

Holloway's Real Estate Pre-License Course

40 HOUR PREPARATION FOR THE
MICHIGAN SALESPERSONS LICENSE EXAM

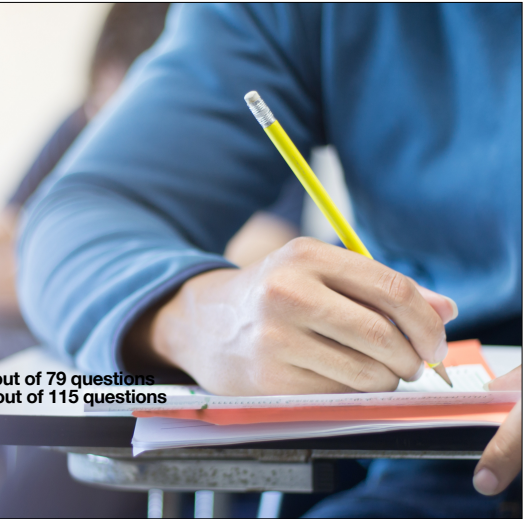
Instructor
John Henderson
(616) 292-3700
(use text or voice mail)
jt2923700@gmail.com
www.JTHenderson.com



Housekeeping
Registered / Book / Handouts
Vending is located...
Restrooms are located...
Local Restaurants...
Building WiFi...

Come Prepared
Pen & non-bleeding highlighter
Camera/ Phone / Calculator
M-F - 9:00 am - 5:30 pm
Lunchtime 11:30 am
Clock vs Classroom hours - class vote

Notes
Passing is 70% Mid-Term - 55 correct out of 79 questions
Final Exam - 80 correct out of 115 questions
Cellphones silent
Make-up hours
Raising hands
Talkative vs non-talkative students



JTHenderson.com / Student Resources



JT Henderson & Associates
REAL ESTATE CONSULTANTS

[HOME](#) [BROKER SOLUTIONS](#) [AGENT RESOURCES](#) [STUDENT RESOURCES](#) [CONTINUING EDUCATION](#)

With more than 20 years experience in the real estate industry, John Henderson teaches Broker and Salesperson Licensing courses for the State of Michigan. He is CDEI Certified through ARELLO.

Got a question? Contact John at: JT@grar.com.



Get our new book!

Two decades of experience distilled into 120 pages. Purchase this book for \$19.99 and receive six hours of Michigan Real Estate Continuing Education Credit! Click [HERE](#) to order.

To receive credit, visit the [continuing education page](#) on this website and use the last four digits of the ISBN number on the back cover as your password. You will receive further instructions from there.

DOWNLOAD

Seller's Disclosure
Holloways Prelicense Presentation

COURSE INFORMATION

[PSI Bulletin](#)

[PSI Course & Sample Questions](#)

[Prelicensing Class Power Point](#)

Handouts

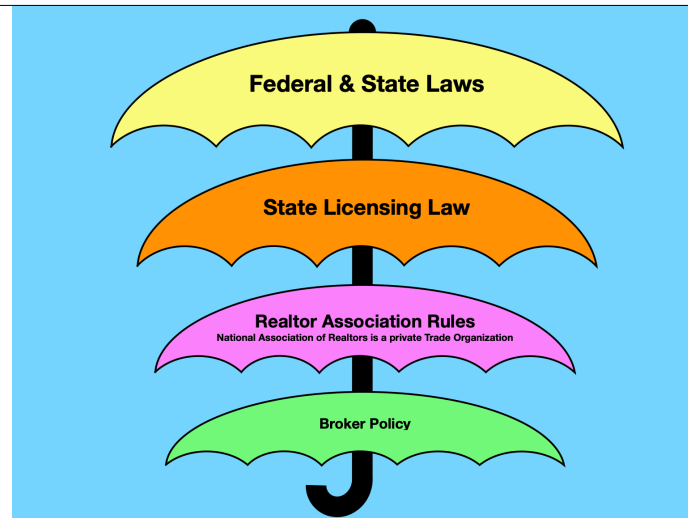
PSI Bulletin
Civil Rights
Licensing Review
Applying For Your License

Introduction - The course workbook

- Last page - Contact information
- Moving backward - Appendix
- Posted Notices
- Pg 213 Measurement Conversion Chart
 - 1 TWP = 36 Sections
 - 1 Section = 1 square mile = 640 acres
 - 1 acre = 43,560 square feet
 - 1 Mile = 5,280 feet
- Pg 182 - 213 - Glossary Of Terms
- Pg III - School Policies

Course Structure:

Lesson
Chapter Summary
Exercise
Exercise Answers
Quiz



Types of Licenses - 2 Levels of Licensing

- Salesperson - must hang license with a broker within 1 year
(18 Years Old / Pass 40 Hour Course / Pass State Exam)
- Broker - several applications
(add phrases Associate / Principal / Non-Principal)

Type of License	Number that can be held by an individual	Number Associated with a Real Estate Company	Can They Transfer?
Broker	Unlimited*	One	No
Principal Associate Broker	Unlimited	Unlimited	No
Salesperson	One	Unlimited	Yes
Non-Principal Associate Broker	One	Unlimited	Yes

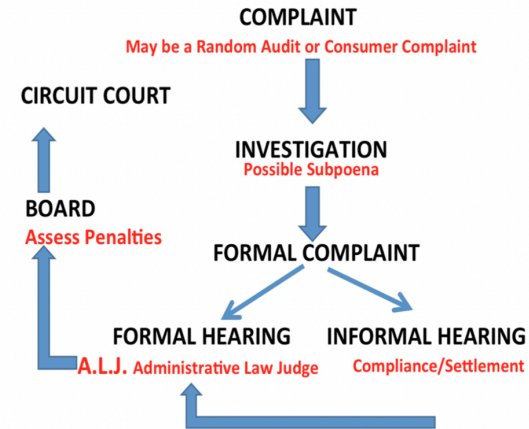
- Only a standard Broker's License can be issued to a non-living entity.
- Every Active Officer (active in real estate) of a real estate corporation must obtain an Associate Brokers License.
- A Principal Associate Broker has an ownership interest or a position of authority in a real estate company.
- Think of a Non-Principal Associate Broker as a Deluxe Salesperson.

* A broker has the authority to establish a legal real estate entity and obtain a Broker's license in that entity's name. There are no limitations on the number of Broker entities that may be applied for.

Applying Your License

Real Estate Salesperson
All Licenses are ACTIVE
Transactional vs Holding

Realtor
Member of NAR - National Assoc of Realtors



Chapter 1 - Nota Bene

p10 - Procuring cause - a series of events, unbroken in their continuity that results in a sale.

p11 - Advertising - statements of facts vs. puffing vs. misrepresentation.

Puffing is an unmeasurable opinion.

Advertising includes technology and social media.

p12 - Material fact - enough to make a buyer change their mind.

p14 - Commingling - mixing money for different purposes.

Conversion - using money for other purposes.

Condominium Buyers Handbook p21
Download at www.jthenderson.com



THE CONDOMINIUM BUYER'S HANDBOOK

The Condominium Buyer's Handbook is created by the Michigan Department of Licensing and Regulatory Affairs as required by the Condominium Act (PA 10 of 1978, as amended). This edition includes Public Act 170 of 2018 amendments.

Sex Offender Registration Act 1995
AKA Megan's Law RE: Megan Kanka
3 tiered system
 1) Every year for 15 years
 2) Every year for 25 years
 3) 4 times per year for life

Uniform Electronic Transaction Act 2000
Storable & Encrypted

CAN-SPAM Act of 2003

Unsubscribe compliance

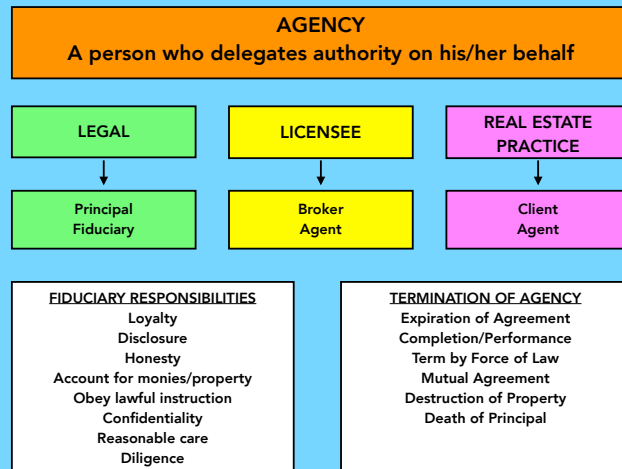
- A visible and operable unsubscribe mechanism is present in all emails.
- Consumer opt-out requests are honored within 10 business days.
- Opt-out lists are used only for compliance purposes.

Content compliance

- Accurate "From" lines
- Relevant subject lines (relative to offer in body content and not deceptive)
- A legitimate physical address of the publisher or advertiser is present. PO Box addresses are acceptable.
- A label is present if the content is adult.

Sending behavior compliance

- A message cannot be sent without an unsubscribe option.
- A message cannot contain a false header
- A message should contain at least one sentence.
- A message cannot be null.
- Unsubscribe option should be below the message.
-



Chapter 2 - Nota Bene

p45 - Contracts create agency.

Client vs. merely a customer.

p47 - Contracts are always voidable by a minor.

p48 - Protection period - beyond the time period of the contract, an extension to protect broker's previous work.

Acknowledged - notarized.

Counter offers are rejections of the original offer.

An agent has the responsibility to stop a closing if there is a clouded title.

Clouded titles are cleared by a Quit Claim deed or a Suit to Quiet Title.

p49 - Purchase Agreement - an agreement which the seller agrees to sell and a buyer agrees to buy at a set price and terms.

p50 - Title Insurance - shows evidence of marketable title.

Seller's policy - buyer is beneficiary. Buyer's policy - mortgage company is beneficiary.

p51 - Stake survey vs. mortgage report.

Home warranty programs vs Construction warranty (free of defect for 1 year)

Math - Decimals vs Percentages vs Fractions

Decimal	Percentage	Fraction
0.10	10%	1/10
0.125	12.5%	1/8
0.20	20%	1/5
0.25	25%	1/4
0.33	33%	1/3
0.50	50%	1/2
1.00	100%	1/1 (or 1)

Math - Converting into decimals

- Converting percents into decimals: Percent / 100
- Converting mills into decimals: Millage Rate / 1000
- Converting fractions into decimals: Numerator / Denominator
(In a fraction, the numerator is the top number and represents the number of parts you have, while the denominator is the bottom number and represents the total number of equal parts the whole is divided into.)
- Always apply the “Reasonable Test”

Math – Calculating Area (Length X Width)

- What is the square footage? Square: 2' by 2'
- What is the square footage? Rectangle: 4' x 3'
- What is the square footage? Rectangle: 100' X 150'
- What is the square footage? Rectangle: 750' X 1500'
- What is the acreage for the rectangle above?
- What is the square footage? Triangle: 4' X 3'
(Length X Width X .50)

Math – Calculating Area - Answers

- What is the square footage? Square: 2' by 2'
 $2 \times 2 = 4' \text{ square feet}$
- What is the square footage? Rectangle: 4' x 3'
 $4 \times 3 = 12 \text{ square feet}$
- What is the square footage? Rectangle: 100' X 150'
 $100 \times 150 = 15,000 \text{ square feet}$
- What is the square footage? Rectangle: 750' X 1500'
 $750 \times 1500 = 1,125,000 \text{ square feet}$
 $1,125,000 / 43,560 = 25.83 \text{ acres}$
- What is the square footage? Triangle: 4' X 3'
(Length X Width X .50)
 $4 \times 3 \times \frac{1}{2} = 6 \text{ square feet}$

Math - Area Multi-Step Process

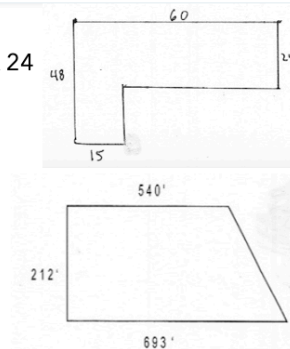
- Area Rectangle $60 \times 24 + 15 \times 24$

What is the square footage?

- Area Triangle $212 \times 540 \times 693$

What is the square footage?

What is the acreage?



Math - Area Multi-Step Answers

- Area Rectangle $60 \times 24 + 15 \times 24$

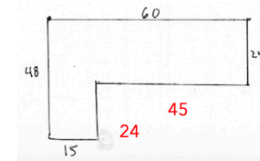
What is the square footage?

What is missing?

2 Shapes: $60 \times 24 = 1,440$

$15 \times 24 = \underline{360}$

1,800 square feet



- Area Triangle $212 \times 540 \times 693$

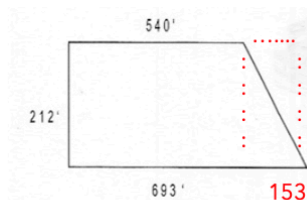
What is the square footage?

$540 \times 212 = 114,480$

$153 \times 212 / \frac{1}{2} = \underline{16,218}$

Total **130,698 square feet**

What is the acreage? $130,698 / 43,560 = \underline{3 \text{ acres}}$



Math - Percentages (Commissions & Splits)

- Broker Barb's agent, Alicia listed and sold a house for \$215,000 with a selling commission of 6%. How much was the total commission?
- The commission was split 50/50 with the selling broker, XYZ Realty. How much commission did each broker earn?
- Broker Barb splits her commission 70 (agent) / 30 (broker). How much did her agent earn?
- The selling commission on a transaction is 6% which is a total of \$21,000. What is the sales price?

Math - Commission Answers

- Broker Barb's agent, Alicia listed and sold a house for \$215,000 with a selling commission of 6%. How much was the total commission?

$$215,000 \times .06 = 12,900$$

- The commission was split 50/50 with the selling broker, XYZ Realty. How much commission did each broker earn?

$$12,900 \times .50 = 6,450$$

- Broker Barb splits her commission 70 (agent) / 30 (broker). How much did her agent earn?

$$6,450 \times .70 = 4,515$$

- The selling commission on a transaction is 6% which is a total of \$21,000. What is the sales price?

$$21,000 / .06 = 350,000$$

Math - Finding the Sale Price

- Elise wants to sell her home and net \$60,000. She owes \$156,100 on her mortgage and her real estate broker charges 6% selling commission. How much should she sell her house for? (Round up to the nearest \$100)

Math - Finding the Sale Price Answer

- Elise wants to sell her home and net \$60,000. She owes \$156,100 on her mortgage and her real estate broker charges 6% selling commission. How much should she sell her house for? (Round up to the nearest \$100)

Sale Price	???	100%
Commission	???	6%
Total Fixed Costs	216,100	94%

$$216,100 / .94 = 229,893.62 \text{ (or } \$229,900 \text{ rounded)}$$

Math - Revenue Stamps and Transfer Tax (page 51)

County (Revenue Stamps)	\$ 0.55 per \$500 or fraction thereof
State (Transfer Tax)	\$ <u>3.75</u> per \$500 or fraction thereof
TOTAL	\$ 4.30 per \$500 or fraction thereof

Madison purchased a home for \$350,900. What is the amount of Revenue Stamps & Transfer Taxes she will pay at closing?

$350,900 / 500 = 701.9$ rounded up to account for the remaining fraction thereof, 702.

$$702 \times 4.30 = \$3,018.60$$

Math - Prorations

- 360 days in a year
- 30 days in a month
- Common Prorations: Property Taxes, HOA fees, Water & Sewer, Rent
- Note whose responsibility it is to cover the day of closing
- Note: Debit (DR) is a charge / Credit (CR) is a reduction

Math - How to calculate prorations

- What is the TOTAL charge?
- Is this a monthly, quarterly or annual fee?
- What is the per diem (daily) rate?
- When is the closing date?



Math - Prorations

- HOA fee, paid by the seller at the first of the month, was \$360.00. Closing date is the 21st day. (Buyer is responsible for the day of closing). What is the proration?
- Property taxes paid on 07/15 (due date) (in advance) were \$1,920. Closing date is 09/16. What is the proration? How will it appear on the closing statement?

Math Prorations Answers

- HOA fee, paid by the seller at the first of the month, was \$360.00. Closing date is the 21st day. (Buyer is responsible for the day of closing). What is the proration?
 $360 / 30 \text{ days} = 12.00 \text{ per diem}$
 $12.00 \times 20 \text{ days} = 240.00 - \text{the Seller owes}$
 $360.00 - 240.00 = 120.00 \text{ CR to Seller \& DR to Buyer}$
- Property taxes paid on 07/15 (due date) (in advance) were \$1,920. Closing date is 09/16. What is the proration? How will it appear on the closing statement?
 $1,920 / 360 = 5.33 \text{ per diem}$
 $5.33 \times 60 \text{ days} = 319.80 \text{ the seller owes}$
 $1,920 - 319.80 = 1,600.20 \text{ CR to Seller \& DR to Buyer}$

Reporting Prorations / Closing Statement

CLOSING STATEMENT	Sellers DR	Sellers CR		Buyers DR	Buyers CR
Sale Price		350,000.00		350,000.00	
Ernest Money Deposit					2,000.00
Mortgage					300,000.00
HOA Proration		120.00		120.00	
Property Tax Proration		1,600.20		1,600.20	
TOTALS	-	351,720.20		351,720.20	302,000.00
Balance Due (TO) or FROM		(351,720.20)			49,720.20

Math - Property Taxes

- 1 MIL = .001 25.5883 = .0255883
- Purchase Price Value vs State Equalized Value vs Taxable Value
- Rates are based on Municipality and School District
- Assessments occur at new sale or improvements
- Generally, Taxable Value is based on 50% of purchase price
- Municipalities charge a Summer Tax & a Winter Tax
- Homestead vs Non-Homestead Rates

Property Tax Millage Rate Sample

2006 Kent County Millage Rates

Locality	Summer Homestead	Winter Homestead	Total Homestead	Summer Non-Homestead	Winter Non-Homestead	Total Non-Homestead
Colon Township:						
696-1718						
Cedar Springs	20.8585	4.7298	25.5883	38.8585	4.7298	43.5883
Kent City	18.4835	9.3548	27.8383	27.3377	18.2090	45.5467
Tri-County	7.4267	13.3151	20.7418	7.4267	30.0395	37.4662
Grant	7.4267	18.2663	25.6930	7.4267	38.2663	45.6930
Sparta Township:						
887-8863						
Kent City	18.4835	9.7393	28.2228	27.3377	18.5935	45.9312
Sparta	17.4261	8.6819	26.1080	26.4261	17.6819	44.1080

Math - Property Tax

- Jane's house just sold for \$259,900.
SEV: \$93,000 TV: \$46,500
- Millage Rate: 18.5 Mil
- What is the current annual property tax?
- What is the expected new property tax?

Math - Property Tax Answers

- Jane's house just sold for \$259,900.
SEV: \$93,000 TV: \$46,500
- Millage Rate: 18.5 Mil
- What is the current annual property tax?
 $46,500 \times .0185 = \$860.25$
- What is the expected new property tax?
 $259,900 \times .50 \times .0185 = \$2,404.00$

Math - Rate of Return a.k.a. Cap Rate

Formula: Gain / Investment = Rate of Return

An investor purchased 10 acres at \$17,050 per acre.

She split the land into 20 different lots.

Each individual lot sold for \$9,800.

What was her rate of return?

Math - Rate of Return a.k.a. Cap Rate

Formula: Gain / Investment = Rate of Return

An investor purchased 10 acres at \$17,050 per acre.

She split the land into 20 different lots.

Each individual lot sold for \$9,600.

What was her rate of return?

Total earnings	$9,600 \times 20 = \$192,000$
Total investment	$17,000 \times 10 = \$170,500$
Total gain	\$ 21,500

$21,500 / 170,500 = 0.126$ (or 12.6%)

Math - Simple Interest

Formula: (i=interest rate, p=principal, pmt=payment, t=time period)

$I = \text{Annualized PMT} / \text{Principal} - 1$

$\text{PMT} = \text{Principal} \times \text{Interest} + \text{Principal} / \text{Time Periods}$

$P = \text{Payments} / (1 + \text{Interest Rate})$

NOTE: Most interest rates are expressed as an annual percentage

A buyer borrowed \$15,000 on a one year note. Her payment was \$1,437.50 per month.

What was her interest rate?

A buyer borrowed \$10,000 for one year at an interest rate of 7% annually.

What was her monthly payment?

A buyer paid off a one year note, paying \$950 each month at 9% interest.

How much principal did he borrow?

Math - Simple Interest

A buyer borrowed \$15,000 on a one year note. Her payment was \$1,437.50 per month. What was her interest rate?

$$\$1,437.50 \times 12 \text{ months} = \$17,250$$

$$\$17,250 / \$15,000 - 1 = 0.15 \text{ (or 15\%)}$$

A buyer borrowed \$10,000 for one year at an interest rate of 7% annually. What was her monthly payment?

$$\$10,000 \times .07 = \$700.00$$

$$\$10,000 + \$700.00 / 12 \text{ months} = \$891.66$$

A buyer paid off a one year note, paying \$950 each month at 9% interest. How much principal did he borrow?

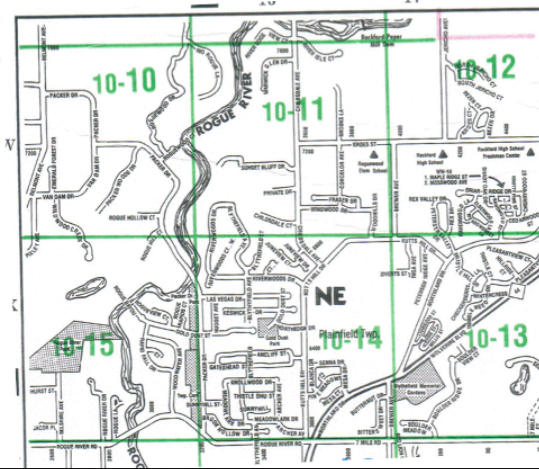
$$\$950 \times 12 \text{ months} = \$11,400.00$$

$$\$11,400 / 1.09 = \$10,458.72$$

Permanent Parcel Number

- 41-10-13-103-009
- County: 41
- Township: 10
- Section or plat: 13
- Abbreviated Parcel Number: 10300
- Check Digit: 9

Map



MUST MEMORIZE

1 Township = 36 sections

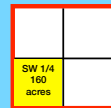
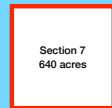
1 Section = 1 sq mile = 640 acres

1 Acre = 43,560 sq feet

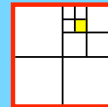
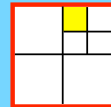
1 Mile = 5,280 feet

Rectangular Survey

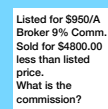
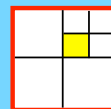
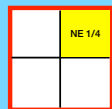
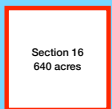
S 1/2 of the SW 1/4 of Section 7



SE 1/4 of the NW 1/4 of the NE 1/4 of a section



SW 1/4 of the NE 1/4 of Section 16



Listed for \$950/A
Broker 9% Comm.
Sold for \$4800.00
less than listed
price.
What is the
commission?

Legal Descriptions

Mr Jones owns the SW 1/4 of the NE 1/4 of Section 16.

He listed it for \$950 an acre.

Broker charged him a 9% commission.

How much was the broker's commission if the property sold for \$4,800 less than the listed price?

Legal Descriptions

Mr Jones owns the SW 1/4 of the NE 1/4 of Section 16.

He listed it for \$950 an acre.

Broker charged him a 9% commission.

How much was the broker's commission if the property sold for \$4,800 less than the listed price?

$$640 \times .25 \times .25 = 40 \text{ acres}$$

$$40 \times \$950 = \$38,000 \text{ listed price}$$

$$38,000 - 4,800 = \$33,200 \text{ selling price}$$

$$\$33,200 \times .09 = 2,988.00 \text{ commission earned}$$

Chapter 3 - Nota Bene

p70 - Platted land (lot) vs. Site Condo (unit).

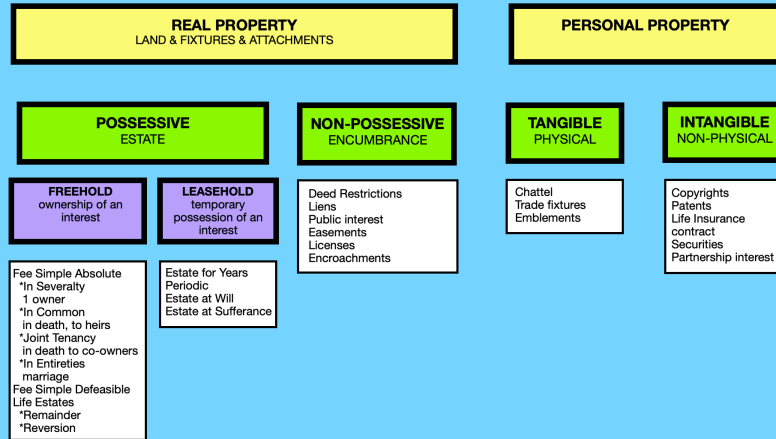
p74 - Bundle of Rights

Possess
Use
Transfer
Exclude
Encumber

Market Price (what an average buyer would be willing to pay) vs
Market Value (the perceived inherent value a seller perceives is the correct amount)

p75 - Appraisal - A professional estimate of value.

DEFINING PROPERTY



Characteristics of land

Physical Characteristics:

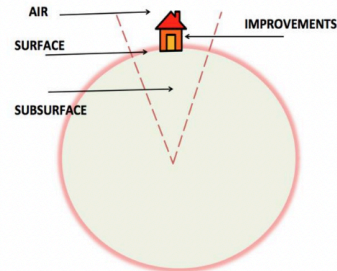
Immobile
Indestructible
Unique

Economic Characteristics:

D - Desirability (preferred location and area value)
U - Utility (improvements - can be developed)
S - Scarcity (supply - land has limited quantity)
T - Transferability (can be sold, leased or willed to another person)

1. REAL PROPERTY:

- A. Land
 - B. Improvements on the land
 - C. Plants and trees
 - D. Air space above
 - E. Subsurface rights
 - F. Water-related rights
 - G. Anything attached permanently to the land
- Seller may sell all rights or reserve a portion such as reserving mineral rights.



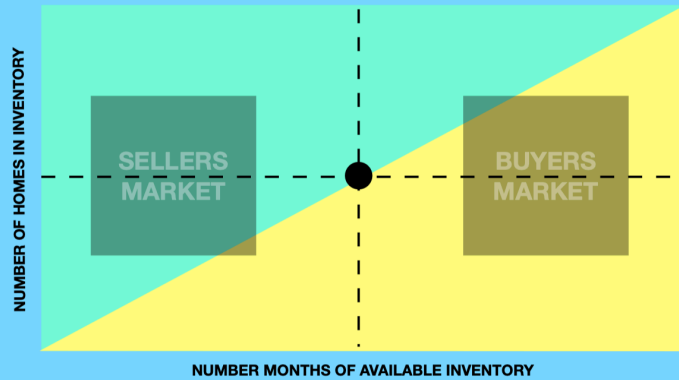
Uncle John Says...

Remember the Difference



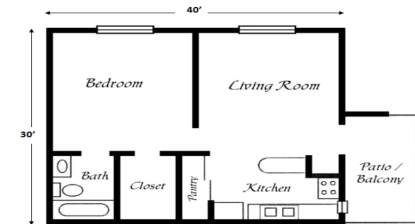
Real Property	+	Fixtures	=	Real Estate	vs. Personal Property
Land Surface		Permanent Man-made			Annual Plants
All Natural Items					Emblements (crops)
Perennial Plants					Trade Fixtures
Uncultivated Plants					
Air Above					
Subsurface					

REAL ESTATE CYCLES



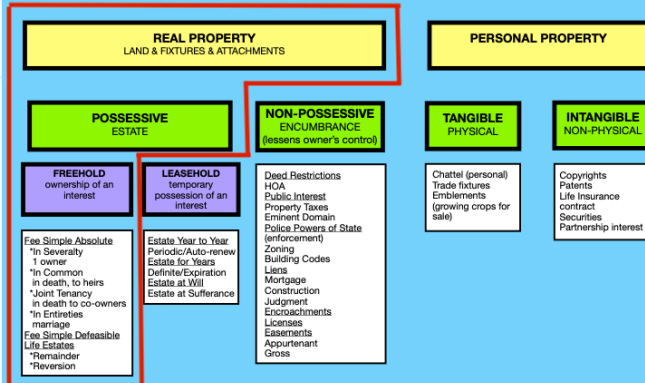
Measuring structures for valuation

American National Standards Institute (ANSI) / Gross Living Area (GLA): The area of a structure measured using exterior dimensions. AKA Livable Area
 Finished space that has access to electricity, plumbing, HVAC
 Calculate all livable area above grade, not below grade.
 Do not count decks or garages



GLA / Livable Area
 40' x 30' = 1,200 sq.ft.
 Patio not included

DEFINING PROPERTY



© John Henderson

Chapter 4 - Nota Bene

p93 - Life estates are freehold estates.

Remainder man - who gets it afterward?

Reversion - goes back to original grantor.

p95 - Dower, Courtesy and Community property - does not apply in Michigan.

Michigan is an "equitable distribution" state.

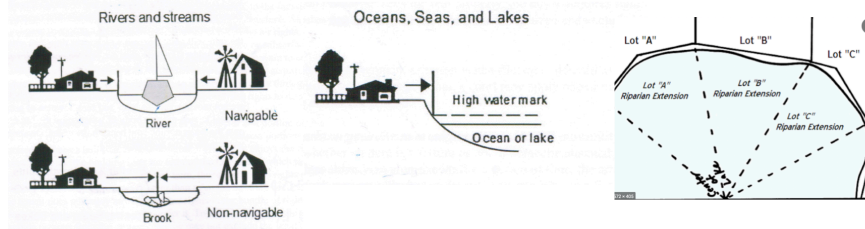
Riparian rights - river - R

Littoral rights - lake - L

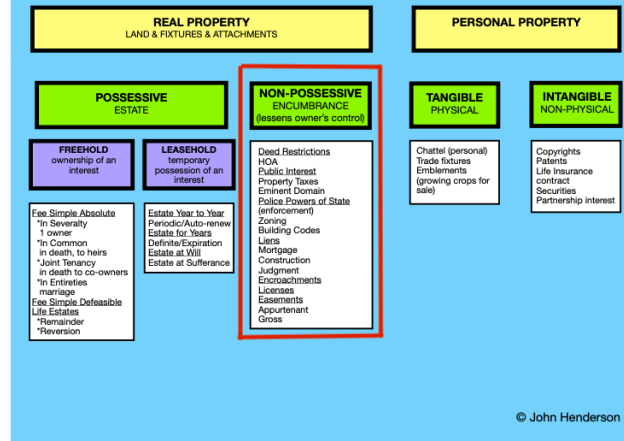
Littoral & Riparian Rights

Natural vs Man-made

Navigable vs Non-navigable



DEFINING PROPERTY



Chapter 4 - Nota Bene (continued)

P 95 - Condominiums - each unit is owned by the individual and taxed separately.

Cooperatives - owners only own the air between the walls.

p96 - REIT - Real Estate Investment Trust.

C, C & R - Covenants, conditions and restrictions.

HOAs - maintains common property, establishes bylaws and collects dues.

Advice - get CC&R, meeting minutes, financial and reserve reports.

Police power - the power to enforce reasonable control.

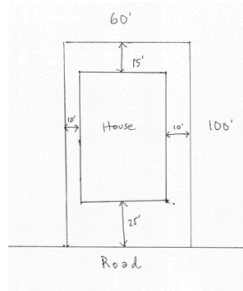
Math - Setbacks page 96

- Big City has zoning laws that require buildings to have specific setbacks on a property. If a vacant lot is 60' wide and 100' deep. The city requires setbacks of 25' for the front, 10' on the sides and 15' on the back. What is the maximum size of house that can be built?

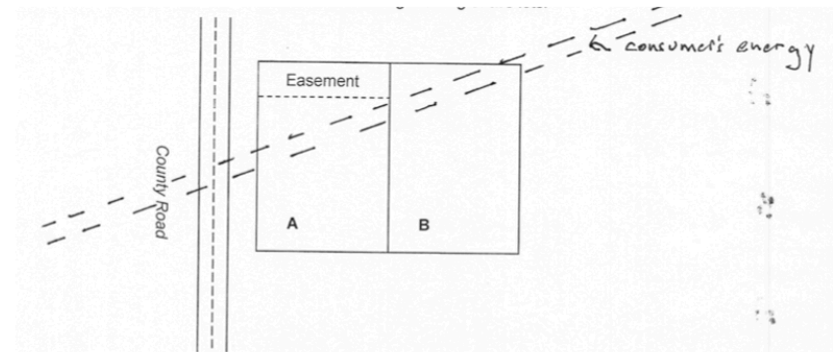
Math - Setback Answer

- Big City has zoning laws that require buildings to have specific setbacks on a property. If a vacant lot is 60' wide and 100' deep. The city requires setbacks of 25' for the front, 10' on the sides and 15' on the back. What is the maximum size of house that can be built?

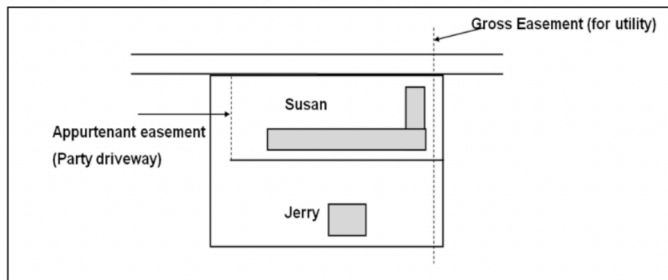
$$40'W \times 60'D = 2,400 \text{ square ft}$$



Easement page 97



- A. **DOMINANT ESTATE (TENEMENT):** The property that *benefits* from the easement.
DOMINANT TENANT: The owner of the dominant estate.
- B. **SERVIENT ESTATE (TENEMENT):** The property that is subject to the easement and *encumbered* by it.
SERVIENT TENANT: The owner of the servient estate.



Chapter 4 - Environmental Issues

Definitions

Abatement: Reduction of the use of something
Mitigation: Reduction of the effects of something

Urea Formaldehyde Foam Insulation (UFFI)

Underground Storage Tanks

Water Quality - PFAS / Nitrites / Nitrates (Bacteria)

Mold - Black mold spores

Carbon Monoxide - Incomplete Combustion CO2 Detectors

Environmental Issues p98
Download at www.jthenderson.com.



Chapter 5 - Nota Bene

p112 - deeds do not require a date to be legal, but they must be dated to be recorded.

Delivery and acceptance is not acknowledgement and recording.

Deed

WARRANTY DEED

THE GRANTOR(S)

Katie J. [REDACTED], of 121 E [REDACTED] St SW, Wyoming
MI 49548 and Janet M. Z [REDACTED] of 121 E [REDACTED] St
SW, Wyoming MI 49548

CONVEY(S) AND WARRANT(S) Miguel R [REDACTED], of 119 [REDACTED] St SW,
TO THE GRANTEE(S) Wyoming, MI 49548,

the real estate situated in the City of Wyoming, Kent County, Michigan, more fully described on
Exhibit A attached to this Deed, together with all improvements, fixtures, easements,
hereditaments, and appurtenances associated with the real estate ("**Property**"), subject to
easements, restrictions, interests, reservations of record, and taxes and assessments not yet due
and payable.

This deed is given in consideration of One Hundred Eighty Five Thousand and 00/100 Dollars
(\$185,000.00).

This deed is dated: October 30, 2020.

Mid-term Exam

Passing - 70%

56 correct / 80 questions

Estimated time to grade test is...

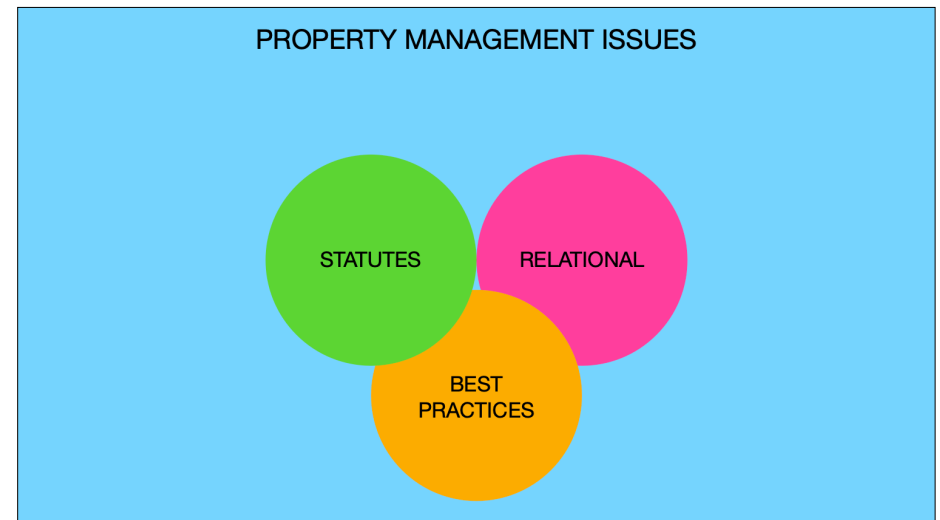
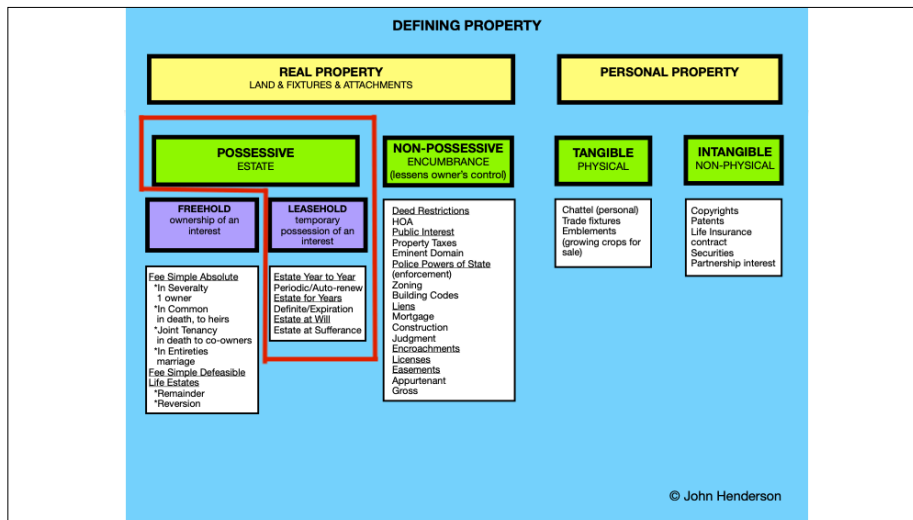
Must report score when finished

Number Correct / Total Questions

= Percentage score

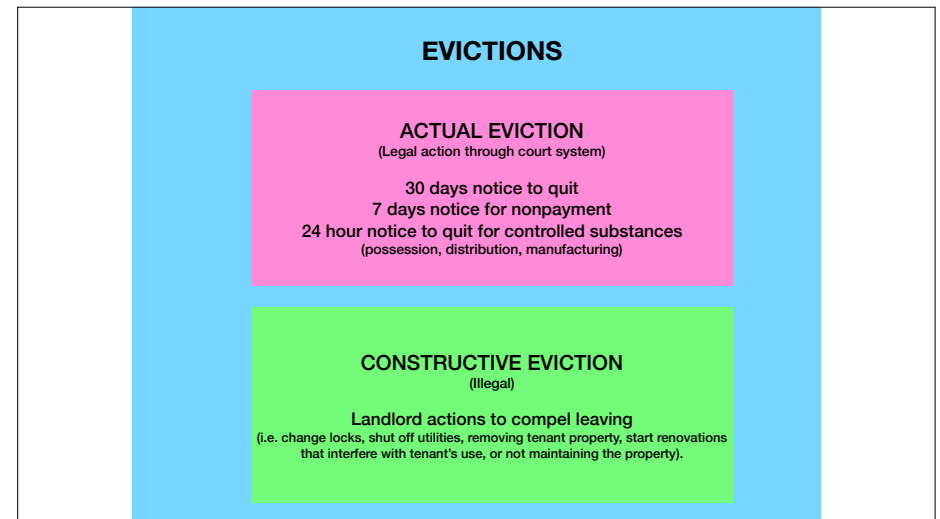
WRITE SCORE IN BOOK!



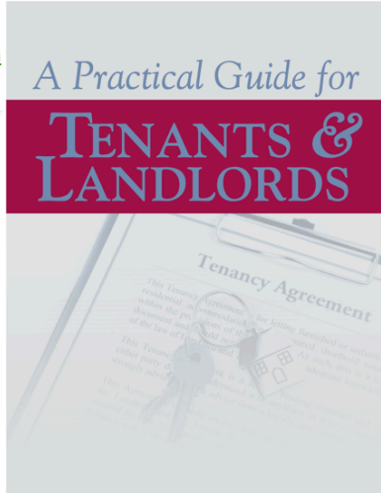


Chapter 6 - Nota Bene

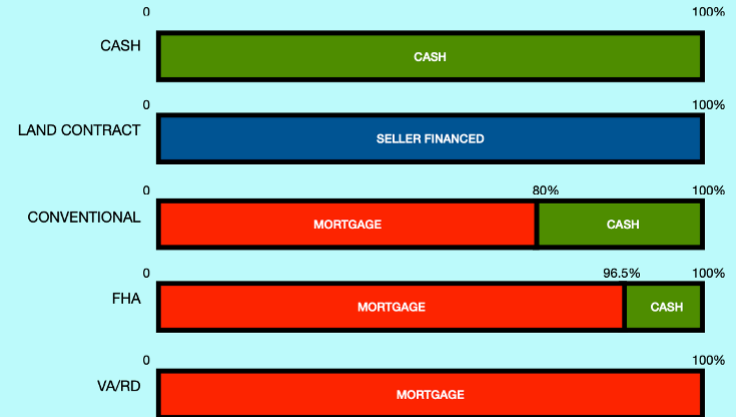
p 123 - Add the word “NOT” to the notes found in small box.
 p123 - New owners must honor existing leases.



Practical Guide for
Tenants & Landlords
Download at www.jthenderson.com



Types of Financing



PRIMARY VS. SECONDARY MARKET

PRIMARY

Originator
Underwriter
Funder

SECONDARY

Fannie Mae
Ginnie Mae
Freddie Mac

Chapter 7 - Nota Bene

p135 - First task of a buyer's agent is to get buyers qualified for a loan.

The note is a promise to pay.
The mortgage pledges the real estate as collateral.

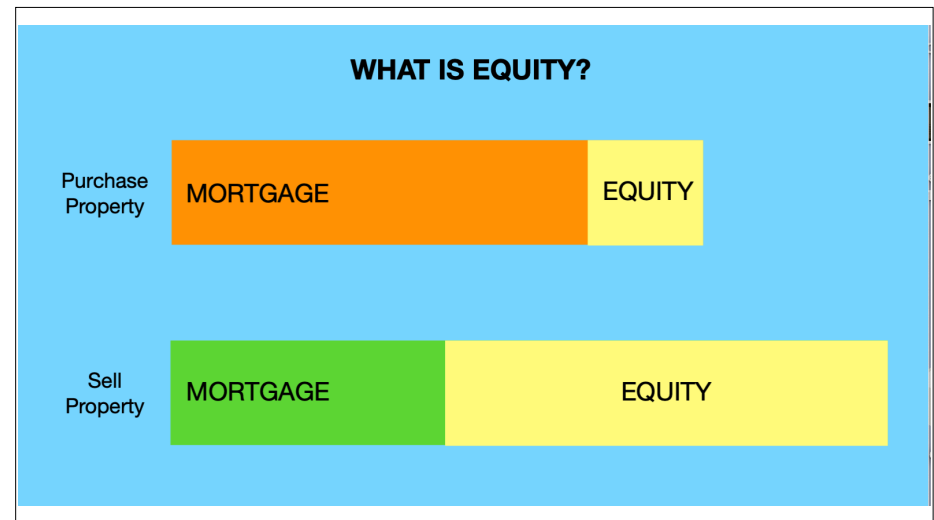
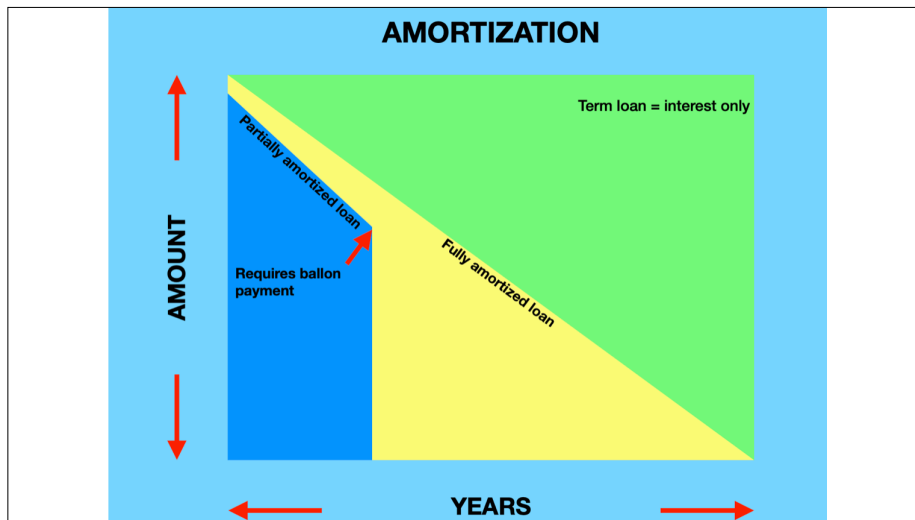
p136 - Release of lien a.k.a. discharge of mortgage.

Interest payments a.k.a. periodic payments.

Priority - Michigan is a rush lien state.

p140 - PMI - private mortgage insurance.
MIP - mortgage insurance premium.

p141 - Usury - 25% regulated in lenders.
11% - homeowners/land contracts.
7% - other unlicensed lenders (one per year).



Mortgage Applications

Criteria lenders consider when approving/declining a loan:

Credit score
Income
Work history
Credit history
Debt load

Process:

Complete application form
Pay application fee (origination fee and appraisal fee)
Gather documents (tax returns, W-2, 1099, etc)

What Is the Ideal Qualifying Ratio for First-Time Homebuyers?

- A maximum housing expense ratio of 28%
- A maximum debt-to-income ratio of 36%

EXAMPLE - Buyer Income \$61,500 annually

$61,500 \times .28 = \$17,220$ (or \$1,435 monthly)

Or $61,500 \times .36 = \$22,140$ max debt

7,000 subtract current existing debt
\$15,140 Max debt-to-income ratio (or \$1,260/mo)

Choose whichever is less.

Finance Math

Loan To Value (LTV)

Purchase price	300,000		300,000
LTV: 96.5%	<u>289,500</u>	LTV 80%	<u>240,000</u>
Downpayment (plus closing cost)	\$10,500.		\$60,000

Discount points: Each point is equal to 1% of mortgage amount

<u>PITI</u>	Principal
	Interest
	Taxes
	Insurance (home owners)

Exam Amortization Table

\$1,000 PMT/MO	1 Year	5 Year	10 Year	30 Year
3%	\$ 84.69	\$ 17.97	\$ 9.66	\$ 4.22
5%	\$ 85.61	\$ 18.87	\$ 10.61	\$ 5.37
7%	\$ 86.53	\$ 19.81	\$ 11.61	\$ 6.65

Sage purchased a home for \$351,000 with a 30 year, 3% interest mortgage. What was Sage's monthly payment?

How many "thousands" of dollars did Sage buy?

$$351,000 / 1,000 = 351$$

Using the amortization table, what is monthly multiplier?

\$4.22

$$351 \times 4.22 = \$1,481.22$$

Additional Involuntary Transfers

Tax Sales

in arrears 2 years, triggers auction
Action by county who contacts all lien holders to purchase or extinguish claim
3 auctions annually (last is at state level with no minimum
Website: www.taxsale.info

Foreclosures - HUD (FHA) and REO (Real Estate Owned)

Requirements Public notice
Privately served
Sheriff's auction

Redemption 6 months normally
12 months for farms (3+ acres)
21 days if abandoned

Website: www.HUDHomeStore.gov

RESPA Improves Real Estate Transparency

- Requires loan cost disclosures
- Prohibits kickbacks and referral fees
- Regulates business affiliations
- Regulates escrow accounts
- Prevents preferred title insurance requirements



Additional laws that affect lending

Truth In Lending Act (TILA)

Protection of borrowers

3 day rescission for lines of credit and certain purchases

Regulation Z - When advertising terms, you must include all details

Real Estate Settlement Procedures Act (RESPA)

Provides homebuyers and sellers with estimated and actual settlement cost

Purpose is to reduce closing cost by eliminating referrals and kickbacks

Equal Credit Opportunity Act (ECOA)

Prohibits discrimination that includes receiving public assistance

Must be given a specific reason for rejection of credit

TRID

In 2015, the Consumer Financial Protection Bureau (CFPB) integrated the Real Estate Settlement Procedures Act (RESPA) with the Truth In Lending Act (TILA) creating the TILA-RESPA Integrated Disclosure (TRID).

Loan Estimate (LE)

Provided within 3 days of application

Requires receipt acknowledgement

Borrower has 10 days to decide to accept terms

Closing Disclosure (CD)

Provided 3 days prior to closing

Requires receipt acknowledgement

Changes (i.e. loan product, APR, additional prepayment) triggers a new 3 day period

Land contract laws affected by Dodd Frank

A seller who finances the sale of owned residential property must use the services of a **loan originator** to qualify the buyer. The following exclusions apply:

SELLER FINANCING 1 PROPERTY WITHIN 12 MONTHS - EXCLUSION

A **natural person**, estates, and trusts (no entities) that sell only 1 property in a 12-month period and who owns the property that serves as security for the financing must comply with the following:

1. The person is **not the builder** or contractor of the residence.
2. The repayment of the balance does not result in **negative amortization**. The rule **does not** prohibit a **balloon payment**.
3. The loan interest rate is **fixed for at least five years**.

SELLER FINANCING 3 PROPERTY WITHIN 12 MONTHS - EXCLUSION

This exclusion applies to "persons" as defined broadly under TILA to include not only "natural" persons but also a **wide range of organizations such as corporations, partnerships LLCs etc.** who owns the property that serves as security for the financing:

The following requirements must be met:

1. The person is not the builder or contractor of the residence.
2. The financing is fully amortizing (**no balloon** mortgages or negative amortization).
3. The loan interest rate is fixed for at least five years.
4. The person determines in good faith that the consumer (buyer) has a reasonable ability to repay, i.e. checking W2s, 1099s, tax returns, etc.

Tax & Real Estate

Defining Income Tax vs Capital Gains Tax

Tax Deductions (Mortgage interest rates) vs Standard Deduction (Phasing out at end of 2025)

Primary Residence / Universal Exclusion:

\$250,000 / person or \$500,000 / couple

Must have lived in the house at least 2 of the previous 5 years

Calculating Capital Gains (IRS schedule D):

Proceeds from sale of property

- Basis (Acquisition cost + improvements)

= Gain (Loss)

Avoid capital gains by using 1031 exchanges

Never "touch" the money

Re-invest within 45 days

Tax & Real Estate

Business income & loss (IRS schedule C):
 Home office (exclusive use)
 Mileage (2022 rate \$.67 cents /mile)
 20,000 miles x \$.67 = \$13,400
 Depreciation

DEPRECIATION

Land	0 years
Cars, office equipment, residential appliances	5 years
Office furniture	7 years
Residential buildings	25 years
Commercial buildings	27.5 years

Alice purchased a commercial building which included office furniture. The appraisal indicated the land is worth \$100,000.00. The building is worth \$350,000.00. The office furniture is worth \$25,000.00. What is the annual depreciation?

Land: \$100,000.00 with zero depreciation	0.00
Building: \$350,000.00 / 27.5 years	\$12,727.30
Office furniture: \$25,000.00	\$3,571.50
	\$16,298.80



michigan.gov/MiPlus

Setup account

Upload certificate

Pay fees

Receive email from
PSI to schedule exam

Pass the state exam

Identify broker

Get license

DESCRIPTION OF EXAMINATIONS

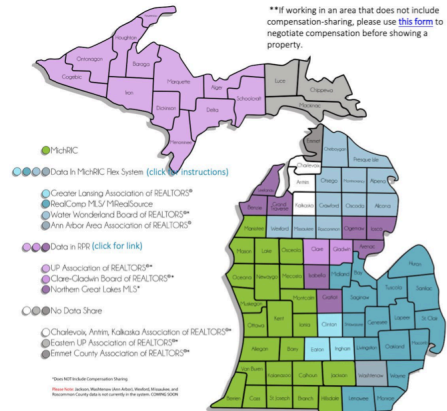
EXAMINATION SUMMARY TABLE

Examination	# of Questions	Passing % Score	Passing Raw Score	Time Allowed
Salesperson	115	70	80	180 minutes
Broker	120	75	90	210 minutes

Passing the State Exam

- Know the entire course text.
- Know glossary.
- Test yourself with Quizzes and Exercises
- Buy additional study material (PSI study tests)
- Read entire question and ALL answers
- Eliminate useless information
- Pick the BEST answer
- Course certificate is good for one year

MLS Access & Data-Sharing



Interviewing Brokers

Cost:

Startup - Realtor membership \$1,000 - \$1,500

Startup - yard signs, business cards, marketing material \$700 - \$1,500

Ongoing - \$2,000 annually plus brokerage cost

Training:

Specific classes vs job shadowing vs weekly meetings

Flexibility:

Full time requirement vs part time vs ramp-up

Use of company vs personal contact info - phone number, email address

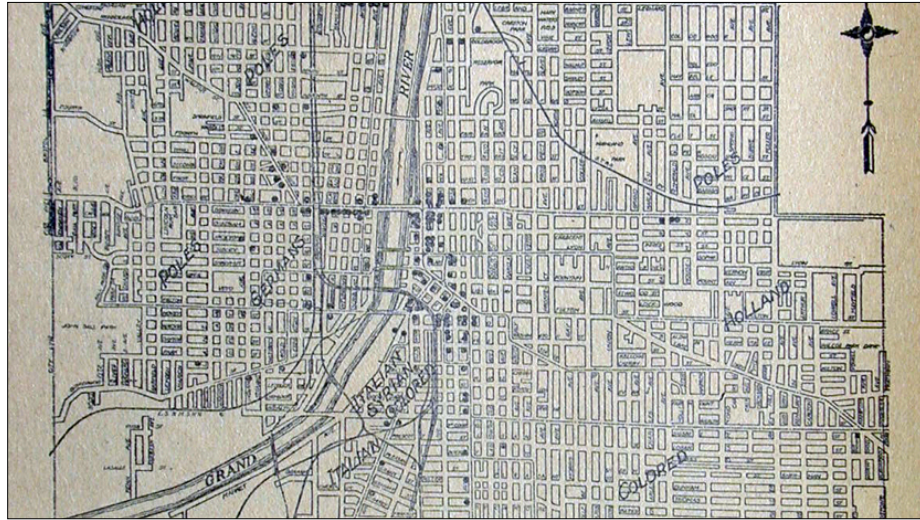
Personal marketing (i.e. photo on sign, etc.) vs broker marketing

Chapter 8 - Nota Bene

p164 - Real estate agents should not accept a listing where discrimination is expected.

p165 - Local real estate boards also accept complaints regarding discrimination.





Emmett Till (l.), a black 14-year-old Chicago boy, was brutally murdered near Money, Miss., in 1955 after whistling at Carolyn Bryant (c.), a white woman. (Uncredited/AP)

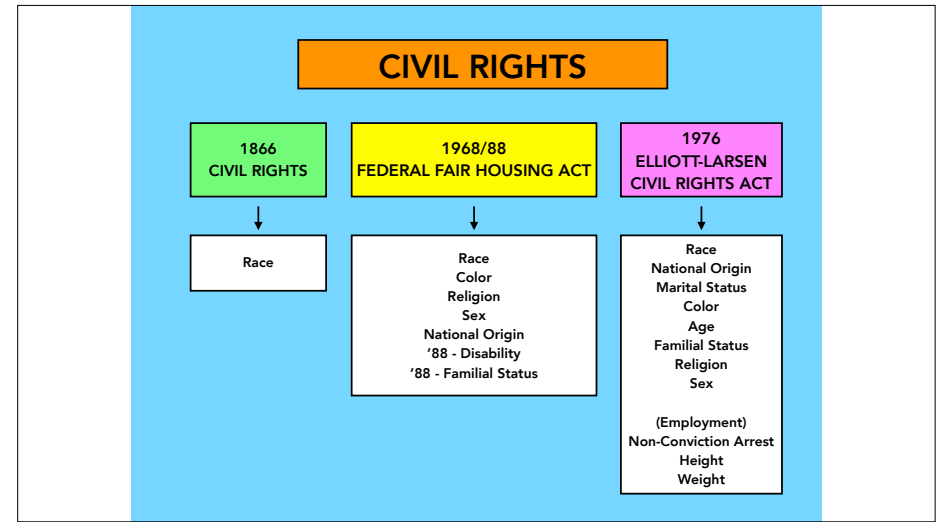
Wyoming police release video of officers cuffing realtor



by: [Ruben Juarez](#), [Madelyn Buursma](#)
Posted: Aug 7, 2021 / 12:14 AM EDT / Updated: Aug 7, 2021 / 11:33 PM EDT

WYOMING, Mich. (WOOD) — An incident in which a local realtor was put in handcuffs while showing a home to a client last Sunday in Wyoming was standard procedure, police say.

On Aug. 1, a local realtor, his client and his client's son were put in handcuffs during a showing after armed Wyoming police officers responded to the house on a report of a break-in.



Final Exam

Passing - 70% (Average both tests)
 92 correct / 115 questions
 Must report score before leaving
 Estimated time to grade test...

Let me know how you're doing!
 Pass state exam
 Need further assistance
 Advice on making this course better

Thanks for joining us at Holloways!

