

Institute 2

HOLLOWAY'S 30 HOUR PREPARATION FOR THE BROKER'S EXAM

Instructor
John Henderson
(616) 292-3700
(Use text or voice mail)
jt@grar.com
www.JTHenderson.com



Housekeeping

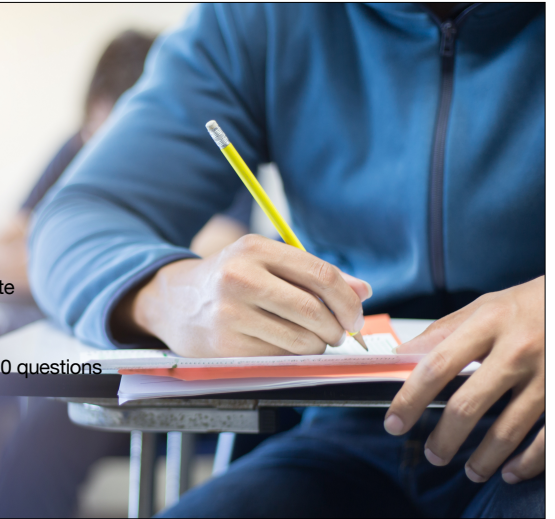
Vending is located...
Restrooms are located...
Local Restaurants...
Building WiFi...

Come Prepared

Pen & non-bleeding highlighter
Calculator
M-TH - 8:30 am to 4:30 pm
Clock vs Classroom hours - Class vote

Notes

Passing is 70% - 77 correct out of 110 questions
Cellphones silent
Make-up hours
Raising hands
Non-talkative vs talkative students



PSI Brokers Exam

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

MiPlus: Complete Application for Broker's License

JTHenderson.com / Student Resources



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.

I Have My Real Estate License. Now What?



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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

PSI Bulletin
Keynote Presentation

COURSE INFORMATION

[PSI Bulletin](#)

[PSI Course & Sample Questions](#)

[Prelicensing Class Power Point](#)

Chapter 1 Nota Bene

P1 - Case law: Court decisions are the chief source of real estate law.

P2 - Regulation Z applies to advertising to consumers only.

Timeshares and equity lines of credit have a three business day right of rescission.

P3 - You cannot deduct interest on a home mortgage above the home's value.

P5 - lead based paint disclosure applies to residential properties only.

Michigan Occupational Code does not require members enter into mediation (unlike NAR code of ethics).

P6 - You can file a complaint against a licensee with LARA or NAR, but not the board of real estate brokers and salespersons.

P7 - Real estate brokers can be a person, corporation, partnership or common law trust, but not a subchapter S corporation.

Chapter 1 - Nota Bene

P10 - A legitimate reason for turning down an applicant for a loan would be a person's income does not meet requirements, but not marital status, age or any other protected class.

P11 - Exempt mortgage servicers can be real estate brokers.

P14 - Michigan Natural Resources Act prohibits developing wetlands without the permission of the DEQ (Department of Environmental Quality).

P15 - Statement of fact vs. intentional misrepresentation vs. puffing (an unmeasurable opinion).

The seller must always fill out the seller's disclosure for themselves.

Additional state topics

Usury laws (broker only) - charging excessive interest

Mortgages and land contracts

Regulated Lender - 25% + reasonable late fees

Unlicensed owner or builder - 11%

Unregulated Lender - 7%

Unwritten Agreement - 5%

Transfer Tax (think sales tax)

Correct:

County - \$.55 per 500 or fraction thereof

State - \$ 3.75 per 500 or fraction thereof

\$ 4.30 per 500 or fraction thereof

Practical:

\$8.60 per 1,000

Sale \$350,750.00 / 500 = 701.5

(add "fraction") 702 x 4.30 = \$3,018.60

350,750 / 1000 = 350.7

350.7 x 8.60 = \$3,016.02

Add two more statutory requirements:

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

Federal Laws

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

P23 - "Fixtures run with the land" and cost is not a consideration.

Personal property is not real estate or real property.

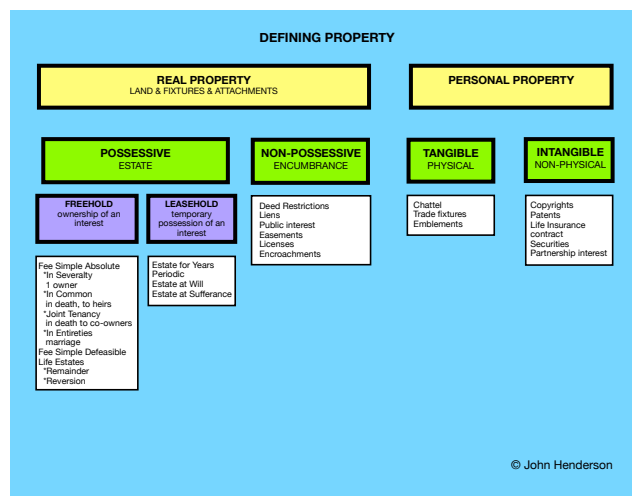
Trade fixtures are based on how they are used.

P29 - Fee simple - ownership of property that is unencumbered by any other interest.

P30 - Equitable interest - example of a purchase agreement executed but not closed yet.

P31 - Probate - a court can transfer title to devisee.

Literal rights - think shoreline rights/not waterways.



What are the four economic characteristics of land?

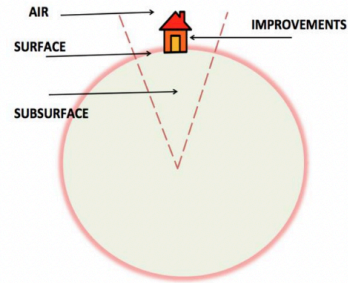
There are four economic characteristics of land as follows:

- 1 – Scarcity. Scarce means there isn't much of something around. ...
- 2 – Improvements. ...
- 3 – Permanence of investment. ...
- 4 – Area preference.



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.



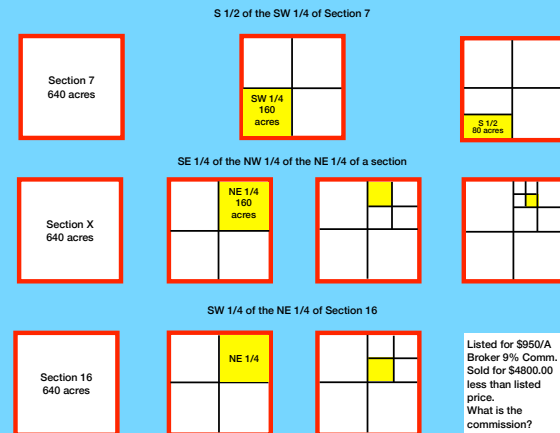
BUNDLE OF RIGHTS

- P - Possess
- U - Use
- T - Transfer
- E - Exclude
- E - Encumber

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



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?

$640 \times .25 \times .25 = 40$ acres
 $40 \times \$950 = \$38,000$ listed price
 $38,000 - 4,800 = \$33,200$ selling price
 $\$33,200 \times .09 = 2,988.00$ commission earned

Chapter 2 - Nota Bene

P32 - (HOA) deed restrictions prohibiting an conveyance (transfer) of the property by the grantor would be void and unenforceable.

Property tax - nonpayment of property taxes may result in a lien on that property, not other properties or bank accounts.

P33 - Common zoning categories are residential, commercial, industrial.

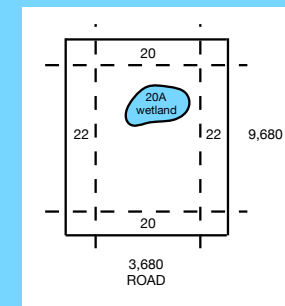
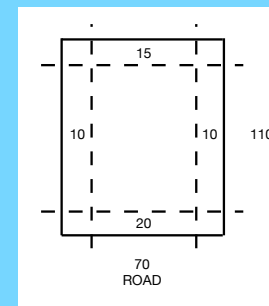
Private deed restrictions take priority over zoning because they are more restrictive.

Zoning includes density, lot size, building height, but not landscaping.

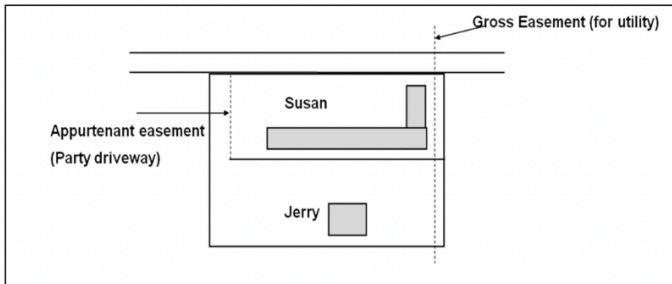
Encumbrances include leases, liens, easements, encroachments, and mortgages.

SETBACKS

Start at road front, read clockwise.



- 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 2 - Nota Bene

P34 - Doctrine of laches concerns working quickly to enforce one's rights. An example is waiting until damage is done before mentioning a problem.

Easements are not title ownership or possession. It's only a right to use it.

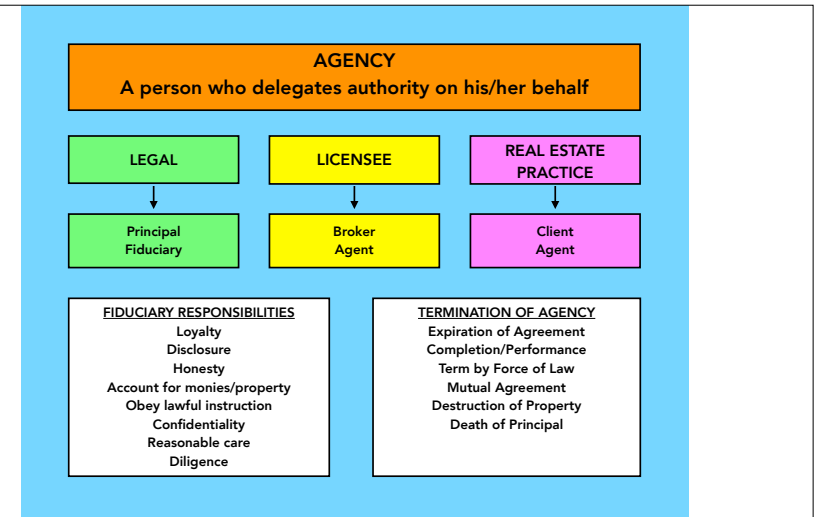
P35 - Holographic will: Handwritten and signed by testator which is legal.

Escheat: No will no heirs. Property goes to the state.

P37 - A limited warranty deed a.k.a. special warranty deed.

Property ownership (Salesperson 7 items/Broker 6 items)

1. Classes of property
 - a. Real versus personal property
 - b. Defining fixtures
2. Land characteristics and legal descriptions
 - a. Physical characteristics of land
 - b. Economic characteristics of land
 - c. Types of legal property descriptions
 - d. Usage of legal property descriptions
 - e. Physical descriptions of property and improvements
 - f. Mineral, air and water rights
3. Encumbrances and effects on property ownership
 - a. Liens (types and priority)
 - b. Easements and licenses
 - c. Encroachments
4. Types of ownership
 - a. Types of estates
 - b. Forms of ownership
 - c. Leaseholds
 - d. Common interest ownership properties
 - e. Bundle of rights



Chapter 3 - Nota Bene

P44 - The word "represents" indicates agency.

Client vs. merely a customer.

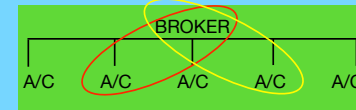
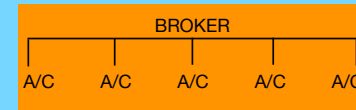
A broker is not allowed to make an undisclosed profit at the principle's expense.

Agent must present Agency Disclosure form BEFORE the customer or client has disclosed confidential information.

P46 - Broker may be responsible if they commit to something (like finishing a road) that doesn't happen.

Performance of a contract is the most common way for a contract to be terminated.

DESIGNATED VS. NON-DESIGNATED AGENCY



General principles of agency (Salesperson 10 items/Broker 11 items)

1. Nature of agency relationships
 - a. Types of agents and agencies (special, general, designated, subagent, etc.)
 - b. Nonagents (transactional/facilitational)
 - c. Fiduciary responsibilities
2. Creation and disclosure of agency and agency agreements (general, not state specific)
 - a. Agency and agency agreements
 - b. Disclosure when acting as principal or other conflict of interest
3. Responsibilities of agent/principal
 - a. Duties to client/principal (buyer, seller, tenant or landlord)
 - b. Traditional common law agency duties; effect of dual agency on agent's duties
4. Responsibilities of agent to customers and third parties, including disclosure, honesty, integrity, accounting for money
5. Termination of agency
 - a. Expiration
 - b. Completion/performance
 - c. Termination by force of law
 - d. Destruction of property/death of principal
 - e. Mutual agreement

Chapter 3 Nota Bene

P47 - Rescission - a court can order the termination of a contract.

Specific performance - forces the other party to complete the contract.

Another word for "notarized" is "acknowledged".

P48 - Blind ads (no broker named) are illegal in Michigan.

P49 - Buyer and seller are parties in a purchase agreement, not the broker.

Right of first refusal - does not have set price or terms.

P50 - Title insurance - is evidence of marketable title.

P51 - Listing broker is responsible for the settlement/closing of a transaction.

Contracts (Salesperson 11 items/Broker 12 items)

1. General knowledge of contract law
 - a. Requirements for validity
 - b. When contract is considered performed/discharged
 - c. Assignment and novation
 - d. Breach of contract and remedies for breach
 - e. Contract clauses
2. Listing agreements
 - a. General requirements for valid listing
 - b. Exclusive listings
 - c. Non-exclusive listings
3. Buyer/tenant representation agreements, including key elements and provisions of buyer and/or tenant agreements
4. Offers/purchase agreements
 - a. General requirements
 - b. When offer becomes binding (notification)
 - c. Contingencies
 - d. Time is of the essence
5. Counteroffers/multiple counteroffers
 - a. Counteroffer cancels original offer
 - b. Priority of multiple counteroffers
6. Leases
 - a. Types of leases, e.g., percentage, gross, net, ground
 - b. Lease with obligation to purchase or lease with an option to purchase
7. Other real estate contracts
 - a. Options
 - b. Right of first refusal

Chapter 4 - Real Estate Calculations

Get your calculators out.

Math - Commit To Memory

- 1 Township = 36 Sections
- 1 Section = 1 square mile = 640 acres
- 1 Acre = 43,560 square feet
- 1 Mile = 5,280 feet

- Always apply the "Reasonable Test"

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 - Calculating Area (Length X Width)

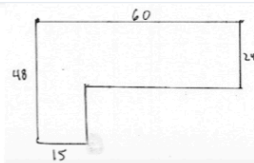
- What is the square footage? Square: 2' by 2'
- What is the square footage? Rectangle: 4' x 3'
- What is the square footage? Rectangle: 100' X 150'
- What is the square footage? Rectangle: 750' X 1500'
- What is the acreage for the rectangle above?
- What is the square footage? Triangle: 4' X 3'
(Length X Width / 1/2)

Math - Calculating Area - Answers

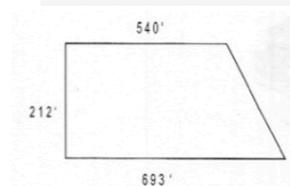
- What is the square footage? Square: 2' by 2'
 $2 \times 2 = 4$ square feet
- What is the square footage? Rectangle: 4' x 3'
 $4 \times 3 = 12$ square feet
- What is the square footage? Rectangle: 100' X 150'
 $100 \times 150 = 15,000$ square feet
- What is the square footage? Rectangle: 750' X 1500'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

Math - Area Multi-Step Process

- Area Rectangle $60 \times 24 + 15 \times 24$
What is the square footage?

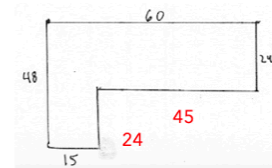


- Area Triangle $212 \times 540 \times 693$
What is the square footage?
What is the acreage?



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 $212 \times 540 \times 693$

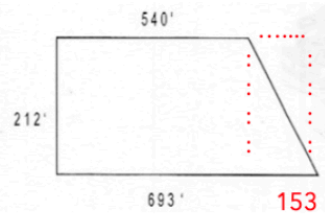
What is the square footage?

$$540 \times 212 = 114,480$$

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

Total **130,698 square feet**

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

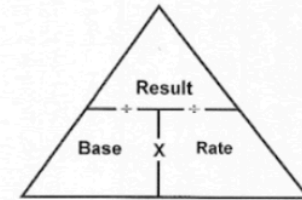


PERCENTAGE PROBLEMS

Many of the math questions involve the use of a percentage. Many math problems have three variables. Two of these will be given to you in the problem or at least enough information to easily find two of them. You will need to find the third variable. Many types of problems such as those dealing with commission, interest, profit and loss, and capitalization can be solved using the same formula (or slight variation) will help solve the majority of math problems.

The triangle at the right has three sections. These sections are for three variables mentioned above. The sections are named: **BASE**, **RATE**, and **RESULT**.

- The **BASE** is what the problem is based on. For example, commission problems are based on the selling price.
- The **RATE** is the percent in the problem. For example, in commission problems the rate would be the commission rate.
- The **RESULT** is what this type of problem results in. For example, in commission problems the result is the actual dollar amount of the commission.



These three numbers relate to each other. Any two of them will produce the third. Notice the two divide signs and multiplication signs in the triangle. Let us look at some very simple numbers so you can see how the triangle works.

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?

$$\text{Selling Price} \times \text{Commission Rate} = \text{Commission}$$

$$\text{Commission} / \text{Rate} = \text{Selling Price}$$

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 - 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
Union 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	36.2663	43.6930
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

An investor purchased 10 acres of \$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?

$$\text{Selling Price} - \text{Investment Cost} = \text{Gain}$$
$$\text{Gain} / \text{Investment} = \text{Rate of Return}$$

Math - Rate of Return

An investor purchased 10 acres of \$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?

$$9,600 \times 20 = 192,000 \text{ Total Earnings}$$
$$17,050 \times 10 = 170,500 \text{ Total Investment}$$
$$21,500 \text{ Total Gain}$$

$$21,500 / 170,500 = .126 \text{ (or 12.6\%)}$$

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?

A buyer borrowed \$10,000 on a six-month straight note. The interest paid was \$550. What was the interest rate?

A buyer paid off a one-year note, paying \$950 a month for 12 months, at 9% interest. How much did they borrow?

$$\text{Total Annual Payment} / \text{Principal} = 1.XX \text{ (100\% Principal plus Interest)}$$

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?

$$1,437.50 \times 12 \text{ months} = 17,250.00 \text{ Total payments}$$
$$17,250.00 / 15,000.00 = 1.15 \text{ (or 15\% above repayment)}$$

A buyer borrowed \$10,000 on a six-month straight note. The interest paid was \$550. What was the interest rate?

$$\$550.00 \times 2 \text{ (to annualize total interest)} = \$1,100.00 \text{ total interests}$$
$$\$10,000 + 1,100 = \$11,100 \text{ total repayment}$$
$$11,100 / 10,000 = 1.11 \text{ (or 11\% above payment)}$$

A buyer paid off a one-year note, paying \$950 each month, at 9% interest. How much did they borrow? (Round to the nearest tens)

$$\$950 \times 12 \text{ months} = \$11,400$$
$$11,400 / 1.09 = \$10,460.00$$

Math - Revenue Stamps and Transfer Tax

County (Revenue Stamps)	\$ 0.55 per \$500 or portion thereof
State (Transfer Tax)	\$ 3.75 per \$500 or portion thereof
TOTAL	\$ 4.30 per \$500 or portion thereof

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

$$350,900 / 500 = 701.8 \text{ rounded to account for the portion thereof, } 702.$$
$$702 \times 4.30 = \$3,018.60$$

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?
 $1,920 / 360 = 5.33 \text{ per diem}$
 $5.33 \times 60 \text{ days} = 319.80 \text{ the seller owes}$
 $1,920 - 319.80 = 1,600.20 \text{ CR to Seller \& DR to Buyer}$

Math - Financing Concepts

- LTV - (Loan To Value)
 $\text{Value} \times \text{LTV} = \text{Amount Financed}$
 $100,000 \times .80 = \$80,000.00$
- Discount Points - Each Point is equal to 1% of the loan
- PITI = Principal
Interest
Taxes
Insurance

Basic Amortization Table

\$1,000 PMT/MO	3%	5%	7%
1 Year	\$ 84.69	\$ 84.60	\$ 86.53
5 Year	\$ 17.97	\$ 18.87	\$ 19.80
10 Year	\$ 9.66	\$ 10.60	\$ 11.61
15 Year	\$ 6.90	\$ 7.90	\$ 8.99
30 Year	\$ 4.21	\$ 5.37	\$ 6.65

Math - Amortization

MONTH	100,000.00	6%	1,200.00				
	PRINCIPLE DUE	INT RATE	CALC INT	TTL DUE	PMT	PD PRINCIPLE	REMAIN PRINCIPLE
1	\$ 100,000.00	0.5000%	\$ 500.00	\$ 100,500.00	\$ 1,200.00	\$ 700.00	\$ 99,300.00
2	\$ 99,300.00	0.5000%	\$ 496.50	\$ 99,796.50	\$ 1,200.00	\$ 703.50	\$ 98,596.50
3	\$ 98,596.50	0.5000%	\$ 492.98	\$ 99,089.48	\$ 1,200.00	\$ 707.02	\$ 97,889.48
4	\$ 97,889.48	0.5000%	\$ 489.45	\$ 98,378.93	\$ 1,200.00	\$ 710.55	\$ 97,178.93
5	\$ 97,178.93	0.5000%	\$ 485.89	\$ 97,664.82	\$ 1,200.00	\$ 714.11	\$ 96,464.82
6	\$ 96,464.82	0.5000%	\$ 482.32	\$ 96,947.15	\$ 1,200.00	\$ 717.68	\$ 95,747.15
7	\$ 95,747.15	0.5000%	\$ 478.74	\$ 96,225.88	\$ 1,200.00	\$ 721.26	\$ 95,025.88
8	\$ 95,025.88	0.5000%	\$ 475.13	\$ 95,501.01	\$ 1,200.00	\$ 724.87	\$ 94,301.01
9	\$ 94,301.01	0.5000%	\$ 471.51	\$ 94,772.52	\$ 1,200.00	\$ 728.49	\$ 93,572.52
10	\$ 93,572.52	0.5000%	\$ 467.86	\$ 94,040.38	\$ 1,200.00	\$ 732.14	\$ 92,840.38
11	\$ 92,840.38	0.5000%	\$ 464.20	\$ 93,304.58	\$ 1,200.00	\$ 735.80	\$ 92,104.58
12	\$ 92,104.58	0.5000%	\$ 460.52	\$ 92,565.11	\$ 1,200.00	\$ 739.48	\$ 91,365.11
13	\$ 91,365.11	0.5000%	\$ 456.83	\$ 91,821.93	\$ 1,200.00	\$ 743.17	\$ 90,621.93
14	\$ 90,621.93	0.5000%	\$ 453.11	\$ 91,075.04	\$ 1,200.00	\$ 746.89	\$ 89,875.04
15	\$ 89,875.04	0.5000%	\$ 449.38	\$ 90,324.42	\$ 1,200.00	\$ 750.62	\$ 89,124.42
16	\$ 89,124.42	0.5000%	\$ 445.62	\$ 89,570.04	\$ 1,200.00	\$ 754.38	\$ 88,370.04
17	\$ 88,370.04	0.5000%	\$ 441.85	\$ 88,811.89	\$ 1,200.00	\$ 758.15	\$ 87,611.89
18	\$ 87,611.89	0.5000%	\$ 438.06	\$ 88,049.95	\$ 1,200.00	\$ 761.94	\$ 86,849.95
19	\$ 86,849.95	0.5000%	\$ 434.25	\$ 87,284.20	\$ 1,200.00	\$ 765.75	\$ 86,084.20

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

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

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

$$\frac{7,000}{\$22,140} \text{ subtract current existing debt}$$

$$\$15,140 \text{ Max debt-to-income ratio (or } \$1,260/\text{mo)}$$

Choose whichever is less.

Real estate calculations (Salesperson 6 items/Broker 4 items)

1. Basic math concepts
 - a. Area
 - b. Loan-to-value ratios
 - c. Discount points
 - d. Equity
 - e. Down payment/amount to be financed
2. Calculations for transactions, including mortgage calculations
3. Property tax calculations
4. Prorations (utilities, rent, property taxes, insurance, etc.)
 - a. Commission and commission splits
 - b. Seller's proceeds of sale
 - c. Transfer tax/conveyance tax/revenue stamps
 - d. Amortization tables
 - e. Interest rates
 - f. Interest amounts
 - g. Monthly installment payments
 - h. Buyer qualification ratios

Chapter 5 - Nota Bene

P70 - Appraisal: A professional estimate of value.

You must be a licensed appraiser to appraise and charge for it.

P71 - Depreciation: A loss of value from any cause.

P72 - An appraiser can use any or all types of approaches when creating an appraisal.

Arms length: Avoiding intimacy or close contact. In real estate, both parties act independently without one influencing the other.

Math - Comparable Market Analysis (CMA) Broker's Price Opinion (BPO)

	Subject	Comp 1	Comp 1 Adj	Comp 2	Comp 2 Adj	Comp 3	Comp 3 Adj
Number of Bedrooms	3	3		2	\$ 5,000.00	4	\$ (5,000.00)
Number of Bathrooms	2	2		2		3	\$ (4,500.00)
Garage: Attached / Freestand	Attached	Attached		Attached		Free standing	\$ 2,000.00
Garage Number of Stalls	2	2		3	\$ (2,000.00)	2	
Finished Basement	Yes	No	\$ 15,000.00	Yes		No	\$ 15,000.00
Total Adjustments			\$ 15,000.00		\$ 3,000.00		\$ 7,500.00
SOLD PRICE			\$ 245,000.00		\$ 259,500.00		\$ 249,900.00
Adjusted Value	\$ 259,966.67		\$ 260,000.00		\$ 262,500.00		\$ 257,400.00
Bedroom Value: \$5,000 Bathroom Value: \$4,500 Attached Garage Value: \$2,000 Garage Number of Stalls Value: \$2,000 Finished Basement Value: \$15,000							

Math - Reproduction Cost (Cost Approach)

Add Cost to Replace or Reproduce	\$200,000
Subtract Depreciation	<u>25,000</u>
Subtotal	175,000
Add Land Value	<u>50,000</u>
TOTAL - Estimated Value	\$225,000

Math - NOI Example

Add Anticipated Rent (\$1,200 x 12)	\$ 14,400
Add Vending / Washer & Dryer / Storage	1,000
<u>Less Vacancy & Credit Loss</u>	<u>(1,500)</u>
TOTAL Effect Gross Income	\$ 13,900
Expenses - Taxes	\$ 3,500
Expenses - Utilities	1,475
<u>Expenses - Maintenance</u>	<u>2,025</u>
TOTAL Operating Expense	7,000
Net Operating Income	\$ 6,900
(Note, no depreciation or taxes)	

Math - Capitalization Approach (Cap Rate)

- Rate of Return

Rent (annualized) \$1,200 x 12 (or NOI)	\$14,400
Property Value	175,000
Rate of Return	8.23%

Invert: NOI is \$11,000 and I need a return on my investment of 11%, what is the maximum price I can pay for a property?

Math - Gross Rent Multiplier (GRM)

- Market Price / Gross Rent = GRM

Valuation and market analysis (Salesperson 8 items/Broker 6 items)

1. Value
 - a. Market value and market price
 - b. Value
 - i. Types and characteristics of value
 - ii. Principles of value
 - iii. Market cycles and other factors affecting property value
2. Methods of estimating value/appraisal process
 - a. Market or sales comparison approach
 - b. Replacement cost or summation approach
 - c. Income approach
 - d. Basic appraisal terminology (e.g., replacement versus reproduction cost, reconciliation, depreciation, kinds of obsolescence)
3. Competitive/Comparative Market Analysis (CMA)
 - a. Selecting and adjusting comparables
 - b. Contrast CMA and appraisal
 - i. Price per square foot
 - ii. Gross rent and gross income multipliers
 - iii. Capitalization rate
4. Appraisal practice; situations requiring appraisal by a certified appraiser

Chapter 6 - Nota Bene

P78 - Direct employees are exempt from licensing law.

P79 - If a lessor dies, the lease is normally still enforceable.

P80 - Companies use sale and leaseback to increase efficiency of lower startup capital.

Constructive eviction may be justification to not pay rent.

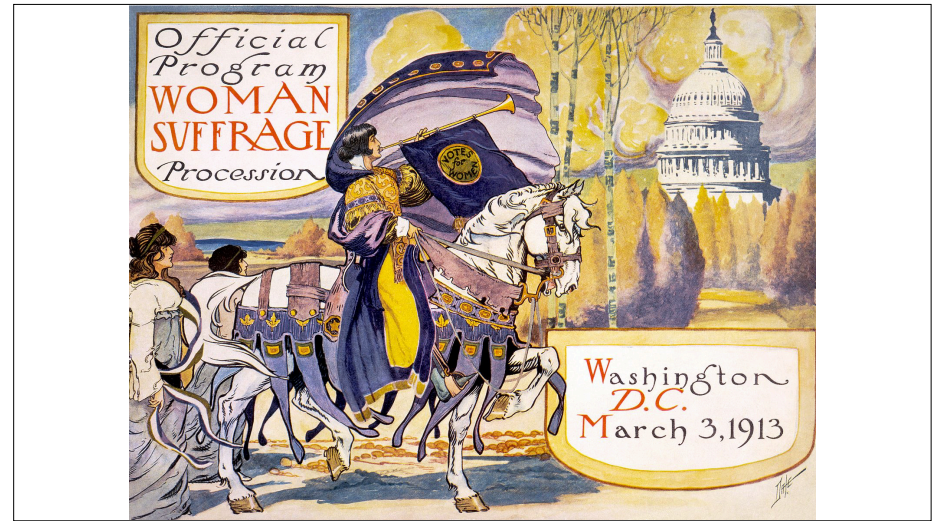
Leverage: using other people's money to enhance your own.

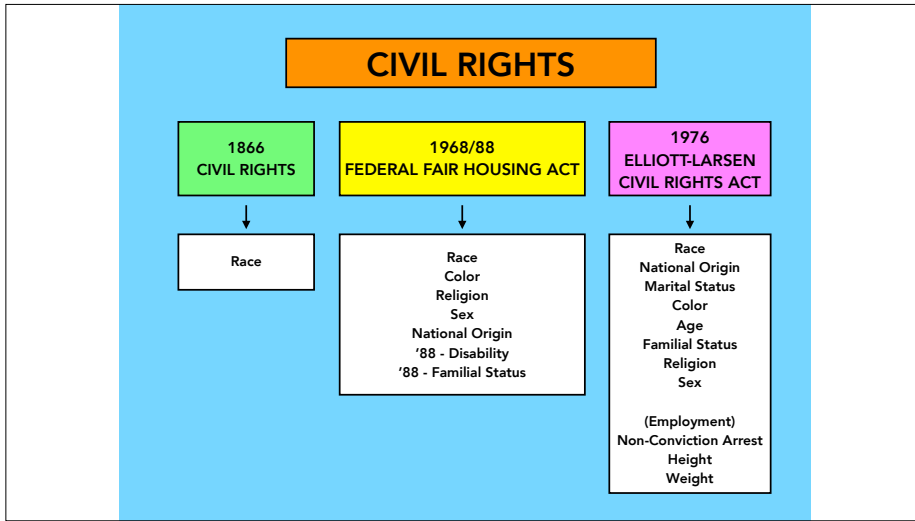
Susan B. Anthony



Born Susan Anthony
February 15, 1820
Adams, Massachusetts, U.S.

Died March 13, 1906 (aged 86)
Rochester, New York, U.S.





Chapter 7 - Nota Bene

P85 - When faced with client discrimination, the agent should cancel the listing.

Civil rights of 1866 never signed by the president.

Complainant has one year from alleged violation to file a complaint with HUD.

P86 - Familial status: family with children under 18 and pregnant women.

P88 - Disabilities include both physical and mental disabilities.

Final Exam

Passing - 70%
 77 correct / 110 questions
 Must report score before leaving
 Estimated time to grade test is...