

Broker's Prep

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

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Housekeeping

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

Come Prepared

Pen & non-bleeding highlighter
Calculator
M-F - 9:00 am - 4:00 pm
Clock vs Classroom hours - class vote

Notes

Passing is 70% - 86 correct out of 123 questions
Cellphones silent
Make-up hours
Raising hands
Talkative vs non-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.



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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

Keynote Presentation
PSI Bulletin
PSI Guild & Sample Questions

COURSE INFORMATION

[PSI Bulletin](#)
[PSI Course & Sample Questions](#)
[Prelicensing Class Power Point](#)

Chapter 1 - Nota Bene

P5 - Security deposits can not be used by the landlord to clean carpets or replace worn carpeting.

P7 - It is illegal to sell lots in a subdivision until it has been recorded.

P8 - Familial status includes families with children under 18 and pregnant women.

Disabilities applies to both physical and mental.

Political affiliation, occupation or sexual orientation are not protected classes.

P9 - Blockbusting a.k.a. panic peddling.

Redlining is refusing to lend money for certain areas.

Race trumps everything.

EVICTIONS

ACTUAL EVICTION

(Legal action through court system)

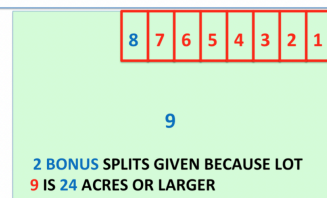
30 days notice to quit
7 days notice for nonpayment
24 hour notice to quit for controlled substances
(possession, distribution, manufacturing)

CONSTRUCTIVE EVICTION

(Illegal)

Landlord actions to compel leaving
(i.e. change locks, shut off utilities, removing tenant property, start renovations that interfere with tenant's use, or not maintaining the property).

SIZE	SPLITS ALLOWED
FIRST 10 ACRES	4 SPLITS
NEXT 10 ACRES	1 SPLIT
NEXT 10 ACRES	1 SPLIT
NEXT 10 ACRES	1 SPLIT
TOTAL 40 ACRES	7 SPLITS
ONE OF THE PARCELS IS 60%	2 BONUS SPLITS
TOTAL	9 SPLITS



40 ACRES

Chapter 1 - Nota Bene (continued)

P16 - Developments may cause floodwater problems, loss of wildlife and fishing habitats.

P18 - Handling 11+ land contracts will need a license.

Real estate agents must disclose agency relationship before confidential information is given from a potential buyer or seller.

Chapter 2 - Nota Bene

P20 - LARA is responsible to administer tests. PSI only handles tests for LARA.

P21 - Property managers, managing for others and receiving compensation must be licensed.

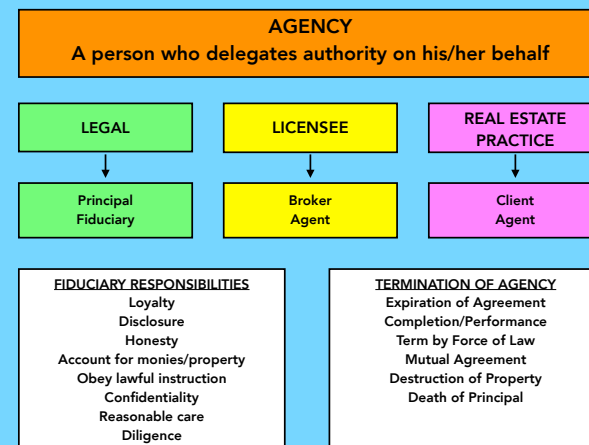
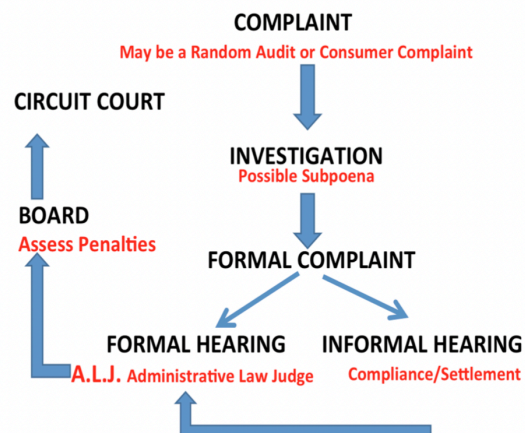
P29 - Agents can receive commissions from both sides of a transaction only if both parties have prior written knowledge and consent of both. Know the difference between misrepresentation, statements of fact and puffing. Puffing is an unmeasurable opinion which is legal.

P33 - Chronological sequence a.k.a. running balance.

P34 - Commercial properties are exempt from Sellers Disclosure law.

Types of licenses

<u>Persons</u>	<u>Non-Persons</u>	<u>Principal</u>
	(Corp / LLC / Partnership)	
Salespersons	Broker	Broker
Assoc Brokers	Branch	Assoc Broker
Broker		



Chapter 3 - Nota Bene

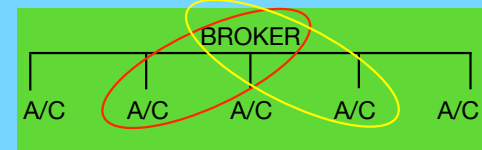
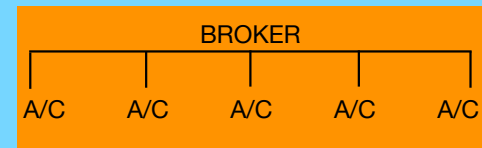
P37 - Brokers are usually not universal agents.

P39 - Agents should communicate all news (good or bad) to clients i.e. listing feedback.

Agents are not required to disclose the other client's name and address.

P40 - There is no such thing as voluntary denial.

DESIGNATED VS. NON-DESIGNATED AGENCY



Chapter 3 - Nota Bene (continued)

P44 - Contracts are binding the moment acceptance happens.

Contracts are voidable by the minor a.k.a. infant.

P46 - Contracts without an expiration date violate license law - they cannot just continue.

P48 - Agents must present all offers and allow the client to decide.

With options, property owner is not completely free to make long term plans for the property.

P51 - Use a net lease when you want your tenant to pay taxes and insurance.

P52 - A breach of contract does not include failing to set an exact termination date in a lease.

Chapter 4 - Nota Bene

P53 - Justly compensated does not mean whatever the owner feels it's worth.

P55 - Assessment equalization factor a.k.a. assessment ratio.

In a tax sale the state is granted the right of first refusal to purchase tax sale properties.

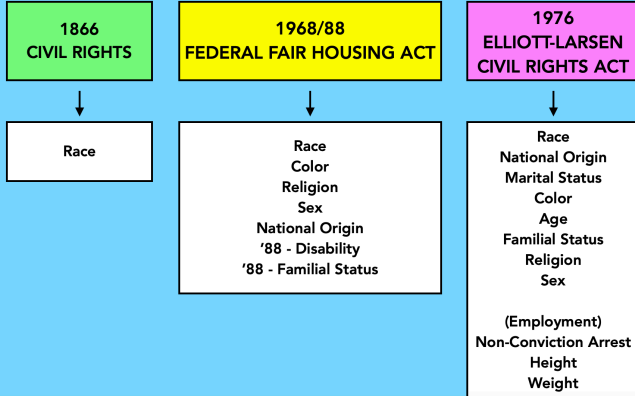
P56 - Regulation Z purpose - borrowers are given complete information in order to comparison shop.

Regulation Z only applies to 1 - 4 residential.

The APR includes discount points.

P60 - One purpose of RESPA is to provide accurate information to the borrower about their settlement before the closing.

CIVIL RIGHTS



TAX DEDUCTIONS

Mr. Brown paid the following expenses on his home this year.
How much tax deduction can he take?
If he is in the 31% tax bracket, how much will he have saved in taxes?

\$610.00 per month in mortgage interest.
\$4,700.00 in property taxes.
\$100.00 to roof repair
\$2,000.00 new patio

Mortgage interest: \$610.00 X 12 months =	\$7,320.00
Property taxes:	\$4,700.00
Roof repair:	0.00
Patio:	0.00
	\$12,020.00

Tax savings: \$12,020.00 X .31 = \$3,726.20

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



Chapter 5 - Nota Bene

P67 - Real property (fixtures) are transferred by deed.

Personal property (trade fixtures) are transferred by bill of sale.

When determining what is a fixture, the adaptation of the item is important.

Determining what is a fixture: The way it is attached, intent of the parties, manner of attachment, not value of an item.

Real property (including fixtures and appurtenances) run with the land.

P69 - Leasehold estates, in a sense, runs with the land for a period of time.

A life estate a.k.a freehold estate.

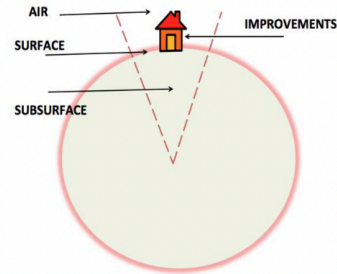
P70 - Committing waste includes not paying taxes or maintaining a property.

A remainder man receives a fee simple absolute deed.

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.



Chapter 5 - Nota Bene (continued)

P71 - Entirety - each is said to own 100%.

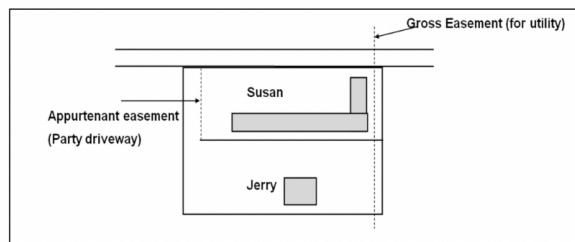
P73 - An example of an encroachment would be an overhanging roof that extends beyond the boundary lines.

An example of a license would be to park your RV on a neighbor's property.

P74 - Timeshare form of ownership includes more than one owner and each owner is allowed a certain amount of time to use property.

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 6 - Nota Bene

P78 - Purpose of a deed - conveyance of real property.

Delivery and acceptance makes conveyance valid.

Date needed for recording but not to be valid.

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

Chapter 7 - Nota Bene

P90 - Replacement cost - replacing with the same utility (i.e. a door for a door).

Reproduction cost - cost to make an exact replica.

Cost approach values land as if vacant and then added back to the appreciated value of the structure.

P91 - Land is not appreciated.

An example of economic obsolescence would be a change in technology.

Direct market comparison a.k.a. sales comparison.

Always adjust the comparables, never the subject.

CMA is the best method for valuing vacant land.

Chapter 8 - Nota Bene

P93 - Mortgagor equals buyer.

Mortgagee equals the bank.

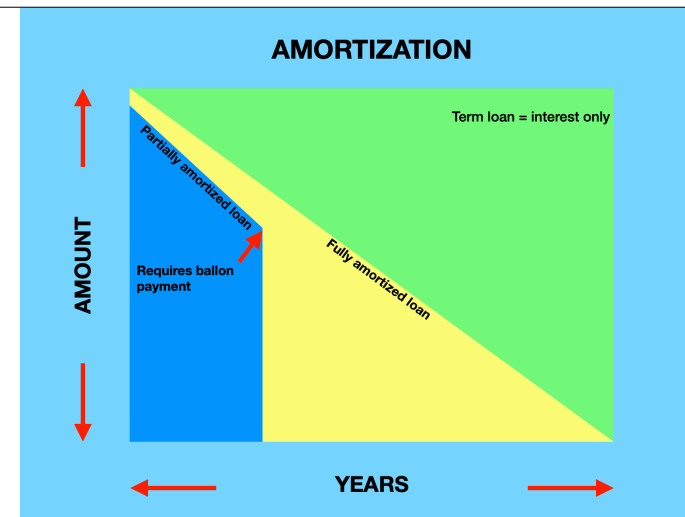
Leverage: using other people's money to enhance your own.

P94 - The greater the equity the borrower has in the property, the lower risk for the lender.

P99 - Mortgagors right of redemption is statutory.

Foreclosure - high bidder is not given immediate possession.

Listing brokers are responsible for a transaction closing



Final Exam

Passing - 70%

86 correct / 123 questions

Must report score before leaving

Estimated time to grade test is...

