability to read and check the Uniform Settlement Statement for errors

Key Terms:
• arrears
• credit
• debit
• level payment plan
• preclosing inspection
• principal
• profit
• proration

Outline
I) Basic Real Estate Computations
   A Sales commissions
   B Calculating selling price, cost and profit
II) Preliminary steps to a closing
   A Earnest money deposited
   B Additional deposit, if required
   C Loan application
   D Contingencies
   E Appraisal
   F Loan approval
   G Title insurance
   H Termite inspection
   I Required repairs ordered
   J Survey ordered
   K Buyer hazard insurance
      1) Hazard insurance policy to closing agent
      2) Flood insurance
   L Buyer/seller contact for closing appointment
   M Preclosing inspection
   N Closing documents reviewed by parties prior to closing
O Buyer informed of funds needed to close
P Earnest money transferred to closing agent

III) Prorated Expenses
   A Prepaid rent
   B County and/or city property taxes
   C Mortgage interest on assumed mortgages
   D Prorating considerations
      1) Period over which item is prorated
      2) Period allocated to buyer and period allocated to seller
      3) Prorating methods: 360 vs. 365

IV) State Transfer Taxes
   A State documentary stamp tax on deeds
   B State intangible tax on mortgages
   C State documentary stamp tax on notes

V) Other Charges
   A Preparation of document
   B Recording fees
   C Broker's commission
   D Title insurance

VI) Rules of Thumb
   A General rule of thumb
      1) Items credited to seller
      2) Items debited to seller
      3) Items credited to buyer
      4) Items debited to buyer

VII) Uniform Settlement Statement
   A Buyer's Transaction Entries
   B Seller's Transaction Entries
   C Settlement Charges for both Buyer and Seller
   D Real Estate settlement example
SECTION 15
THE REAL ESTATE MARKETS AND ANALYSIS

Learning Objectives:
• Describe the physical characteristics of real estate
• Describe the economic characteristics of real estate
• Identify the factors that influence demand
• Identify the factors that influence supply
• Distinguish among different ways of interpreting market conditions
• Demonstrate understanding of the different market indicators

Key Terms:
• buyer's market
• demand
• household
• seller's market
• situs
• supply
• vacancy rate

Outline
I) Physical Characteristics of Real Estate
   A Immobility and importance of location in determining value
      1) The value of real estate is heavily influenced by changes in the surrounding area
      2) Highest and best use is fundamentally determined by alternate types of potential users bidding for a site in accordance with the locational and environmental value of the site in each use
      3) If the value of a site in its current highest and best use declines relative to competing uses, highest and best use may change and land use transition will begin
   B Indestructibility (durability) of land and fixed location
      1) Real estate investment tends to be long term
      2) Land does not depreciate
      3) Property insurance insures improvements only, not land
   C Nonstandardized; nonhomogeneous
      1) No two parcels are exactly alike
   D Governmental controls influence the market through zoning, building codes, taxes, etc.
II) Economic Characteristics of Real Estate
   A Relationship between supply, demand and price
   B Slow to respond to change in supply and demand
   C Demand factors:
      1) Price of real estate
      2) Population and household composition
      3) Income of consumers
      4) Availability of mortgage credit
      5) Consumer tastes or preferences
   D Supply factors:
1) Availability of skilled labor
2) Availability of construction loans and financing
3) Availability of land
4) Availability of materials

E  Interpreting market conditions
    1) Price levels
    2) Vacancy rates
    3) Sales volume
    4) Area preference—situs
    5) Market adjustment
       (a) Buyer's market
       (b) Seller's market

III) Market Indicators
    A  Vacancy rates
    B  Price/sales information
    C  Building permits
SECTION 16
REAL ESTATE APPRAISAL

Learning Objectives:
• Describe federal and state regulations pertaining to appraising
• Identify the appraiser’s fiduciary relationship
• Identify the economic and physical characteristics of real estate that affect market value
• Explain what the Uniform Standards of Professional Appraisal Practice (USPAP) is and how it affects the appraisal process of real property
• Distinguish among the various types of value
• Define market value and describe its underlying assumptions
• Distinguish among value, price and cost
• Describe the four characteristics of value
• Distinguish among the principles of value
• Differentiate among the three approaches to estimating the value of real property
• Estimate value of subject property using Comparable Sales Approach
• Estimate value of subject property using Cost Approach
• Estimate value of subject property using Income Approach
• Reconcile three approaches to establish final value estimate
• Calculate value using gross multiplier analysis
• Explain how to prepare a Comparative Market Analysis (CMA), comparing and contrasting with sales comparison approach

Key Terms:
  • appraisal
  • assemblage
  • automated valuation models
  • comparative market analysis (CMA)
  • cost-depreciation approach
  • curable
  • depreciation
  • economic life
  • federally related transaction
  • gross income multiplier (GIM)
  • gross rent multiplier (GRM)
  • highest and best use
  • income approach
  • incurable
  • market value
  • over-improvement
  • plottage
  • principle of substitution
  • progression
  • reconciliation
  • regression
  • replacement cost
  • reproduction cost
• sales comparison approach
• situs
• subject property
• Uniform Standards of Professional Appraisal Practice (USPAP)
• valuation

Outline
I) Regulation of Appraising – FIRREA
   A Appraisal Foundation
   B Appraisal Qualifications Board
   C Appraisal Standards Board
   D Appraisal Subcommittee
   E State licensed and certified appraisers
      1) Requirements for federally related transactions
      2) Certified appraisal reports
   F Appraisal service of real estate
      1) Part I, Chapter 475
      2) Appraisal reports must conform to USPAP
      3) Comparative Market Analysis (CMA)
      4) Broker Price Opinion (BPO)
II) Concept of Value
   A Concepts of market cost/price/value
   B Many types of value apply to real estate
      1) Assess value for property tax purposes
      2) Insurance value
      3) Value in use
      4) Liquidation value
      5) Investment value
      6) Salvage value
   C Market value
      1) Definition of market value
      2) Assumptions associated with market value
   D Characteristics of value
      1) Demand
      2) Utility
      3) Scarcity
      4) Transferability
III) Principles of Value
   A Substitution
   B Highest and best use
      1) As if vacant
      2) As improved
   C Increasing and decreasing returns
      1) Over-improvement
   D Conformity
   E Other valuation terminology
      1) Assemblage
      2) Plottage
3) Progression
4) Regression

IV) Introduction to the Three Approaches to Value
A Sales comparison approach
1) Theory of method
2) Steps in the approach
   (a) Making adjustments
   (b) Adjusted sale price
3) Types of property best suited for this approach
B Cost-depreciation approach
1) Theory of method
2) Steps in the approach
   (a) Reproduction vs. replacement cost
      (1) Cost estimating manuals
   (b) Three types of depreciation
   (c) Calculating accrued depreciation using age-life method
3) Applications of approach
C Income approach
1) Theory of method
2) Steps in the approach
   (a) Potential gross income
   (b) Effective gross income
   (c) Net operating income
      (1) Fixed variable, reserve for replacements
   (d) Cap rates
3) Applications of approach
4) Gross rent multiplier (GRM)
   (a) Steps in the multiplier analysis
   (b) Does not act as a substitute for the income approach to valuation

V) Preparing a Comparative Market Analysis (CMA)
A Gathering appropriate data
1) MLS
2) Property appraisers office
3) Clerk of Courts
B Selecting similar comparables
1) Recently sold
2) Currently on the market
3) Recently expired listings
C Common elements of comparison
D Adjusting for differences
E Computer generated CMAs
F Automated Valuation Models (AVM)
SECTION 17
REAL ESTATE INVESTMENTS AND BUSINESS OPPORTUNITY BROKERAGE

Learning Objectives:
• Distinguish among the different types of real estate investments
• Identify the advantages and disadvantages of investing in real estate
• Distinguish among the various types of risk
• Explain the importance of investment analysis
• Describe the similarities and differences between real estate brokerage and business brokerage
• Describe the types of expertise required in business brokerage
• Distinguish among the methods of appraising businesses
• Describe the steps in the sale of a business

Key Terms:
• appreciation
• asset
• basis
• capital gain (loss)
• cash flow
• equity
• going concern value
• goodwill
• leverage
• liquidation analysis
• liquidity
• personal property
• risk
• tax shelter

Outline
I) Investment Real Estate Terminology
   A Cash flow
   B Leverage
   C Capital gain (loss)
   D Basis
   E Appreciation
   F Equity
   G Liquidity
   H Risk
   I Tax shelter
II) Types of investments
   A Residential
   B Commercial
   C Industrial
   D Agricultural
   E Business opportunities
III) Advantages of Real Estate Investments
A Rate of return
B Tax advantages
C Hedge against inflation
D Leverage
E Equity build up

IV) Disadvantages of Investing in Real Estate
A Illiquidity
B Market is local in nature
C Need for expert help
D Management
E Risk

V) Assessment of Risk
A Risks associated with general business conditions
   1) Business risk
   2) Financial risk
   3) Purchasing-power risk
   4) Interest-rate risk
B Risks that affect return
   1) Liquidity risk
   2) Safety risk
      (a) Market risk
      (b) Risk of default

VI) Nature of Business Brokerage
A Similarities to real estate brokerage
   1) Almost always a sale of real property or an assignment of a long-term lease is involved
   2) Must be licensed pursuant to Chapter 475, F.S., Part I
B Differences from real estate brokerage
   1) Usually involve transactions containing assets other than real estate
      (a) Personal property
      (b) Goodwill
   2) The value of the business may be less than, equal to, or greater than the value of the real estate. That is, the “going concern” value may be different than the real estate value
   3) Markets for business enterprises are typically wider in geographic scope than markets for individual parcels of real estate
C Expertise required in business brokerage
   1) Corporate finance
   2) Business accounting
   3) Valuation of businesses
      (a) Comparable sales analysis
      (b) Cost approach
      (c) Incomes analysis
      (d) Liquidation analysis
D Steps in the sale of a business
SECTION 18
TAXES AFFECTING REAL ESTATE

Learning Objectives:
• Distinguish among immune, exempt and partially exempt property
• Describe the various personal exemptions available to qualified owners of homestead property
• Compute the property tax on a specific parcel, given the current tax rate, assessed value, eligible exemptions and transfer of assessment limitation difference (save our homes portability) if applicable
• List the steps involved in the tax appeal procedure
• Describe the purpose of Florida’s Green Belt Law
• Calculate the cost of a special assessment, given the conditions and amounts involved
• Describe the tax advantages of home ownership
• Explain how to determine taxable income of investment real estate
• Distinguish between installment sales and like-kind exchange

Key Terms:
• ad valorem
• assessment limitation (save our homes benefit)
• assessed value
• capital gains
• community development districts
• debt service
• exempt properties
• installment sale
• immune properties
• just value
• like-kind exchange
• mill
• special assessment
• tax rate
• taxable income
• taxable value

Outline
I) Real Property Taxation
   A Local importance
      1) Primary source of revenue
   B Determining "just value"
      1) General procedure
         (a) Provisions under Amendment I
      2) Protest procedure
         (a) Property owner contacts property appraiser within legislated time frame
         (b) File an appeal with the Value Adjustment Board
         (c) Litigation in the courts
            (1) Certiorari proceeding
   C Exemptions from property taxes
      1) Immune property
2) Exempt or partially exempt property
3) Homestead exemption
   (a) Assessment limitation (save our homes benefit, portability)
   (b) Surviving spouse exemption
   (c) Disability exemption
   (d) Blind persons exemption
   (e) Cumulative homestead tax exemption
   (f) Military service-connected total and permanent disability tax exemption
   (g) Tax exemption for certain totally and permanently disabled persons
4) Greenbelt law exemption
   (a) Nature
   (b) Purpose
   (c) Provisions

D Calculating taxable value
E Calculating property taxes
F Special Assessments
   1) Purpose of special assessments
   2) Limitations on use
   3) Computation of assessment rate
   4) Special assessment liens
G Nonpayment of real property taxes
H Purchasing tax certificates

II) Federal Income Taxes
A Sale of real property
   1) Amount realized
   2) Capital gain (loss)
B Principal residence
   1) Tax advantages
      (a) Mortgage interest deduction on principal residence and second home
      (b) Deduction of property taxes on principal residence and second home
      (c) IRA withdrawal for first time home buyers
      (d) Exclusion of gain from sale of principal residence
C Investment real estate
   1) Types of income and cash flows
      (a) Potential gross income
      (b) Effective gross income
      (c) Net operating income
      (d) Before tax cash flow (cash throw-off)
      (e) After tax cash flow
   2) Determining taxable income
      (a) Reserve for replacements
      (b) Interest
      (c) Depreciation
   3) Tax from operations
      (a) Capital gain (loss)
         (1) Short-term gain
         (2) Long-term gain
   4) Installment sales (contract for deed)
   5) Like-kind exchange
SECTION 19
PLANNING, ZONING AND ENVIRONMENTAL HAZARDS

Learning Objectives:
• Describe the composition and authority of the local planning agency
• Explain the purpose of land-use controls and the role of zoning ordinances
• Identify the provisions of Florida's comprehensive plan and the Growth Management Act
• Distinguish among the five general zoning classifications
• Distinguish among zoning ordinances, building codes and health ordinances
• Explain the purpose of a variance, special exception and a nonconforming use
• Calculate the number of lots available for development, given the total number of acres contained in a parcel, the percentage of land reserved for streets and other facilities and the minimum number of square feet per lot
• Describe the characteristics of a planned unit development
• Understand the basic provisions of the national flood insurance program
• Describe the impact Comprehensive Environmental Response Compensation and Liability Act (CERCLA)
• Explain the various environmental hazards associated with real estate

Key Terms:
• asbestos
• buffer zone
• building code
• building inspection
• building permit
• certificate of occupancy
• concurrency
• environmental impact statement
• health ordinance
• nonconforming use
• planned unit development
• special exception
• special flood hazard area
• variance
• zoning ordinance

Outline
I) Planning and Zoning
   A City planning
      1) Historical
         (a) Philosophy of laissez faire
         (b) Industrialization and urbanization
         (c) Protecting residential property
      2) Goals of planning include, for example:
         (a) Savings of tax money by preventing sprawl
         (b) Adequate provision of services
(c) Providing for road right-of-ways and set backs
(d) Protection against costly drainage, flooding or environmental problems
(e) Reduction in political and equity problems in siting landfills, prisons, etc.

II) Local planning agency
A Composition
B Authority
   1) Subdivision plat approval
   2) Site plan approval
   3) Sign control
C Support staff

III) Florida's comprehensive plan
A Chapter 163, F.S. Growth Policy; County And Municipal Planning; Land Development Regulation
   1) Department of Community Affairs (DCA)
B Plan must contain certain elements to be coordinated with plans of surrounding areas
   1) Future land use
   2) Traffic circulation
   3) Water, sanitary and storm sewers, and solid waste
   4) Conservation of natural resources
   5) Recreation
   6) Housing
   7) Coastal zone protection, where relevant
   8) Intergovernmental coordination
9) Utilities
   (a) Plan must be implemented by adopting sufficient land use control ordinances and capital improvement programs (concurrency requirements)
   (b) Optional elements may include: historical, scenic preservation, economic and public buildings
   (c) Concurrency allows new development only after a minimum level of public infrastructure is in place around the development site

IV) Zoning, land use restrictions and building codes
A Zoning ordinance and classifications
   1) Residential—control of density
      (a) Lot size
      (b) Set backs
      (c) Lot coverage
   2) Commercial—control of intensity of use
      (a) Parking requirements
      (b) Height and size limitations
   3) Industrial—control of emission and effluents
      (a) Control of by-products such as noise, odor, smoke congestion and chemicals
   4) Agricultural
   5) Special use
B Building codes
   1) Building permits
   2) Building inspections
   3) R-Value
4) Certificate of occupancy

C Health ordinances

V) Appeals and Exceptions

A Zoning Board of Adjustment
   1) Variance
   2) Special exception
   3) Legally nonconforming use

B Developments of Regional Impact
   1) Planned unit development
   2) Environmental impact statement

VI) Flood zones

A National Flood Insurance Program (NFIP)
   1) Can qualify for Federal Flood insurance program
   2) “Special Flood Hazard Areas” are delineated according to NFIP criteria
   3) Development within SFHAs must be restricted in a manner so as not to
      obstruct the natural flow of flood waters

B Residential structures in the SFHA must have the first floor above the "Base
   Flood Elevation"

C Non-residential structures must meet the residential requirement, or be water-tight
   below the Base Flood Elevation

D Over 40 percent of purchasers of National Flood Insurance are in Florida

VII Indoor and outdoor environmental hazards

A Water supply
   1) Well (adequacy, quality)
   2) Public (quality)

B Septic tank

C Asbestos

D Radon

E Toxic waste in soil

F Underground storage tanks

G Lead paint

H Mold

I Chemical contamination

J Structural damage
   1) Wood-destroying organisms
      (a) Termites
      (b) Carpenter ants
      (c) Decay

VIII CERCLA