

KEY POINTS FOR THE EXAM

1. A freestanding bookshelf = Chattel
A built in bookshelf = Fixture
2. AGREEMENT BETWEEN THE PARTIES = *IF IT'S IN WRITING BETWEEN THE PARTIES, IT STANDS (as long as it doesn't violate contract law i.e. something illegal)!*

For example, a seller mentions in the purchase agreement that she is going to take the roses from her rose bush to her new home but she will leave the rose bed leveled for future plantings, the buyer can't do anything if he signed the purchase agreement. He can't later argue "the rose bush was a perennial!"
3. METES AND BOUNDS (Measures BOUNDARIES)
4. What legal description describes property through a series of distances and angular measurements?
= Metes and Bounds
5. If someone wants to build a subdivision, what do they have to do? A detailed plan is submitted to the local authority such as the planning commission for approval.
6. Anything recorded at the register of deeds must be NOTARIZED.
7. Section: 640 Acres
8. Acre: 43,560 Square Feet
9. Riparian Rights = Rights enjoyed by land owners whose land is located next to rivers, streams or inland lakes --- Remember "R" in Riparian standing for "River"
10. With Riparian Rights, owners have the right of reasonable use of water and own the property all the way to the middle of the stream or center of the lake that they are situated on.
11. What is the opposite of Erosion? Accretion
12. Mechanic's Lien [Construction Lien]: A person who furnishes materials and/or effort to improve land and is not paid by the landowner may place a lien on the property.
13. Special Assessments: Cost due for improvements performed by the local government such as installing city sewers or water, paving the street, etc.
14. LICENSE: Permission, of a personal and temporary nature, granted to enter someone's land for a particular purpose such as a license to fish or hunt.
15. You have an easement running *over your property*, that makes you the = SERVIENT estate
16. FEE SIMPLE = The BEST/HIGHEST type of ownership recognized by law
17. Which is true about a qualified fee estate? If the grantee (buyer) is not abiding by the restrictions set forth by the grantor (seller), the property may revert back to the grantor (seller).
18. Life Estate = Granted to a person (life tenant) for a lifetime.
19. Which is Owning in Severalty? = **An Entity** (Careful, don't pick LLC. or INC.)

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20. Tenants by the entireties could also be joint tenancy with survivorship.
21. John and Bob are Joint Tenants. John dies. What happens to property? It goes to Bob.
22. If the deed does not state a percentage of ownership, each of the grantees is presumed to receive: equal interest.
23. Somebody's roof starts to leak 3 months after they move into their new condo, who is responsible for paying for it to be repaired? The association.
24. You are said to own 100% of the AIR SPACE in your condominium.
25. In COOPERATIVES, what are given to owners to signify ownership? PROPRIETARY LEASES
26. EMINENT DOMAIN: The government's right to take private property for public use provided that taking is necessary and after payment of just compensation.

CONDEMNATION: Action through which Eminent Domain is accomplished when an owner does not voluntarily agree to relinquish ownership.
27. Somebody dies **with** a will and **with heirs**, what is impossible? ESCHEAT
28. POLICE POWER: Vested in government to make laws and regulations for the health, safety and welfare of the public.
29. SETBACK ORDINANCE (Building line, setback line): Distance from lot edge to where building is erected.
30. NON-CONFORMING USE: The use of the land that does not match the zoning law.
31. A gas station (commercial) owner is operating his business when the city makes an announcement that the area is now residential. What does he have to do? Nothing! He can continue to operate his business as usual.

BONUS QUESTION: What if he wants to sell his gas station? Will the new owner have to switch to residential? = HAVE THE BUYER TALK TO THE MUNICIPAL (CITY) DEPARTMENT THAT HANDLES ZONING ISSUES! DON'T ASSUME HE'S GRANDFATHERED IN.
32. If a piece of land is potentially contaminated, it is highly advisable to perform an environmental audit or an environmental site assessment on the property to determine if contamination exists.
33. Asbestos is **fire resistant**.
34. If the find asbestos in a public building, what would be the safest method of removal?: Encapsulation of asbestos can be safer than removal.
35. Special disclosure required for sale and rental of property that contains lead based paint as well as (EPA) Informational pamphlet.
36. Buyers are given a 10 day period to inspect the property for lead based paint.
37. Lead is found in paint, piping, and soil – **NOT in insulation**.
38. **Radon**: Colorless, odorless radioactive gas resulting from decay of natural radioactive substances.

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39. Private control on land use includes: deed restrictions
40. A requirement that all structures have an attached garage that measures 30x33 is an example of a **covenant**.
41. Deed restrictions are also known as CC&R's
42. Upon violation of a deed restriction, a court injunction may be obtained by a neighbor or neighborhood association to stop the violators.
43. An appraisal report is a written opinion that is provided by a licensed appraiser. The appraisal is not a guarantee or a determination as to what the selling price will be in an open market.
44. If you have a buyer that's interested in buying a newly remodeled home that's located near ugly properties, they may lose value due to the **principal of regression**.
45. If you have someone that owns a vacant lot in a busy city who wants to turn it into a parking lot, you may want to recommend that the **highest and best use** of that land may be something like a building.
46. What are economic characteristics that affect value? Remember D.U.S.T! (Desirability, Utility, Scarcity, Transferability)
47. Sales/Market Comparison Approach: Value is estimated by using other comparable property that has been recently sold in the same general area.
48. When trying to comp out a 1 story ranch, you want to use another 1 story structure that *recently sold!* – Even if it's a townhome, if it's 1 story and sold recently, that's the best answer. And no, you can't use a 2 story and "cut the square footage in half".
49. Which is true about the COST APPROACH: The cost of reconstructing the building as a new unit is estimated. *Careful! Don't pick an answer that makes you calculate the *assessed value + land*. (*Assessed has to do with tax*)*
50. When you're trying to value an **older building**, use the replacement cost. (Reproduction cost might also be there but don't pick it).
51. An outdated floor plan would be an example of functional obsolescence.
52. A property located next to a noisy airport would be an example of external obsolescence.
53. Another name for a market analysis = CMA (Competitive or Comparative Market Analysis)
54. PITI = PRINCIPAL + INTEREST + TAXES + INSURANCE
55. What is the biggest benefit of a FHA loan? Low down payments of approximately 3.5%.
56. No down payment is required for VA LOANS.
57. What is a disadvantage of a partially amortized loan? It involves a lump sum due at the end of loan term.
58. The purpose of a reverse mortgage is to supplement the mortgagors' income. An **elderly couple** may use this type of loan.

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59. What's another name for a land contract? Installment sales contract or Contract for deed.
60. What is the primary purpose of the secondary mortgage market? A lender that receives more demand for loans than funds available may decide to sell its interest in past loans and mortgages to the secondary market thus receiving more funds to generate more lending transactions.
61. GINNIE MAE, FREDDIE MAC, and FANNIE MAE are secondary mortgage markets. NOT SALLY SUE.
62. Alienation Clause: Provides that if the mortgagor transfers ownership to another person, the amount owed to the lender is immediately due in full.
63. Mortgage Discharge (Release/Satisfaction): Issued and recorded by the lender as evidence of releasing the lien that the mortgage created at the time of financing the property.
64. At least 3 business days before closing, borrowers will receive a Closing Disclosure, Stating loan terms such as monthly payments as well as various closing fees.
65. Any significant change to the loan ***switching from a fixed rate to an adjustable rate loan, triggers a new 3-day waiting period for the CD.***
66. Truth In Lending is associated with REGULATION Z
67. Lenders may use the **APR** when advertising
68. When refinancing residential property an owner may rescind the loan within 3 business days after closing date and receive refund of loan fees paid.
69. RESPA = Prohibits "Kickbacks" (i.e. payments when services have not been provided) involving "settlement service providers" such as lenders, real estate agents, title insurance services, appraisals, credit reports, inspections, surveys, and legal services.
70. DEED IN LIEU OF FORECLOSURE: Upon default, lender agrees not to go through foreclosure and accepts a deed from mortgagor surrendering property to lender in full satisfaction of debt.
71. SHORT SALE: A sale of distressed property that is approved by a lender who is willing to discharge the mortgage by accepting less than the loan balance owed.
72. At a property auction, if highest bid is not enough to satisfy the loan then a DEFICIENCY JUDGMENT against the mortgagor is obtained to hold him/her personally liable for the difference.
73. At a property auction, unpaid property taxes always get paid FIRST!
74. If a broker wants John to work exclusively with the seller and Marie to work exclusively with the buyer, this would be **designated agency**.
75. If a seller authorizes you to accept offers on her behalf through a power of attorney, you can do as they say. For example, she authorizes you to accept any cash offers over \$130,000 cash; if \$140,000 cash comes in, take it!
76. The employment contract is known as the LISTING AGREEMENT when working for the seller and a BUYER AGENCY AGREEMENT when representing the buyer.
77. The contractual relationship that's created between the broker and seller: Expressed Agreement

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78. IMPLIED (OSTENSIBLE) AGENCY: Leading a person to believe that agent is representing him by so acting or making statements such as telling the customer, "I protect your interest", "I will get you the best possible deal from the other party".
79. Agency disclosure statements must be given in advance, before they provide agent any confidential information.
80. PROCURING CAUSE: The effort that an agent contributes that ultimately results in a sale.
81. EXCLUSIVE RIGHT TO SELL (THE BEST LISTING!): The broker is employed as the sole agent of the principal and is promised a fee regardless of who procures a buyer.
82. EXCLUSIVE AGENCY LISTING (THE SECOND BEST LISTING): Gives broker THE sole right to sell property, however, owner reserves right to sell by him/her without paying commission. If any other broker sells the property, listing broker is still protected.
83. EXCLUSIVE BUYER/TENANT AGENCY AGREEMENT (The "Twin Sister" of the Exclusive Right to Sell): The broker will earn a commission when the buyer/tenant buys or leases a property whether through the broker's efforts, or if the buyer/tenant locates property on his own, even if listed by another broker or offered through a private owner.
84. PROTECTION CLAUSE: A clause inserted in a listing agreement aimed at protecting the listing broker in the event that a buyer who was found by the broker returns to purchase the property, directly from the owner but after the expiration date of the listing agreement.
85. TRUST, LOYALTY AND SKILL is owed to your clients.
86. Puffing: An exaggeration of facts i.e. a realtor claiming that property values will double by next year.
87. The broker and seller are not getting along, what would have to happen for the listing to terminate?
The house burns down.
88. When must you provide the sellers disclosure statement? When entering into a binding purchase agreement.
89. The real estate licensee must make the sellers disclosure statement available to the public if requested.
90. SILENT FRAUD (Non-Disclosure): The act of withholding information regarding concealed property defects from the buyer while the seller knows if such information is disclosed, it may result in losing the sale or offering a lower price.
91. Material Facts = OBVIOUS things that are wrong i.e. bad furnace, leaky roof
Non-Material = Death in house, sellers are desperate to move
92. Never offer expert advice – If your buyer is curious about a potential issue about the house, *urge them to get an inspection!*
93. If you have a seller who insists you keep something materially wrong with the house a "secret", refuse the listing!
94. If your buyer is waiting on a seller to respond to an offer and they get impatient, you should **revoke** your current offer before you make any new offers to other sellers.

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95. Contracts do not have to be “bottom lined”: Even if a buyer refuses to sign the “bottom line” of a purchase agreement, it is nonetheless binding and in full force and effect.
96. \$0 is required by law to enter into a contract.
97. Why do we have an Earnest Money Deposit (EMD)? = Valuable Consideration
98. If someone is not of legal age when they entered into a contract, the contract is VOIDABLE. Another example: If John is getting Frank drunk at a bar and tricks him into selling an investment property at half price, this is also voidable.
99. STATUTE OF FRAUDS: Requires certain contracts to be in writing in order to be **enforceable**. Also requires parties to sign contract to become bound by its terms.
100. If you're given a “verbal listing” you may or may not be entitled to a commission.
101. Seller receives an offer from buyer that is subject to the sale of the buyer's present house. The seller wishes to accept but does not want to be at the mercy of the buyer who may not sell his house anytime soon. The seller counters by adding an “**escape clause**”.
102. A broker is hired to sell property under a listing agreement. A month later, **the broker dies**. The listing agreement will be terminated due to operation of law.
103. EQUITABLE TITLE: Legal interest that buyer acquires in property after the signing of a sales contract (purchase agreement) by all parties that gives her the legal right to compel the seller to deliver title to property when the buyer pays the entire purchase price.
104. Option Contract: A **unilateral contract** by which the seller must perform.
105. Optionee = Buyer
106. Tenancy at Will = Leasing month to month i.e. an undetermined duration
107. Tenancy for Years = A lease with a beginning date and an end date. Don't be fooled: a 3-month lease could be **Tenancy For Years** – It doesn't have to be a “year”. Don't let the word “years” trick you.
108. NET LEASE: the tenant pays rent, plus some or all of operating expenses such as property taxes, insurance, maintenance, etc.
109. Net Lease: Also referred to as a TRIPLE NET lease.
110. If you have people that are looking to rent space but they don't want any surprises in their rent, recommend a gross lease.
111. Percentage leases are found mainly in retail.
112. If you represent the LESSEE, you represent the TENANT.
113. **RIGHT OF FIRST REFUSAL**: Allows an individual (usually a tenant) to match a purchase price or rent offered to landlord by a third party. If tenant agrees to match price, then the property is sold or re-rented to the tenant and not to the third party.

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114. Title insurance covers against **defective title** such as unrecorded documents, forged documents, or undisclosed/missing heirs.
115. What is true about title insurance? (BOTH the buyer and the seller must obtain title insurance)
116. Subordination vs. Subrogation
- Subordination clause:** States that the rights of a mortgage holder will be secondary or subordinate to a later lien or encumbrance, giving the second encumbrance first priority.
- Subrogation clause:** A clause in the title policy that allows the insurance company who pays a claim to seek reimbursement from the party who caused the loss.
117. Special Warranty Deeds only protects against claims arising out of the Grantor's (sellers) period of ownership.
118. Quit Claim Deed: This deed provides the least liability for title defects against the grantor (seller).
119. What is a settlement/closing statement? – A document that shows buyer and seller debits and credits
120. Gains on the sale of a “principal residence” are exempt (up to \$250,000 per person and \$500,000 for a married couple filing jointly)
121. What is a disadvantage of investing in real estate? Liquidity
122. What does a home warranty protect against? Anything *inside* the unit such as a bad furnace or a leaky water heater.
123. CIVIL RIGHTS ACT OF 1866: Prohibits discrimination because of race, without exceptions.
124. THE MICHIGAN CIVIL RIGHTS ACT “ELLIOT LARSON”: Prohibits against discrimination because of age and marital status. Not something like “Sexual preference/orientation”
125. A landlord may not allow a tenant who may be a social drinker or a recreational drug user but must accommodate an individual who is in the process of recovering from alcoholism or drug addiction.
126. **REFUSE TO PERMIT**, at the expense of the disabled, reasonable modifications of existing premises occupied or to be occupied by the disabled if such modifications may be necessary to afford the disabled the full enjoyment of the premises. i.e. a lady in a wheelchair or a deaf tenant.
127. **BLOCKBUSTING:** To profit from inducing any person to sell or rent dwellings by representing entry of certain groups of people of a particular race, color, etc... Think of this as a realtor walking down a **BLOCK, BUSTING** down people’s doors freaking them out.
128. **REDLINING:** A lender refuses loans on property located in certain sections of the city altogether regardless of qualifications of property or applicant.
129. A realtor decides to show homes **ONLY** to Asian buyers because the seller is Asian. This is an illegal case of steering.
130. If a private club refuses to rent to a minority family, they aren’t discriminating if they have dwellings that are not being operated commercially (nonprofit i.e. they’re exempt).

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131. Why do we get licensed? Consumer Protection
132. Who appoints the 9 members of the board? The governor
133. Real Estate Board – 9 Members: Six (6) of the members have a Real Estate license and three (3) represent the public.
134. What does the board do? They interpret licensing requirements, aid the Department in investigations against licensees, recommend to the Department to issue or renew a license to a person who has met the requirements, recommend approval for educational courses and joining the Department in approving the form and contents of the licensing examination, promulgate rules setting and adjusting the minimal standards of practice.
135. With investigating a complaint, the Department may petition the **Department of attorney general to issue a SUBPOENA (court order)** ordering a person to appear for an investigation or ordering a person or company to produce records related to the investigation.
136. If the informal hearing does not result in a settlement, a formal hearing shall be scheduled.
137. Can you pay a commission to a licensed, non-resident? Yes, a licensed real estate broker may pay a commission to a licensed real estate broker in another state if the non-resident real estate broker does not conduct business in this state.
138. A real estate broker, failing to return a salesperson's license within five (5) days is in violation.
139. Money deposited in the broker's trust account must remain and be accounted for at the consummation or termination of the transaction. No one may use this money until that time. If so, it may be **an illegal conversion of funds**.
140. A real estate broker shall deposit funds into the trust account within (2) banking days after the signing of a purchase agreement by *all parties*. So, if the buyer makes an offer and EMD is received on Monday, and the seller accepts the offer on Tuesday, Thursday is the deadline.
141. The department may suspend you immediately, without investigation, if you're an imminent threat to the public.
142. The Department can fine you, not to exceed \$10,000.00. The license may be suspended until the fine is paid.
143. The board may censure you as a penalty if you commit a violation.
144. Non licensed people engaged in the sale of owned real estate may not enter into more than five real estate sales in a twelve-month period. Anything over that shall be done with a broker.
145. A real estate licensee shall carry the pocket card while doing business.
146. No reciprocal licensing agreements with other states
147. When must a licensee renew their license to avoid interruptions? 1 year from the issue date on their pocket card
148. A licensee gets licensed in the 2nd year of a 3-Year Cycle. How much continuing education do they need? 12 hours (6 hours + 6 hours)

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149. When advertising, the **telephone number or street address** of the employing broker must be on the advertisement. Also, the business name of the employing broker, in **equal or greater type size** than the name of the associate broker, salesperson, or cooperating group.
150. A P.O. BOX does not count as a broker's "business address"
151. Dual agency is only legal with **written consent** of both parties.
152. Is a licensee limited when acting as a dual agent? Yes, they will not be able to disclose all known information to either the seller or the buyer.
153. The licensee, upon receiving an offer to purchase shall recommend to the purchaser that a TITLE INSURANCE policy (Owners Policy) be submitted by the seller to the buyer.
154. If the licensee receives a written offer, they should submit it immediately. Don't wait for any "verbal offers" to come in later. Written offers get submitted right away.
155. A branch office that is more than twenty-five (25) miles from the city limit where the broker's main office is maintained must be under the direct supervision of an associate broker. A top producing salesperson can manage the branch locations within the 25 mile radius.
156. A salesperson shall not accept a deposit check made out to salesperson. All checks must be written to the order of the broker (as licensed).
157. A broker may not advertise in any other name than what they're licensed under.
158. A broker may maintain more than one trust account and may have up to two thousand (\$2,000) dollars of his own money, in each trust account.
159. No lottery, contests, or drawings allowed when advertising your real estate deals. However, if **everyone** gets the same gift, it's ok i.e. everyone gets a rose or a garage opener.
160. In case of co-operating brokers, the final responsibility for the closing lies with the listing broker/associate brokers.
161. Failing to disclose knowledge of sex offenders shall not be grounds for action against licensee. If a buyer asks if there's sex offenders in the area, give them the name of a website for *them* to check.
162. State license laws generally treat the salesperson as an employee. Therefore, any wrongdoing may be reflected on both, the salesperson and the broker. That means, if the broker is on vacation and their salesperson does something wrong back home, they're still both in trouble.
163. What's the use of the security deposit? To reimburse landlord for damage to unit or nonpayment of rent.

164.

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SECURITY DEPOSIT ACT:

A landlord may not collect more than 1 month + ½ month of rent as a security deposit. For example, if your rent is \$400/month:

\$400 (1st month) + \$200 (½ month) = \$600 Security Deposit

WARNING: They will try to trick you by saying it's OK to charge 2 months security deposit (wrong! It's only month + ½)

4 Days = A tenant has 4 days to notify their landlord of a forwarding address of where their deposit can be sent.

30 days = A landlord has 30 days to prepare an itemized list of damages to provide to tenant

7 days = The tenant has 7 days to respond

165. In Michigan, criminal usury ceiling is set at 25% APR. While regulated lenders may charge up to 25% APR, non-regulated lenders cannot usually exceed 11% APR (certain exemptions apply). So, if you're asked about a land contract being offered with 12% interest that would be against usury laws.

166. A master deed must be recorded by condominium developer before building.

167. Who does MSHDA help? Michigan's low and moderate-income citizens

168. Licensees must not participate in discussions with other competing agents that may suggest "price fixing" or other violations. If a licensee happens to be in a meeting where these issues are discussed or suggested, the licensee must leave the meeting if s/he does not want to be implicated in a conspiracy. This violates **Michigan's Antitrust Laws**.

169. Be careful of using dangerous words or phrases like "everyone charges 10% commission rate, it's no big deal", or "Sorry, the MLS only allows 90 day listings, we can't any shorter than that" – However, it's OK to say "our company charges a 3% co-brokering fee when working with other companies" – That's fine.

170. Michigan Right to Farm Act: The act protects farmers despite local ordinances that may pass to oppose their operation.

171. Days after a purchase agreement has been signed, a new ordinance will cause a railroad track to be placed next to the buyer's new house – If you represent the seller, there's no need to mention this because it's a matter of public record. However, if you represent the buyer, you may want to mention it. Although, it may be difficult to back out of the agreement unless you can prove that the seller knew of this new ordinance and acted in bad faith.

172. If you listed a house and the seller accepted an offer, you have technically earned your commission because you provided a buyer willing, able and ready to buy. Even if the seller notified you of divorce, for example.

173. Crops/emblements are considered to be personal property i.e. chattel

174. It is not the agent's responsibility to notify the buyer that they may be in a flood zone. The seller, on the other hand, must be truthful on their Seller's Disclosure Statement and make mention of that fact if known. If you represent the buyer, advise them to check with the city (municipality).

175. Mortgage insurance premiums are paid on FHA loans

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176. Veterans applying for a VA loan must first obtain a "Certificate of Eligibility"
177. A surveyor begins at a point of beginning and goes 1000 ft southerly, 800 ft westerly, 1000 ft northerly, ... they must now go 1000 ft easterly back to the point of beginning.
178. An appraisal is required on federally related transactions
179. It's not OK to advertise "female seeking female roommate" – However, it's OK to advertise "Nice home near Catholic Church"
180. If a deal falls through, the EMD should still be returned to the buyer. Even if the buyer asks you to "hold it for the next deal" = The broker must return it!
181. What is the best way to value a 50-year-old church? Replacement cost
182. A bolted down cash register at a supermarket = Trade fixture
183. Blockbusting is the same thing as Panic Peddling
184. A title abstract is a summary of all recorded encumbrances and conveyances affecting title.
185. Radon is found in a wood burning stove
186. A mortgage is considered a specific lien.
187. The CAN-SPAM act is referring to spamming people. So, don't block your caller ID, mass text, use ringless voicemail, and don't call people on the "Do Not Call" list. Give people a way to "opt out" or "unsubscribe".
188. A broker needs 90 hours of class time and at least 3 years of experience to qualify as a broker.
189. Mineral rights under the surface of land may be retained separately if a house is sold.