

## Holloway's Real Estate Pre-License Course

40 HOUR PREPARATION FOR THE  
MICHIGAN SALESPERSONS LICENSE EXAM

Instructor  
**John Henderson**  
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[www.JTHenderson.com](http://www.JTHenderson.com)



### Housekeeping

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

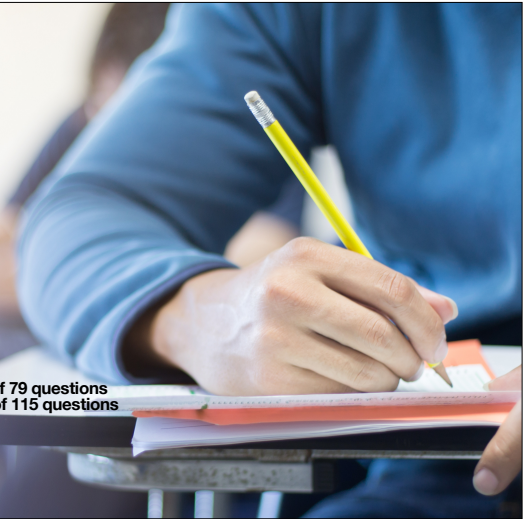
### Come Prepared

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  
There are NO dumb questions. Ask away!

### 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

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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](mailto: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**

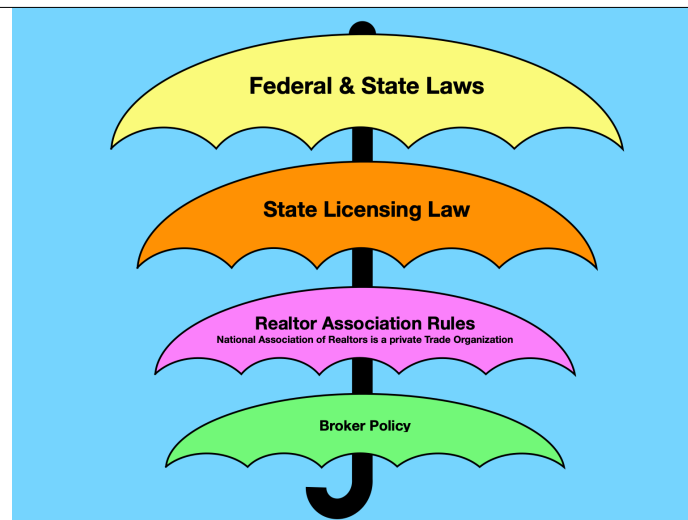
**Applying For Your License**

## 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?
<b>Broker</b>	Unlimited*	One	No
<b>Principal Associate Broker</b>	Unlimited	Unlimited	No
<b>Salesperson</b>	One	Unlimited	Yes
<b>Non-Principal Associate Broker</b>	One	Unlimited	Yes

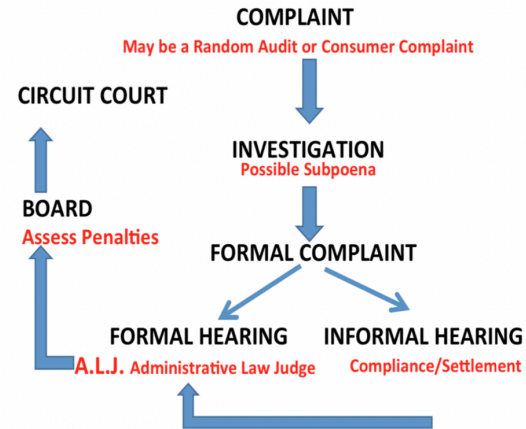
- Only a standard Broker's License can be issued to a non-living entity.
- Every Active Officer (active in real estate) of a real estate corporation must obtain an Associate Brokers License.
- A Principal Associate Broker has an ownership interest or a position of authority in a real estate company.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

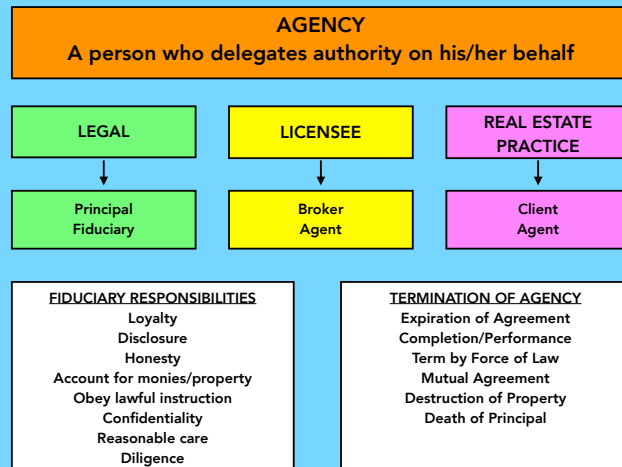
- A visible and operable unsubscribe mechanism is present in all emails.
- Consumer opt-out requests are honored within 10 business days.
- Opt-out lists are used only for compliance purposes.

### **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)

[illegible]

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

350,900 / 500 = 701.9 rounded up to account for the remaining fraction thereof, 702.  
702 X 4.30 = \$3,018.60

- 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

- 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 Answers

- HOA fee, paid by the seller at the first of the month, was \$360.00.  
Closing date is the 21<sup>st</sup> day. (Buyer is responsible for the day of closing).  
What is the proration?  
 $360 / 30 \text{ days} = 12.00 \text{ per diem}$   
 $12.00 \times 20 \text{ days} = 240.00$  - 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?  
 $1,920 / 360 = 5.33 \text{ per diem}$   
 $5.33 \times 60 \text{ days} = 319.80$  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 - 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"

## Uncle John Says...

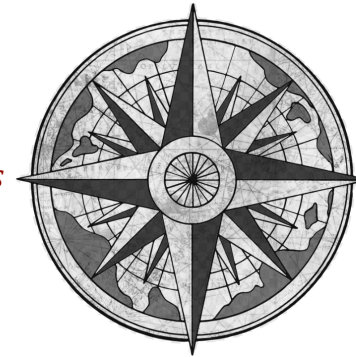
### Math to be Memorized

- 1 Township = 36 Sections
- 1 Section = 1 Square Mile = 640 Acres
- 1 Acre = 43,560 Square Feet
- 1 Mile = 5,280 Feet



*Never*

*Waffles*

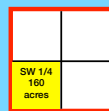
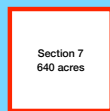


*Eat*

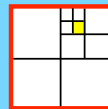
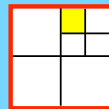
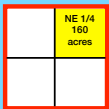
*Soggy*

### Rectangular Survey

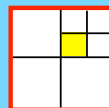
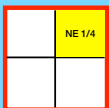
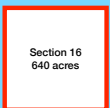
S 1/2 of the SW 1/4 of Section 7



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?

$640 \times .25 \times .25 = 40$  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

## Property Tax

Assessed Value X Millage Rate = Property Taxes

## 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
<b>Union Township:</b>						
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
<b>Sparta Township:</b>						
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

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- 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?  
 $259,900 \times .50 \times .0185 = \$2,404.00$

## Calculating Area page73

Length X Width = Area

Length X Width X .50 = Area of a Triangle

## Math – Area Multi-Step Answers

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

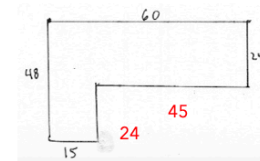
What is the square footage?

What is missing?

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

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

**1,800 square feet**



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

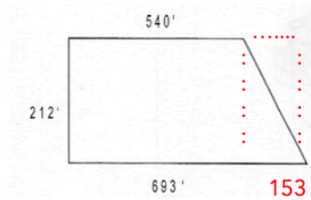
What is the square footage?

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

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

Total **130,698 square feet**

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



## Characteristics of land

### Physical Characteristics:

Immobile

Indestructible

Unique

### Economic Characteristics:

**D - Desirability** (preferred location and area value)

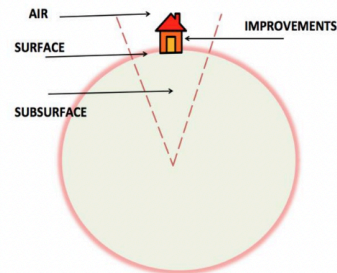
**U - Utility** (improvements - can be developed)

**S - Scarcity** (supply - land has limited quantity)

**T - Transferability** (can be sold, leased or willed to another person)

### 1. REAL PROPERTY:

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



## 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.

## Uncle John Says...

### Remember the Difference



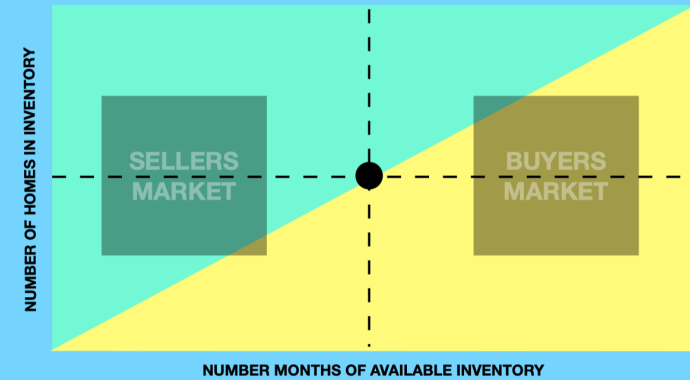
#### Real Property + Fixtures = Real Estate vs. Personal Property

Land Surface  
All Natural Items  
Perennial Plants  
Uncultivated Plants  
Air Above  
Subsurface

Permanent Man-made

Annual Plants  
Emblements (crops)  
Trade Fixtures

## REAL ESTATE CYCLES



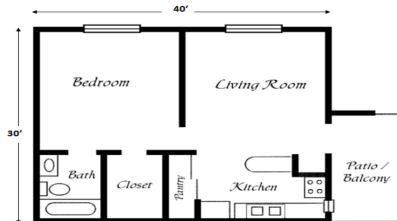
## Measuring structures for valuation

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

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

**Formula:**  $\text{Gain} / \text{Initial Investment} = \text{Rate of Return}$

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 capitalization rate or rate of return?

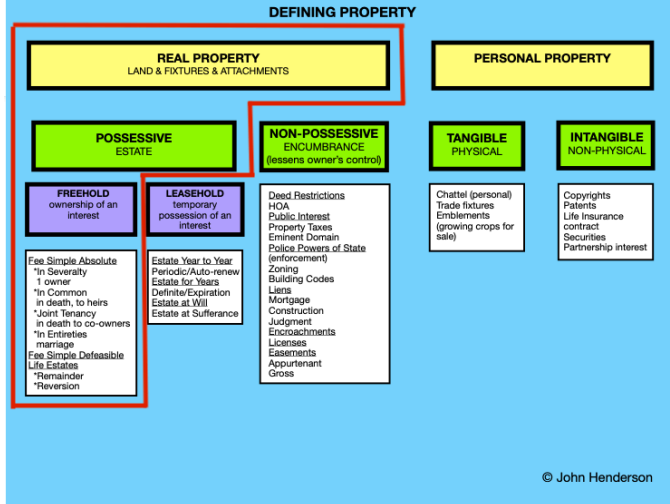
Total earnings  $9,600 \times 20 = \$192,000$

Total investment  $17,000 \times 10 = \$170,500$

Total gain  $\$21,500$

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





## 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.

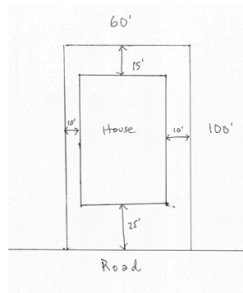
Riparian rights - river - R

Littoral rights - lake - L

## Math - Setback Answer

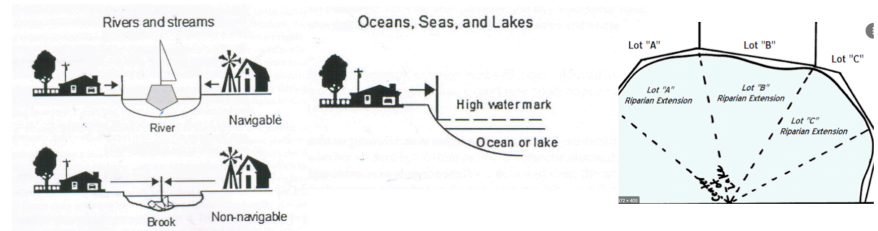
- Big City has zoning laws that require buildings to have specific setbacks on a property. If a vacant lot is 60' wide and 100' deep. The city requires setbacks of 25' for the front, 10' on the sides and 15' on the back. What is the maximum size of house that can be built?

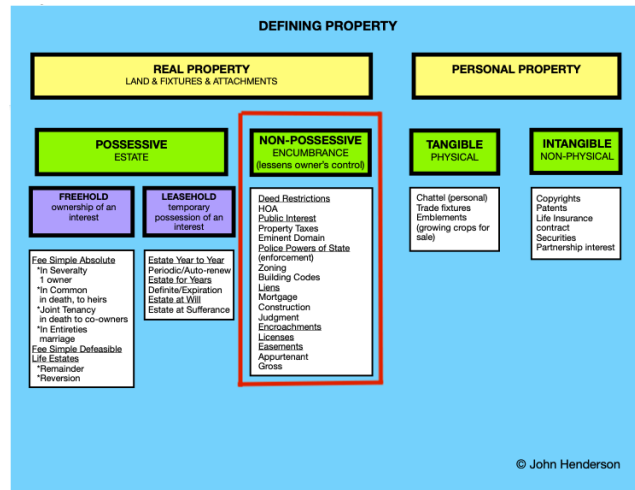
$$40'W \times 60'D = 2,400 \text{ square ft}$$



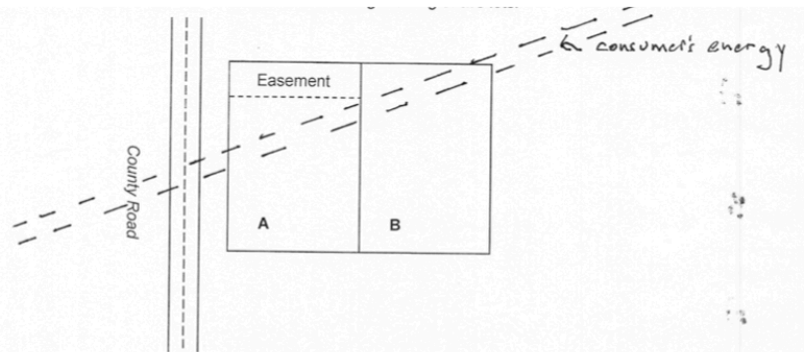
## Littoral & Riparian Rights

Natural vs Man-made  
 Navigable vs Non-navigable

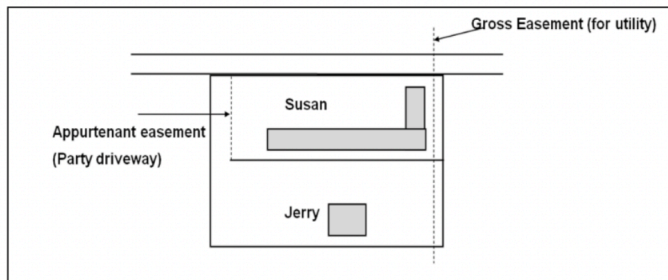




## Easement page 97



- 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 - 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.

## 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](http://www.jthenderson.com).



**Protect  
Your  
Family  
From  
Lead in  
Your  
Home**

 **EPA** United States  
Environmental  
Protection Agency

 United States  
Consumer Product  
Safety Commission

 United States  
Department of Housing  
and Urban Development

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

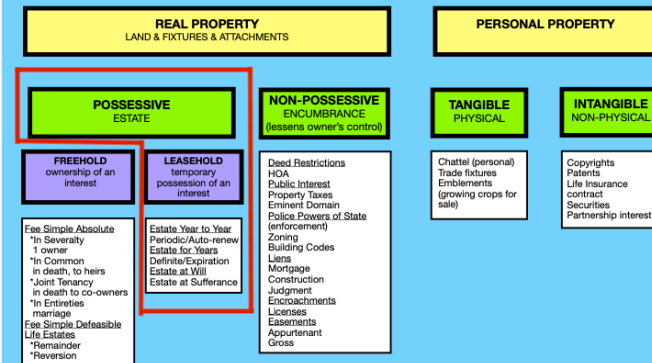
Number Correct / Total Questions

= Percentage score

WRITE SCORE IN BOOK!

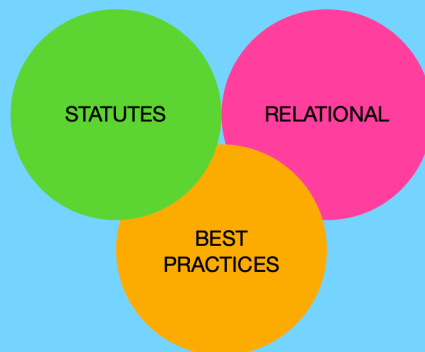


### DEFINING PROPERTY



© John Henderson

### PROPERTY MANAGEMENT ISSUES



## Chapter 6 - Nota Bene

p 123 - Add the word "NOT" to the notes found in small box.

p123 - New owners must honor existing leases.



## 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)

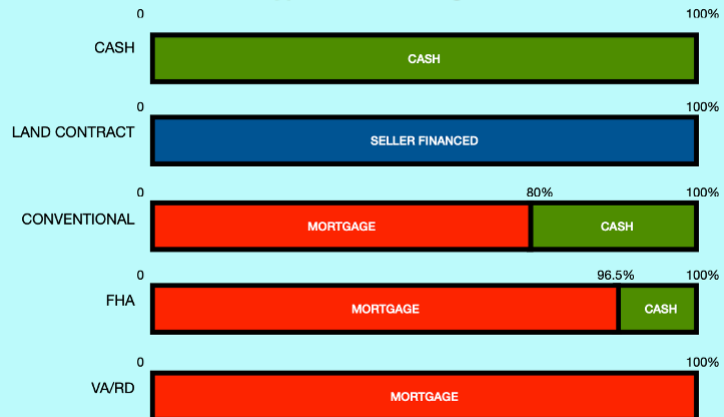
Landlord actions to compel leaving  
(i.e. change locks, shut off utilities, removing tenant property, start renovations that interfere with tenant's use, or not maintaining the property).

Practical Guide for  
Tenants & Landlords  
Download at [www.jthenderson.com](http://www.jthenderson.com)

## A Practical Guide for TENANTS & LANDLORDS

Tenancy Agreement

## 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.

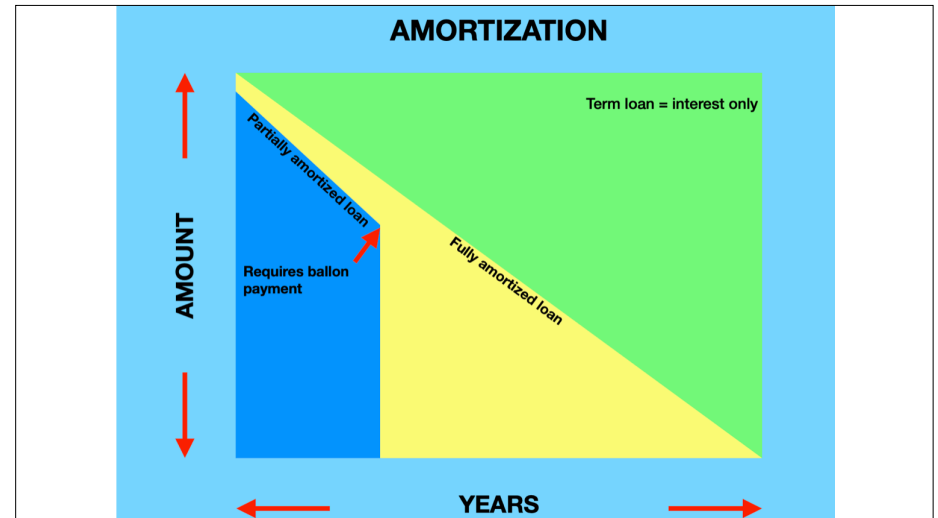
p136 - Release of lien a.k.a. discharge of mortgage.

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).



## WHAT IS EQUITY?



## 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 x .28 = \$ 17,220 (or \$1,435 monthly)**

**Or 61,500 x .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

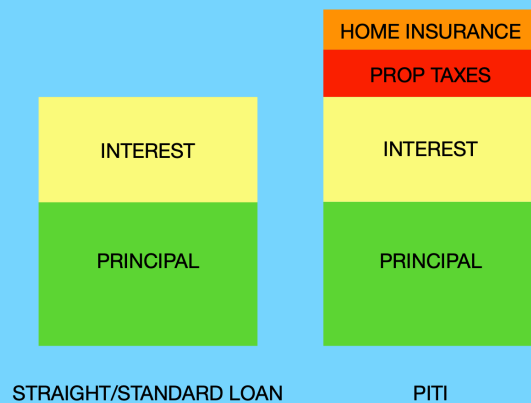
### Loan To Value (LTV)

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

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

PITI      Principal  
              Interest  
              Taxes  
              Insurance (home owners)

### LOAN / MORTGAGE PAYMENTS



## 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?				
<b>351,000 / 1,000 = 351</b>				
Using the amortization table, what is monthly multiplier?				
<b>\$4.22</b>				
<b>351 x 4.22 = \$1,481.22</b>				

## **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](http://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](http://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 + property tax) vs **Standard Deduction**

Calculating Capital Gains (IRS schedule D):

Proceeds from sale of property

- **Basis (Acquisition cost (property purchase + closing cost) + improvements)**

= Gain (Loss)

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

Avoid capital gains by using **1031 exchanges**

Never "touch" the money by using a qualified intermediary

Identify next investment property within 45 days

Exchange period ends at 180 days or next tax filing - whichever is earlier

## Tax & Real Estate

Business income & loss ( IRS schedule C):

Home office (exclusive use)

Mileage (2025 rate \$.70 cents /mile)

20,000 miles x \$.70 = \$14,000

Depreciation (New tax laws 100% in the year purchased)

### 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	\$3,322.80
	\$16,298.80



[michigan.gov/MiPlus](https://michigan.gov/MiPlus)

Setup account

Upload certificate

Pay fees

Receive email from  
PSI to schedule exam

Pass the state exam

Identify broker

Get license

**Michigan.gov**  
DIVISION OF  
**LICENSING AND REGULATORY AFFAIRS**

[BUREAU LIST](#) [SEARCH LICENSE TYPES](#) [VERIFY A LICENSE](#) [FILE A COMPLAINT](#) [NEWS RELEASES](#)

[LARA / BUREAU LIST / PROFESSIONAL LICENSING](#)

**Michigan Professional Licensing User System**

**COVID-19 - CHANGES AND UPDATES**  
Information about COVID-19 is changing rapidly. To stay informed, please visit [www.michigan.gov/Coronavirus](https://www.michigan.gov/Coronavirus) and [www.cdc.gov/Coronavirus](https://www.cdc.gov/Coronavirus).

[COVID-19 RESOURCES](#) [BPL CLARIFICATION DOCUMENTS](#)

**WELCOME TO MIPLUS**  
The Michigan Professional Licensing User System (MiPLUS) is the Department of Licensing and Regulatory Affairs, Bureau of Professional Licensing's new online licensing and regulatory database application for health and occupational professionals in Michigan.

[VERIFY A LICENSE](#) [FILE A COMPLAINT](#)

**Apply, Renew or Make Changes for One of the Following Professions**

- Acupuncture
- Architects
- Athletic Trainers
- Audiology

**Apply, Renew or Make Changes for One of the Following Professions**

- Nursing

## DESCRIPTION OF EXAMINATIONS

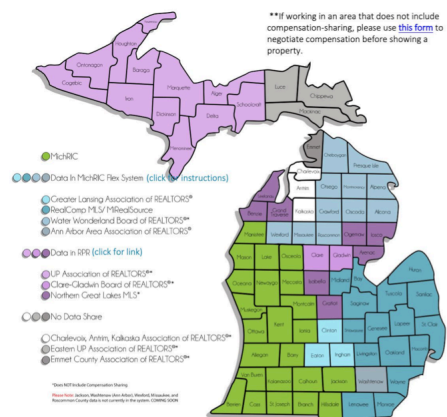
EXAMINATION SUMMARY TABLE

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/splits

### Training:

Specific classes vs job shadowing vs weekly meetings

(Training is the difference between \$10k and \$100k career)

### Flexibility:

Full time requirement vs part time vs ramp-up

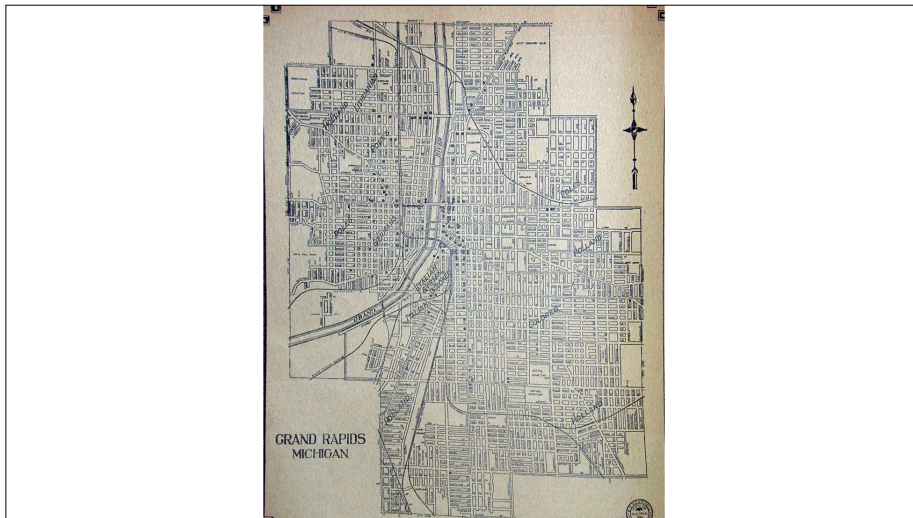
Use of company vs personal contact info - phone number, email address

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 (R), a white woman. (Uncredited/AP)

## Wyoming police release video of officers cuffing realtor

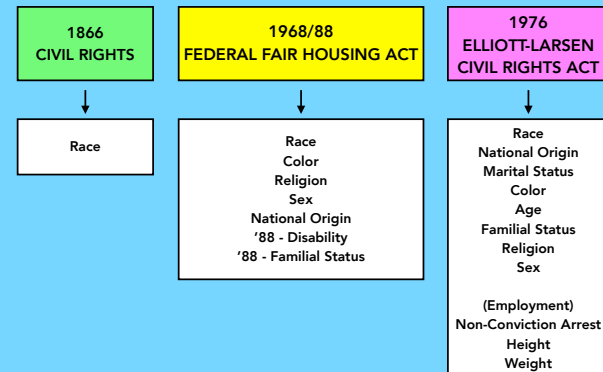


by: Ruben Juarez, Madalyn Buurma

Posted: Aug 7, 2021 / 12:14 AM EDT / Updated: Aug 7, 2021 / 11:33 PM EDT



## CIVIL RIGHTS



## 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!

## 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%

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

