

Contents at a Glance

| | |
|---|------------|
| Introduction | 1 |
| Part I: Putting Real Estate License Exams into Perspective | 7 |
| Chapter 1: Sold! Taking a Glance at Real Estate License Exams | 9 |
| Chapter 2: Using Successful Study and Test-Taking Techniques | 15 |
| Part II: So You Want to Sell Real Estate: The Job and Basic Laws | 23 |
| Chapter 3: The Job: It Isn't Just Driving People Around | 25 |
| Chapter 4: Understanding Agency Law | 43 |
| Chapter 5: Knowing the Fair Housing Laws for Selling Real Estate | 59 |
| Part III: It's All Mine: Owning and Transferring Real Estate | 71 |
| Chapter 6: Owning It: Estates and Interests | 73 |
| Chapter 7: Understanding Forms of Real Estate Ownership | 83 |
| Chapter 8: Knowing the Limitations on Real Estate Ownership | 93 |
| Chapter 9: Transferring Ownership: Deeds and Title Closing | 111 |
| Chapter 10: Giving Up or Losing Property | 133 |
| Part IV: A House Is Made of Lots of Paper: Legal and Physical Issues | 141 |
| Chapter 11: Contracts 101 | 143 |
| Chapter 12: Leasing Property | 157 |
| Chapter 13: Dealing with Environmental Government Regulations and Issues | 165 |
| Part V: You Want How Much? Valuation and Financing of Real Estate | 177 |
| Chapter 14: Appraising Property | 179 |
| Chapter 15: Finding the Money: Mortgages | 203 |
| Chapter 16: It's So Taxing: Real Estate Assessment and Taxes | 229 |
| Chapter 17: Investing in Real Estate | 241 |
| Chapter 18: All in the Numbers: Real Estate Mathematics | 259 |
| Part VI: You're Ready to Pick Up Your Pencil: Taking Practice Exams | 281 |
| Chapter 19: Practice Exam One | 283 |
| Chapter 20: Answers and Explanations to Practice Exam One | 299 |
| Chapter 21: Practice Exam Two | 309 |
| Chapter 22: Answers and Explanations to Practice Exam Two | 325 |
| Part VII: The Part of Tens | 335 |
| Chapter 23: Ten Things to Find Out From Your State's Real Estate Law | 337 |
| Chapter 24: Ten Tips to Help You Succeed on the Exam | 341 |
| Index | 345 |

Table of Contents

Introduction 1

| | |
|--|---|
| About This Book | 1 |
| Conventions Used in This Book | 2 |
| What You're Not to Read | 3 |
| Foolish Assumptions | 3 |
| How This Book Is Organized | 4 |
| Part I: Putting Real Estate License Exams into Perspective | 4 |
| Part II: So You Want to Sell Real Estate: The Job and Basic Laws | 4 |
| Part III: It's All Mine: Owning and Transferring Real Estate | 4 |
| Part IV: A House Is Made of Lots of Paper: Legal and Physical Issues | 4 |
| Part V: You Want How Much? Valuation and Financing of Real Estate | 4 |
| Part VI: You're Ready to Pick Up Your Pencil: Taking Practice Exams | 5 |
| Part VII: The Part of Tens | 5 |
| Icons Used in This Book | 5 |
| Where to Go from Here | 5 |

Part I: Putting Real Estate License Exams into Perspective 7

Chapter 1: Sold! Taking a Glance at Real Estate License Exams 9

| | |
|---|----|
| Checking Out Licensing and Exam Basics | 9 |
| Figuring out licensing procedures | 10 |
| Knowing the difference between salesperson and broker licensing and exams | 10 |
| Looking at the format and other exam details | 11 |
| Sign Me Up: Registering for the Exam | 12 |
| Knowing What to Take to the Exam . . . and What to Leave at Home | 12 |
| Scoring High: Figuring Out How Scores Are Determined | 13 |
| Take Two: Retaking the Exam | 14 |

Chapter 2: Using Successful Study and Test-Taking Techniques 15

| | |
|---|----|
| One Word to Get You Through: PREPARE | 15 |
| Provide | 16 |
| Review | 16 |
| Evaluate | 17 |
| Practice | 18 |
| Arrive | 18 |
| Relax | 18 |
| Enjoy | 19 |
| Trying Terrific Test-Taking Strategies | 19 |
| It's all in the timing | 19 |
| Reading everything carefully | 20 |
| Avoiding too much analyzing | 21 |
| Guessing | 21 |
| Second-guessing | 22 |
| Number crunching: Tackling math questions | 22 |

**Part II: So You Want to Sell Real Estate:
The Job and Basic Laws 23**

Chapter 3: The Job: It Isn't Just Driving People Around 25

| | |
|---|----|
| Who's Who in the Real Estate Business, and How Do They Get There? | 25 |
| The buck stops here: Brokers | 26 |
| Movin' on up: Salespeople | 27 |
| In between: Associate brokers | 27 |
| Making it legal: Looking at license law | 27 |
| What Does a Real Estate Broker/Salesperson Do? | 28 |
| Perusing a list of common activities | 28 |
| Checking out a typical real estate transaction | 29 |
| How Does a Real Estate Broker/Salesperson Get Paid? | 30 |
| Working Hard: Career Opportunities | 31 |
| Considering independent brokerages and national franchises | 31 |
| Checking out corporations (in and out of the real estate world) | 32 |
| Building business with builders | 32 |
| Going into government | 33 |
| Appreciating appraising | 33 |
| Homing in on home inspections | 33 |
| Property Management: A Special Kind of Career Opportunity | 33 |
| Taking care of business: The duties of a property manager | 34 |
| Saying yes: The property management agreement | 36 |
| Managing a Real Estate Office: You're the Boss, Ms. or Mr. Broker | 37 |
| Keeping an eye out: Supervision | 37 |
| Teach me! Training | 38 |
| Setting office policy: Rules are rules | 38 |
| My Own Way: Working as an Independent Contractor | 38 |
| I Get It! Job-Related Laws to Understand | 39 |
| The price isn't right: Price fixing | 39 |
| Bad break: Market allocation | 40 |
| Feeling shunned: Group boycotts | 40 |
| What's your condition? Tie-in arrangements | 40 |
| Review Questions and Answers | 40 |

Chapter 4: Understanding Agency Law 43

| | |
|---|----|
| You're Hired: Becoming Someone's Real Estate Agent | 43 |
| Picking sides: Representation in agency relationships | 44 |
| Establishing the agency relationship (and doing it in writing) | 46 |
| Keeping the Faith: The Relationship Between an Agent and a Principal | 49 |
| Who has the money? Accounting | 49 |
| Better be careful: Care | 50 |
| Shhhhh! It's a secret: Confidentiality | 50 |
| You'd better tell: Disclosure | 50 |
| A friend to the end: Loyalty | 51 |
| Yes ma'am: Obedience | 51 |
| Meeting Obligations: The Relationship Between an Agent and a Customer | 52 |
| Discovering defects | 52 |
| Looking at stigmatized properties | 52 |
| Respecting Megan's Law | 53 |
| Finding out about fraud and negligent misrepresentation | 53 |
| Making Money (No, Not at the Copy Machine) | 53 |
| Pay up! Deciding who needs to pay an agent | 54 |
| Ready to go: Knowing when an agent should be paid | 54 |
| Parting Is Such Sweet Sorrow: Ending an Agency Relationship | 55 |
| Review Questions and Answers | 56 |

| | |
|---|-----------|
| Chapter 5: Knowing the Fair Housing Laws for Selling Real Estate | 59 |
| Practicing Fair Housing: The Basics | 59 |
| Understanding federal fair housing laws | 60 |
| Researching state and local laws | 61 |
| Displaying the fair housing poster | 61 |
| Don't Do It: Avoiding Discriminatory Actions | 61 |
| No way: Refusing to sell or rent | 61 |
| On one condition . . . or a few: Changing terms for rental, sale, or services | 62 |
| You need not apply: Discriminatory advertising | 62 |
| All lies: Telling someone that property isn't available (when it really is) | 63 |
| Scaring people into selling: Blockbusting | 63 |
| Telling people where to live: Steering | 64 |
| No money for you: Changing loan conditions | 64 |
| Put away that crayon: Redlining | 64 |
| You can't join: Denying membership in real estate organizations | 64 |
| Feeling Safe: Identifying Who's Protected | 65 |
| Knowing the federal protected classes | 65 |
| Recognizing state and local protected classes | 65 |
| Bending the Rules: Understanding Exceptions to the Law | 65 |
| Extra Coverage: Protecting the Disabled from Discrimination | 66 |
| Staying Strong: Enforcing the Law | 66 |
| Review Questions and Answers | 67 |

Part III: It's All Mine: Owning and Transferring Real Estate 71

| | |
|--|-----------|
| Chapter 6: Owning It: Estates and Interests | 73 |
| What Do You Own? Understanding Ownership Terms | 73 |
| Looking at land | 73 |
| Recognizing real estate | 74 |
| Defining real property | 74 |
| Checking out personal property | 74 |
| Estates (Even Without the Castles) | 75 |
| Pick and choose: The bundle of rights | 75 |
| Figuring out freehold estates | 76 |
| Surveying leasehold estates | 77 |
| It's My Right: Different Ownership Rights | 77 |
| Going for a swim: Water rights | 78 |
| Don't forget to look up and down: Other rights | 78 |
| Review Questions and Answers | 79 |
| Chapter 7: Understanding Forms of Real Estate Ownership | 83 |
| Real Estate Ownership: A Solo or Group Activity | 83 |
| One is the loneliest number: Owning real estate by yourself | 84 |
| Join the crowd: Owning real estate with other people | 84 |
| Getting hitched: Owning real estate when you're married | 85 |
| Who do you trust? Ownership in trust | 86 |
| All business: Ownership by a business | 86 |
| Special Types of Ownership: Cooperatives, Condominiums, and More | 88 |
| Share and share alike: Cooperative ownership | 88 |
| More individuality: Condominium ownership | 89 |
| Mix it up: Planned unit developments | 89 |
| Check your watch: Time shares | 89 |
| Review Questions and Answers | 90 |

| | |
|---|----------------|
| Chapter 8: Knowing the Limitations on Real Estate Ownership | 93 |
| Carrying a Not-So-Heavy Encumbrance: Private Limitations on Property Use | 93 |
| Looking at liens | 94 |
| Easing into easements | 96 |
| It won't let you drive, but it's still a license | 99 |
| No, you can't paint your house purple: Deed restrictions | 99 |
| I thought I owned it: Encroachments and adverse possession | 100 |
| Land-Use Regulation: A Major Public Limitation | 101 |
| To the drawing board: Making master plans | 101 |
| You're in the zone: Understanding zoning ordinances | 102 |
| Many from one: Subdivisions | 103 |
| Building a house out of paper: Regulations for construction | 105 |
| The Government Has Its Say: Other Public Limitations on Property Use | 106 |
| The city wants to build a library: Eminent domain | 107 |
| You didn't know the government was part of your family: Escheat | 108 |
| Pay or lose: Taxation | 108 |
| Review Questions and Answers | 108 |
| Chapter 9: Transferring Ownership: Deeds and Title Closing | 111 |
| Doing the Deed: Delving into Deed Basics | 111 |
| Making it right: Requirements for a valid deed | 112 |
| The deeds of the many: Examining various kinds of deeds | 113 |
| Painting the right picture: Property descriptions in deeds | 116 |
| Getting Closure: Title Closing | 122 |
| Nearing the finish line: Before the closing | 123 |
| The big day: At the closing | 125 |
| A little paperwork: After the closing | 128 |
| Review Questions and Answers | 130 |
| Chapter 10: Giving Up or Losing Property | 133 |
| Fine by Me: Giving Up Property Voluntarily | 133 |
| All for the government: Dedication | 133 |
| From me to you: Gifts | 134 |
| A treat from Uncle Sam: Public grants | 134 |
| The usual way: Sales | 134 |
| By Force: Losing Property Involuntarily | 134 |
| It's really mine: Adverse possession | 134 |
| You can't fight nature: Avulsion and erosion | 135 |
| We need that, please: Eminent domain | 136 |
| Deep in debt: Foreclosures | 136 |
| Ignoring the rules: Forfeiture | 136 |
| Making the split: Partitioning | 136 |
| Losing Property Very Involuntarily: Passing Title After Passing Away | 137 |
| Where there's a will, there are heirs and relatives | 137 |
| Where there's no will, there still may be heirs and relatives: Laws of descent | 137 |
| The court has its say: Probate | 137 |
| Review Questions and Answers | 138 |
| Part IV: A House Is Made of Lots of Paper: Legal and Physical Issues | 141 |
| Chapter 11: Contracts 101 | 143 |
| Agreeing to Do Something: The Basics of Making a Contract | 143 |
| Exploring how a contract is created | 144 |
| What makes a contract valid? | 145 |

So Many Choices: Examining Types of Real Estate Contracts146
 Finding out about agency agreements147
 Examining sales contracts148
 Discovering options150
 Looking at land contracts150
 Checking out leases151
 The End of the Line: Discharging a Contract151
 I Won't Do It! Breaching a Real Estate Contract152
 When the buyer refuses to go ahead with the contract153
 When the seller refuses to go ahead with the contract154
 Review Questions and Answers154

Chapter 12: Leasing Property157

Identifying Who's Who and What's What157
 Owning property: Leased fee estates157
 Renting property: Leasehold estates158
 The Usual Suspects: Preparing a Typical Lease159
 Looking at laws governing leases159
 Examining typical provisions of a lease159
 Distinguishing Among Various Types of Leases161
 Gross lease161
 Ground or land lease161
 Lease for oil or gas rights161
 Net lease161
 Percentage lease162
 Proprietary lease162
 Breaking a Lease: Types of Eviction162
 Review Questions and Answers162

Chapter 13: Dealing with Environmental Government Regulations and Issues165

Deciphering the Federal Government Alphabet Soup165
 CERCLA166
 EPA166
 HMTA166
 HUD166
 LUST (It's not what you think)166
 OSHA167
 SARA167
 Assessing the Environmental Effects of Building Developments167
 Making a statement: Environmental impact statements168
 Having suspicions: Environmental assessments168
 This Stuff Can Make You Sick: Examining Environmental Pollutants and Situations ...169
 Asbestos169
 Brownfields169
 Building related illness170
 Electromagnetic fields170
 Lead170
 Radon171
 Sick building syndrome171
 Solid waste (radioactive and otherwise)171
 Underground tanks171
 A few more quick definitions to keep in mind172
 Go with the Flow: Water and Waste Issues172
 Water pollution172
 Sanitary waste disposal173
 Storm water disposal174
 Review Questions and Answers174

Part V: You Want How Much? Valuation and Financing of Real Estate 177

Chapter 14: Appraising Property179

| | |
|---|-----|
| Figuring Out Appraisal Basics | 179 |
| What is an appraisal? | 179 |
| Seeking an appraisal: Why you need one | 180 |
| Location, Location, Location! | 182 |
| You can't move it | 182 |
| You're not on Gilligan's Island | 182 |
| You can't make any more of it | 183 |
| Arriving at Different Types of Value | 183 |
| Going to market . . . value, that is | 183 |
| Value in use | 184 |
| Investment value | 184 |
| Assessed value | 184 |
| Creating, Changing, and Affecting Values: Some Economic Factors | 185 |
| Anticipation | 185 |
| Balance | 185 |
| Change | 185 |
| Competition | 185 |
| Conformity | 186 |
| Contribution | 186 |
| Externalities | 186 |
| Highest and best use | 186 |
| Increasing and decreasing returns | 187 |
| Opportunity cost | 187 |
| Plottage | 187 |
| Regression and progression | 187 |
| Substitution | 187 |
| Supply and demand | 188 |
| Surplus productivity | 188 |
| Finding Value by Analyzing Comparable Sales | 188 |
| Understanding the basics | 188 |
| Adjusting the sales price | 189 |
| It isn't old, it's mature: Making age adjustments | 190 |
| Having time to adjust for time | 190 |
| How much is that hot tub worth? Figuring adjustment values | 191 |
| Finding Value by Analyzing Replacement Cost and Depreciation | 191 |
| A journey begins with the first step . . . or a formula | 191 |
| How much did you say? Estimating replacement and reproduction costs | 192 |
| Estimating depreciation | 193 |
| Dirt costs money, too: Estimating land value | 195 |
| Finding Value by Analyzing a Property's Income | 195 |
| Grossing out the rent | 196 |
| Capitalizing the income | 197 |
| I'd Like to Solve the Puzzle: Reconciling a Property's Value | 199 |
| Review Questions and Answers | 200 |

Chapter 15: Finding the Money: Mortgages203

| | |
|--|-----|
| The Way Things Work: Mortgage Basics | 203 |
| The nuts and bolts of the mortgage process | 203 |
| Liens, notes, and a mistake most people make | 204 |
| I have a theory . . . on mortgage loans | 205 |
| Common conditions of a mortgage loan | 205 |

| | |
|---|------------|
| Sources of (and Insurance for) Funding | 207 |
| Number one: The primary mortgage market | 208 |
| Number two: The secondary mortgage market | 209 |
| See your uncle . . . Sam, that is: Federal loan insurance programs | 210 |
| A private matter: Private mortgage insurance | 211 |
| Considerations for Lenders Accepting Mortgages | 212 |
| Checking out the property value | 212 |
| Examining the borrower's ability to pay | 213 |
| One Size Does Not Fit All: Types of Mortgages | 214 |
| Blanket mortgage | 214 |
| Construction loan | 214 |
| Home equity loan | 214 |
| Open mortgage | 214 |
| Open-end mortgage | 215 |
| Package mortgage | 215 |
| Purchase money mortgage | 215 |
| Reverse mortgage | 215 |
| Sale leaseback | 216 |
| Shared equity mortgage | 216 |
| Temporary loan | 216 |
| Wraparound mortgage | 216 |
| It's Payback Time: Mortgage Repayment Plans | 216 |
| It's in your interest: Fixed and adjustable rates | 217 |
| Doing the math: Amortized loan | 218 |
| On the straight and narrow: Straight loan | 221 |
| A good mix: Partially amortized loan | 221 |
| Fast times: Growing equity mortgage | 221 |
| Endings You Didn't Anticipate: Foreclosures, Assumptions, and Assignments | 221 |
| Shut down: Foreclosures | 222 |
| Who owes whom? Assumption and assignment | 223 |
| Being Fair: Consumer Protection Laws | 224 |
| The Community Reinvestment Act | 224 |
| The Equal Credit Opportunity Act | 224 |
| The National Affordable Housing Act | 225 |
| The Truth in Lending Act | 225 |
| Review Questions and Answers | 226 |
| Chapter 16: It's So Taxing: Real Estate Assessment and Taxes | 229 |
| Who Wants Your Money, and What Do They Want with It? Collecting Taxes | 229 |
| Go Figure! Calculating Taxes Step by Step | 230 |
| Oh so valuable: Assessing property for taxes | 230 |
| The numbers game: Understanding tax rates | 231 |
| Doing the decimal diddle: Calculating the taxes due | 232 |
| A nice balance: Using equalization rates | 233 |
| Home Free (Sort of): Property Tax Exemptions | 235 |
| Nothing to give: Fully tax-exempt properties | 235 |
| Just a small piece: Partial tax exemptions | 236 |
| That's Not Right: Protesting Assessments | 236 |
| Pay or Lose: Tax Liens and Sales | 237 |
| Review Questions and Answers | 238 |
| Chapter 17: Investing in Real Estate | 241 |
| Back to Basics: Getting Started with Property Investment | 241 |
| So many choices: Examining different investment properties | 242 |
| In charge: Looking at management issues | 243 |
| Ask the experts: Knowing when to get help | 244 |
| Oh no: Some not-so-good news about investing in real estate | 245 |

| | |
|--|-----|
| Partnering Up: Real Estate Investment Organization Structures | 245 |
| Real estate investment syndicates | 245 |
| Real estate investment trusts | 246 |
| Real estate mortgage investment conduits | 246 |
| Spending Spree: Acquiring and Building Investments | 247 |
| Getting more for less: The joys of leverage | 247 |
| Pyramiding: Not just for the pharaohs | 248 |
| Empty promise: Considering vacant land | 248 |
| We're in the Money: Making Money by Investing in Real Estate | 249 |
| Up and down: Buying low and selling high in capital appreciation | 249 |
| Plenty of room: Rentals on property | 250 |
| Letting someone else pay off the mortgage: Equity buildup | 250 |
| Getting Uncle Sam's Help: The Government's Role in Investing | 251 |
| More than your money's worth: Capital gains | 251 |
| Feeling worn-out: Depreciation | 252 |
| On the way down: Tax deductions and tax credits | 253 |
| Let's trade: Real estate exchanges | 253 |
| By the Numbers: Analyzing Investment Properties | 254 |
| Review Questions and Answers | 255 |

Chapter 18: All in the Numbers: Real Estate Mathematics259

| | |
|---|-----|
| Don't Lose the Faith, but You May Have to Convert | 260 |
| Land and Buildings: Measuring Area and Volume | 260 |
| Area of a square or a rectangle | 261 |
| Area of a triangle | 262 |
| Area of a circle | 262 |
| Area of an irregular shape | 263 |
| Volume of anything | 263 |
| Percentages: Pinpointing What You Really Need to Know | 264 |
| Commissions: Tracking Your Moolah | 265 |
| Figuring out how much you and everyone else earn | 265 |
| Determining how much a house should sell for based on a commission rate | 266 |
| Making Mortgage Calculations without a Fancy Calculator | 268 |
| Calculating interest | 268 |
| Figuring out monthly payments | 270 |
| Oh, the Pain: Calculating Taxes | 270 |
| Calculating the assessed value of a property | 270 |
| Calculating taxes due | 271 |
| A Good Split: Putting Proration into Perspective | 272 |
| Appreciating Appreciation and Depreciation | 273 |
| Getting more or less: Appreciation and depreciation of a property's value | 273 |
| Depreciation: The government kind | 275 |
| What's It Worth? Estimating Appraised Value | 275 |
| The capitalization method | 275 |
| The gross rent multiplier method | 276 |
| Review Questions and Answers | 277 |

Part VI: You're Ready to Pick Up Your Pencil: Taking Practice Exams281

Chapter 19: Practice Exam One283

Chapter 20: Answers and Explanations to Practice Exam One299

Chapter 21: Practice Exam Two309

Chapter 22: Answers and Explanations to Practice Exam Two325

Part VII: The Part of Tens335

Chapter 23: Ten Things to Find Out From Your State’s Real Estate Law337

 Agency Law337

 Fair Housing338

 License Law338

 Limitations on Land Use338

 Money Stuff339

 Ownership Rights, Forms, and Theories339

 Property Disclosure339

 Tenants’ Rights and Rent Control340

 Transferring Ownership Involuntarily340

 Transferring Ownership Voluntarily340

Chapter 24: Ten Tips to Help You Succeed on the Exam341

 Taking the Exam as Soon as You Can341

 Knowing the Rules (and Following Them)342

 Studying Your State License Law342

 Remembering Important Vocabulary343

 Focusing on Key Concepts343

 Eating Something343

 Staying Cool, Calm, and Collected343

 Paying Attention (without Overthinking)344

 Going with Your Initial Instinct344

 Finishing the Job344

Index345

