

REAL ESTATE EXAM PREP

CHEATSHEET



APPRAISAL MATH - 1

GROSS RENT MULTIPLIER

FINDING VALUE

$$\text{GRM} \times \text{GROSS RENT INCOME} = \text{SALES PRICE (VALUE)}$$

FINDING GRM

$$\frac{\text{SALES PRICE}}{\text{GROSS RENTAL INCOME}} = \text{GRM}$$

EXAMPLES

\$180,000 (Sales Price). Monthly Rental Income of \$1,500. GRM of 120.

(Finding Value) $120 \times \$1,500 = \$180,000$ (Value)

(Finding GRM) $\$180,000 / \$1,500 = 120$ (GRM)

GROSS INCOME MULTIPLIER

FINDING VALUE

$$\text{GIM} \times \text{GROSS INCOME} = \text{SALES PRICE (VALUE)}$$

FINDING GIM

$$\frac{\text{SALES PRICE}}{\text{GROSS INCOME}} = \text{GIM}$$

EXAMPLE

\$600,000 (Value). Annual Income of \$62,500. GRM of 9.6

(Finding Value) $9.6 \times \$62,500 = \$600,000$ (Value)

(Finding GIM) $\$600,000 / \$62,500 = 9.6$ (GRM)

DEPRECIATION

AGE-LIFE METHOD OF DEPRECIATION

$$\frac{\text{EFFECTIVE AGE}}{\text{ECONOMIC LIFE}} = \% \text{ (DEPRECIATED)}$$

EXAMPLE

Roof of the home is effective 5 years old (Effective Age) and has a total economic life of 20 years.

$5/20 = .25$ or %25 (depreciated)



IVR (INCOME, RATE, VALUE)

FINDING INCOME

RATE (x) VALUE (e) INCOME

FINDING RATE

$\frac{\text{INCOME}}{\text{VALUE}} = \text{RATE}$

FINDING VALUE

$\frac{\text{INCOME}}{\text{RATE}} = \text{VALUE}$

EXAMPLES

Income of \$7,000. Rate of 7%. Value of \$100,000.
 (Finding Income) $.07 \times \$100,000 = \$7,000$ (Income)
 (Finding Rate) $\$7,000 / \$100,000 = .07$ or 7% (Rate)
 (Finding Value) $\$7,000 / .07 = \$100,000$ (Value)

NET OPERATING INCOME (NOI)

THE BREAKDOWN OF DIFFERENT INCOME TYPES

ALL RENTAL INCOME (+) OTHER INCOME (e) POTENTIAL GROSS INCOME (PGI)

PGI (-) VACANCY & COLLECTION LOSSES (e) EFFECTIVE GROSS INCOME (EGI)

EGI (-) ALL OTHER INCOME EXPENSES (e) NET OPERATING INCOME (NOI)

EXAMPLES

\$28,500 (Annual rental income). Other Income of \$2,600. Vacancy loss of \$1,187. Collection loss of \$500. Other expenses of \$6,300.

\$28,500 in Rental Income
 + \$2,600 in Other Income
\$31,100 = The Potential Gross Income (PGI)
 - \$1,187 in Vacancy Loss
 - \$500 in Collection Loss
\$29,413 = The Effective Gross Income (EGI)
 - \$6,300 in Other Expenses
\$23,113 = The Net Operating Income (NOI)

TASTY TIP

RULE OF MATH



If it seems easy, you are doing it wrong.
 (unless you are using our product)

3 KINDS

MATH FACTS



There are 3 kinds of people in this world.
 Those who are good at math, and those who aren't...

THE COMISH

PERCENTAGE OF COMMISSION

Home sold for \$125,000. Salesperson received a \$3,750 commission.
What was the percentage of commission?

① $3,750 / 125,000 = .03$ (aka 30%)

SALES PRICE

Salesperson received \$3,000 from a 3% commission. What was the selling price of the home?

① $3,000 / 0.3 = \$100,000$

RECEIVED COMMISSION

Purchase price of property was \$100,000. Salesperson got one-half of total commission (6%).
How much did the salesperson receive?

① $100,000 \times .03 = \$3,000$ (this is half of six percent)

SURVEY SAYS

Township = (6mi x 6mi).
There are 36 sections in one township.
640 acres in each section.
1 acre = 43,560 ft.

NW1/4	4		
SW1/4	4	⊗	
SE1/4	4	⊗	
		⊗	= 64

of section 15

How many acres?

- ① Find the acreage of the property by multiplying the denominators.
- ② (acres in 1 section) $640 / 64 = 10$ acres

DEATH & TAXES

A mill is 1/1,000 of a dollar. If a tax rate is expressed in a mill, that means that the tax due is \$1 for every \$1,000 of assessed value.

MILL

Property is assessed at \$97,000.
Tax rate is 20 mills.
What is the annual tax bill going to be?

- ① $20 / 1,000 = .02$
- ② $\$97,000 \times .02 = \$1,940$ (tax bill)

MILL RATE

The property is taxed at a rate of \$1.75 per \$100 of assessed value.
What is the Millage rate?

① $.0175 \times 1,000 = 17.5$ (Mill rate)

Just remember when converting a tax rate % to mills, multiply the rate by 1,000.
(eg $-.02$ (2% tax rate) $\times 1,000 = 20$)

LOAN TO VALUE (LTV)

PRACTICAL MATH - 2

The (LTV) Loan to Value ratio is the percentage of the property's value that is mortgaged.

DOWN PAYMENT

Buyer gets a 95% loan for a home that is selling for \$130,000.

What will be the down payment?

- 1 $100\% - 95\% = 5\%$
- 2 $\$130,000 \times .05 = \$6,500$ (downpayment)

LTV

Buyer gets a \$95,000 loan for a home she purchased at \$125,000.

What is her LTV?

- 1 $\$95,000 / \$125,000 = .76$ or 76% LTV

LEASES

MONTHLY RENT

You rent a 5,000 sq. ft. office. It costs \$15.00 per sq. ft. annually.

What is the monthly rent?

- 1 $5,000 \times \$15.00 = \$75,000$ (per year)
- 2 $\$75,000 / 12 = \$6,250$ (monthly rent)

TOTAL RENT

You rent a small storefront at \$500 a month, plus 5% of gross sales (annual) over \$100,000. If your gross sales were \$150,000, what would be the total rent & gross sales paid for the year?

- 1 $\$150,000 - \$100,000 = \$50,000$
- 2 $\$50,000 \times .05 = \$2,500$

FIGURING OUT THE OWED GROSS SALES

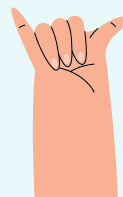
- 3 $\$500 \times 12 = \$6,000$ (rent for the year)
- 4 $\$2,500 + \$6,000 = \$8,500$ (total rent/gross sales)

GROSS SALES

You rent for \$500 a month, plus 5% of gross sales (annual) over \$100,000. You paid a total of \$8,500 last year. What were your gross sales?

- 1 $\$500 \times 12 = \$6,000$ (rent for the year)
- 2 $\$8,500 - \$6,000 = \$2,500$
- 3 $\$2,500 / 0.05 = \$50,000$
- 3 $\$100,000 + \$50,000 = \$150,000$ (answer)

STUDY TIP



Stand up. Stretch. Take a walk.
Go to the airport. Get on a plane.
Never return.

PERCENTAGES

BASICS

What percentage of 900 is 27?

① $27 / 900 = .03$ or **3%** (answer)

WAIT, WHAT?

92 is 15% more than what number?

① $92 / 1.15 = 80$ (answer)



Remember that 92 is %115 of the unknown number

LACK OF DIVISION

What is 40% of 12,000?

① $12,000 \times .4 = 4,800$ (answer)

PRACTICAL MATH - 3

MORE THAN BASIC

What percentage more than 80 is 92?

① $92 / 80 = 1.15$ or **92 is 15% more** (answer)

WAIT, WHAT REDUX?

139 is 96% of what number?

① $139 / .96 = 144.79$ (answer rounded)



Remember that 139 is not larger than 100%

THE ORIGINAL

A Home sold for \$100,000, which resulted in a 6% loss from the original price. What was the original price?

① $\$100,000 / .94 = \$106,383$ (answer rounded)



\$100,000 was only 94% of the original value



FENCED IN

MATH MEASURES - 1

1 FOOT (.FT) = 12 INCHES

1 MILE (MI.) = 5,280 FEET

1 YARD (YD.) = 3 FEET



LINEAR COST

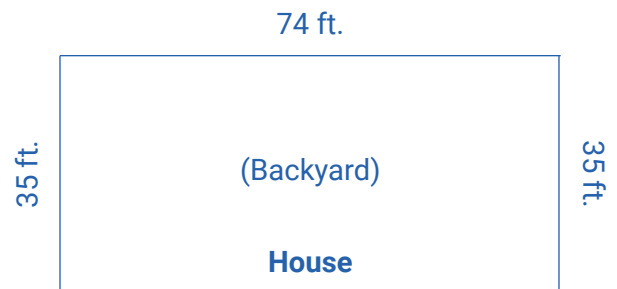
You bought a house without a fenced backyard. Fencing (installed) will cost \$12.00 per linear foot. How much will it cost?



- 1 $35 + 74 + 35 = 144$ ft. (linear)
- 2 144 ft. (linear) \times \$12.00 = **\$1,728** (cost of fence)

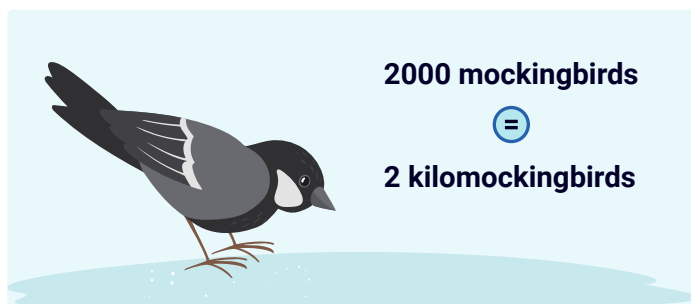
YARD COST

You bought a house without a fenced backyard. Fencing (installed) will cost \$36.00 per yard. How much will it cost?

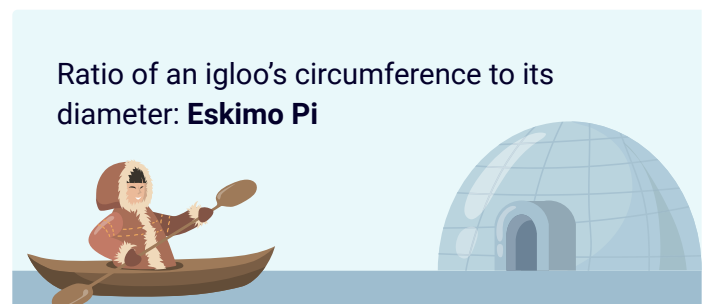


- 1 $35 + 74 + 35 = 144$ ft. (linear)
- 2 144 ft. / 3 = **48 yards**
- 3 48 yds. \times \$36.00 = **\$1,728** (cost of fence)

KILOS



FROZEN TREAT



R U SQUARED?



THE BREAKDOWN OF SQUARES

1 SQUARE FOOT (SQ. FT.) = 144 SQUARE INCHES

1 SQUARE YARD(SQ. YD.) = 9 SQ. FT.

1 TOWNSHIP = 36 SECTIONS

1 SECTION = 1 SQUARE MILE

1 SQUARE MILE = 640 ACRES

1 ACRE = 43,560 SQ. FT.

FEET

Subject lot is 75 ft. by 150 ft.
What is the area in square feet?

① $75' \times 150' = 11,250 \text{ sq.ft.}$ (answer)

YARDS

Subject lot is 75 ft. by 150 ft.
What is the area in square yards?

① $75' \times 150' = 11,250 \text{ sq.ft.}$

② $11,250 / 9 = 1,250 \text{ square yards}$ (answer)

ACREAGE

Subject lot is 120 ft. by 120 ft.
What is the acreage?

① $120' \times 120' = 14,400 \text{ sq.ft.}$

② $14,400 / 43,560 = .33 \text{ acres}$
(answer rounded)

CASHED IN

Your land has 1.30 acres. The lot is 220 ft. deep.
If you can sell at \$2,000 per front foot, how much would you get?

① $1.30 \times 43,560 = 56,628 \text{ sq.ft.}$

② $56,628 / 220 = 257.4 \text{ ft.}$

③ $257.4 \times 2,000 = \$514,800$ (answer)

ESSENTIAL ELEMENTS

COMPETENT PARTIES

Must be mentally competent and of legal age

MEETING OF THE MINDS

One party offers & other accepts

LAWFUL OBJECT

Object of contract must be legal

CONSIDERATION

A promise, exchange one thing for another.
(*eg. Money for house*)

WRITTEN

Not ALL contracts are required to be in writing
(*e.g. Verbal contracts*) but SOME are.
See Statute of Frauds below.



STATUTE OF FRAUDS

States that certain Real Estate contracts must be in writing in order to be enforceable. This would include lease for more than one year, the sale of real estate, an option (to purchase), etc.

CONTRACTS MAY BE

VALID

Has all essential elements and is binding and enforceable

UNENFORCEABLE

Neither party can sue to force performance.
(*e.g. some type of verbal agreement*)

VOID

Lacks at least 1 essential element of a valid contract. Does not have any legal force.

VOIDABLE

Seemingly valid, however may be rescinded.
(*e.g. party is not of legal age, misrepresentation etc.*)

MY EX'S

EXECUTED CONTRACT

Contract (promises) have been fulfilled by all parties

EXECUTORY CONTRACT

Promises made in the contract are in the process of being fulfilled. (*e.g. yet to be completely fulfilled from either one or both of parties*)

UNI (ONE) & BI (TWO)

UNILATERAL

Contract is a 1-sided agreement. 1 party agrees to something in order to persuade the other party to act. (e.g. 1 party agreeing to pay a commission if another party can find a renter)

BILATERAL

2 parties have exchanged promises and thus the "meeting of the minds" are willing participants in the contract. (e.g. 1 party agrees to buy and the other party agrees to sell.)

LISTING AGREEMENTS

"EXCLUSIVE" - TRY TO THINK OF DATING SOMEONE

EXCLUSIVE RIGHT TO SELL

e.g. we are dating exclusively (in agency sense) & only I have the right to sell your property. Broker paid, even if owner sells without help.

EXCLUSIVE AGENCY

Similar to the above type of listing except without exclusive rights to sell. paid only if broker procured the sale.

OPEN NON-EXCLUSIVE AGENCY

Sticking with dating theme... open relationship, not committed. But will pay if any broker procures sale.

OPEN NON-EXCLUSIVE AGENCY

Broker is entitled to keep any amount over a certain amount of money. (e.g. sells property over a set amount, then broker keeps remaining "net" profits)

WORDS TO KNOW

ASSIGNMENT

Transfer of rights & interest (mrtg, lease etc)

ATTACHEMENT

When property is taken into legal custody

EXPRESS CONTRACT

Parties agree on specifically on terms (written/oral)

IMPLIED CONTRACT

Acts & conduct "implies" agreement, but no official promises

NOVATION

Replacing of something old for something new (e.g. old debt with a new debt)

RESCISSION

Cancels contract. All parties back before contract existed

RIGHT OF REVERSION

Property is returned from tenant to owner at the end of the lease.

SPECIFIC PERFORMANCE

Contract must be fulfilled by parties involved. (courts)

PROP. MGMT & LEASES - 1

LEASES

OWNER = LESSOR



"ORS" - GIVE

TENANT = LESSEE



"EES" - RECEIVE

LEASEHOLD ESTATE

"LESSEE/TENANT "HOLDS" & OCCUPIES PROPERTY VIA A LEASE

LEASEHOLD ESTATE

Lessee/tenant "holds" & occupies property due to a lease.

ESTATE/TENANCY FOR YEARS

Lease lasts for some fixed period of time.
"Surrender" of lease to owner at the ending date.

SUBDIVISIONS

SUBDIVIDER

Buys undeveloped land & divides it into smaller lots for sale

DEVELOPER

Adds "improvements" (build) to land and sells.

TENANCY AT WILL

Giving reasonable notice a lessee or lessor may terminate the tenancy at any time.

PERIODIC ESTATE/TENANCY

Week to week, year to year etc., determined by the term of the payment of rent. e.g. lease ends with a "notice" of 6 months or a 1 month notice etc., law varies state to state.

TYPES OF LEASES

GROSS

Tenant pays rent, owner pays insurance, taxes, etc.

NET

Tenant pays rent plus expenses associated with the tenancy.

PERCENTAGE

Tenant agrees to pay a specific amount of rent every month, plus a % of any gross sales above a certain amount. Common for commercial property.

GRADUATED

This has built in periods of rent adjustments.

INDEX

Requires rent adjustments based upon a specific economic data statistic.



COMMON INTEREST

CO OP'S

Property title is owned by a corporation. Owners are stockholders and have right to occupy a unit.
 ("proprietary lease"..agreement with coop corporation & share holder)

CONDOS

Individually owned unit (interior space) within a multiunit building. The land & building is owned in common by all unit owners.(Fee-simple for one unit plus share in common elements.)

TIMESHARES

Ownership use of the property only for a specific number of days per year.
 (could be fee-simple ownership or a "certificate", kind of like a long term lease, eg. 20 yrs or Leasehold).

SUBLEASE

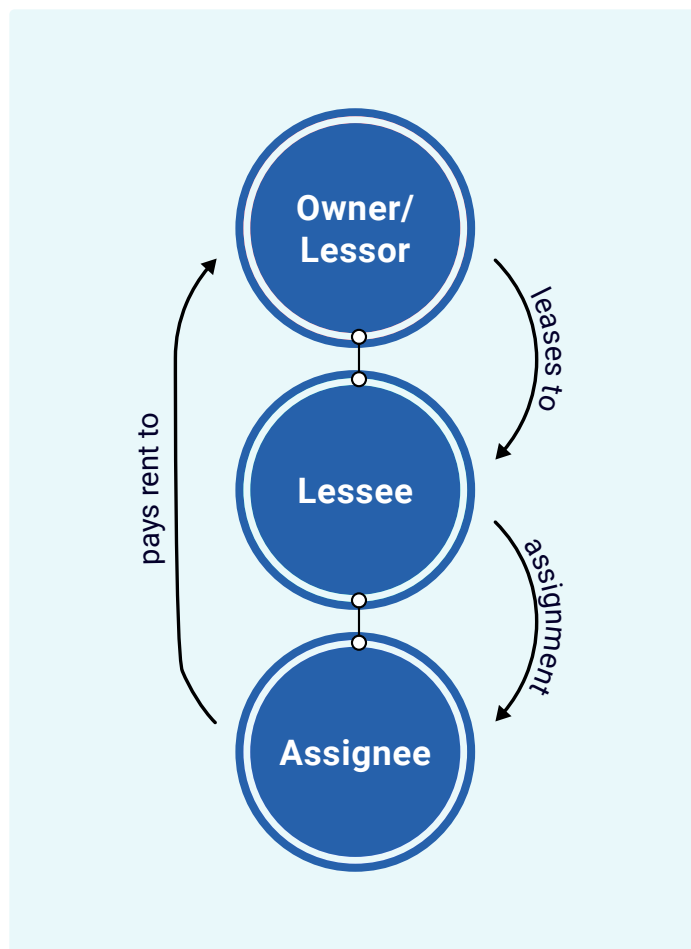
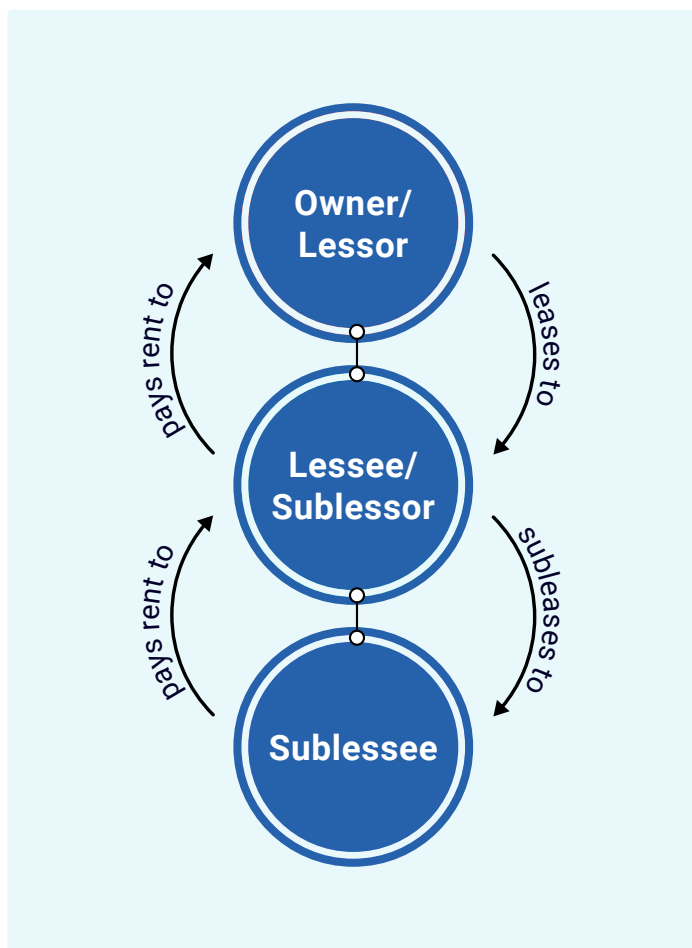
RECIPE FOR SUCCESS

Original lessee is primarily liable for lease, rent etc., not the person who received the sub lease

ASSIGNMENT

RECIPE FOR SUCCESS

Assignee is primarily liable for lease, original lessee is only secondarily liable



MORTGAGES

MORTGAGOR

Homeowner/borrower because they are “giving” note to lender to get a loan.



“ORS” - GIVE

MORTGAGEE

Lender because they are “receiving” note from borrower.



“EES” - RECEIVE

3 MORTGAGES

CONVENTIONAL

- Not guaranteed or insured by Gov't
- Lender sets terms (legally)
- LTV ratio lower than insured/guaranteed loans
- LTV exceeds certain lvl, then PMI required

FHA

- Mortgages are insured
- Interest rates set by lender
- Borrower pays insurance premium
- Appraised by FHA approved appraiser
- Prepayment penalties not allowed
- Mortgages can be assumable

DVA (DEPT. OF VETERAN AFFAIRS)

- Guaranteed by Gov't
- Mortgages can be assumable by non-vets
- Interest rates set by lender
- Appraised by FHA approved appraiser
- Borrower not charged for guarantee
- Loan amt. up to 4x the amount of vet entitlement

WORDS TO KNOW

CAP RATE

Max amount that interest can increase/decrease.

INDEX

Interest indicator that interest is based on.

MARGIN

Amount added to the index, to determine rate.

P.I.T.I.

Principal, Interest, Taxes & Insurance.

P.M.I.

Private Mortgage Insurance.

POINTS

One point = 1 percent of the loan. can increase lender yield, cover costs, give lower rates

USURY

Excessive interest (illegal)



FIRST & SECOND

PRIMARY FINANCING = 1ST LOANS

PRIMARY MORTGAGE MARKET = LOANS DIRECTLY TO BORROWERS

DIFFERENT THAN

SECONDARY FINANCING = 2ND & JUNIOR LOANS

SECONDARY MORTGAGE MARKET = LOANS DIRECTLY TO BORROWERS

A FEW LOAN PROVISIONS

ACCELERATION CLAUSE

If borrower defaults, then entire amount due.

ALIENATION CLAUSE

Full mortgage balance due upon the transfer of title.
(prevents buyer from assuming loan)

DEFEASANCE CLAUSE

Borrower has right to redeem the property after they pay the full debt and fees incurred.

NON DISTURBANCE CLAUSE

Mortgagee honors current leases should foreclosure occur.

A LATE NIGHT SMIRK

"I NOTICED THAT YOU GIGGLE EVERY TIME YOU HEAR FANNIE MAE... GROW UP!"

"YOU ARE GOING TO BE SO RELIEVED WHEN YOU FIND OUT THAT USPAP ISN'T THE MEDICAL EXAM YOU THOUGHT IT WAS"



FAIR HOUSING LAWS

CIVIL RIGHTS ACT 1866

Prohibits racial bias in buying renting, selling, holding etc. 1968 Jones V Mayer says no exceptions.

FAIR HOUSING ACT 1968 (TITLE 8)

Prohibits discrimination on basis of religion, race, color, natl. origin (selling/ leasing residential)

HOUSING & COMMUNITY DEVELOP. ACT 1974

added sex/gender (to above)

FAIR HOUSING AMENDMENTS ACT 1988

Adds protection for:

- Familial status (Presence of children / Age)
- Handicaps (physical or mental disabilities) this includes people with Aids or alcoholics (but not drug addicts)

SOME EXCEPTIONS

AGE

62 yrs+ can restrict younglings or even 55 yrs+ with at least 1 person a unit with 80% occupancy.

PRIVATE CLUBS

If they restrict membership & lodging to members only.

RELIGIOUS ORGANIZATIONS

That offer housing only to members.

OWNER OCCUPIED

2 to 4 multi fam. units with one that is owner occupied is exempt.

SINGLE FAMILY HOUSING

If owner does not own more than 3 units at a time. However no more than 1 unit can be sold within 2 year period. No broker used. No biased advertising etc.

(REMEMBER, NO EXCEPTIONS IN REGARDS TO RACE)

PRACTICE OF REAL ESTATE - 1



VIOLATION PENALTIES

FAIR HOUSING PENALTIES BEFORE AN ALJ "ADMINISTRATIVE LAW JUDGE"

Up to 16k 1st violation,
2nd within 5 years up to 37.5k,
2nd+ within 7 years up to 65k in addition to actual damages & attny fees.
(figures up to date as of 2017)

AMERICANS WITH DISABILITIES ACT

Created in 1992 to protect from discrimination & to provide access to public spaces. Affects public & commercial buildings. New multi-fam. housing of 4 or more units must accessible.

MEGAN'S LAW

A registration system to identify person(s) who have been convicted of kidnapping a child, committed a sexual crime etc. (*check you state laws, this might affect your disclosure duties.*)

EQUAL CREDIT OPPORTUNITY ACT

Prohibits credit discrimination based on race, color, religion, national origin, sex, martial status & age. (*legally can only consider income, net worth, credit rating & job stability*)

TRUTH-IN-LENDING ACT

regulation z" - (admin by Federal Trade Commission)

"created to protect consumers in credit transactions by requiring clear disclosure all costs & terms"

- act provides for 3 day right of rescission (in most cases 2nd mrtgs, but not 1st mrtgs or deed of trust etc.).
e.g. can change their minds up to 3 days after closing.
- If "trigger terms" (details about financing) are included in ad, then APR, amt of loan, down payment needed, etc. must be stated.

WORDS TO KNOW**BLOCKBUSTING**

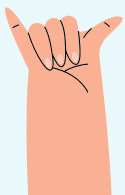
Coaxing owners to sell based on minority persons moving in the area, may be true/false but it is still **illegal**.

REDLINING

Denying/restricting loans based on certain communities. **Illegal**

STEERING

Funneling buyers to particular areas to keep the makeup of that area the same or intentionally change it. **Illegal**

STUDY TIP

I never make the same mistake twice. I make it five or six times, just to be sure.

2 TYPES OF VALUE

MARKET VALUE

The price that a willing informed buyer & willing informed seller would agree to. (*in a open market, reasonable timeframe*). This probable sales price is the most common for appraisers.

3'S & 4'S

3 COMMON APPROACHES TO VALUE

62 yrs+ can restrict younglings or even 55 yrs+ with at least 1 person a unit with 80% occupancy.

3 COMPONENTS OF DEPRECIATION

Physical, functional, external

4 COMPONENTS OF CHANGE (NEIGHBORHOOD)

Growth, stability, decline, renewal

4 TESTS OF HIGHEST & BEST USE

Most profitable, legally permitted, economically feasible, and physically possible

4 ELEMENTS OF VALUE (DUST)

Demand, utility, scarcity, transferability

4 GREAT (BROAD) FORCES

Economic, social, governmental, environmental

4 AGENTS OF PRODUCTION

Land, labor, capital, entrepreneurship/coordination

FIRREA

FEDERAL FINANCIAL INSTITUTIONS REFORM RECOVERY & ENFORCEMENT ACT

1989 ACT

This 1989 Act requires that appraisers are state licensed or certified when appraising for properties that are being used for FRT's (*federally related transactions*)

MARKET ANALYSIS - 1

ASSESSED VALUE

Not to be confused with appraisal market value. This value is related to tax assessors. (*not an appraisal!*)



WHICH APPROACH?

"best method for single family properties"

SALES APPROACH

Typically used for single-fam homes, land etc... when there are recent comparables are available (*also with similar sale terms etc.*).

"best method when there are no comps & no income"

COST APPROACH

Typically used for new construction (*no comps available*) and special use structures (*churches, closed theatres etc*)

"best method for income producing properties"

INCOME APPROACH

Typically used for income properties such as duplexes, 4-plex etc. However single-fam homes that are being rented, would most likely be done via the "Sales method".

SUPPLY & DEMAND

MARKET ANALYSIS - 2



PRINCIPLES

ANTICIPATION

A purchase/sale decision based on the perceived future value.

ASSEMBLAGE

Act of combining 2 or more parcels.

BALANCE

Occurs when supply & demand factors at the point of "balance".

CHANGE

Constant physical & economic change that influence value.

COMPARABLE

A property which is considered: alternative, similar, & competing to the subject property.

CONFORMITY

Property is in harmony (style, condition etc.) with the surrounding properties.

CONTRIBUTION

An item is only worth what it contributes in value to the whole.

PLOTTAGE

Increase value by combining smaller lots into one large lot for greater \$\$.

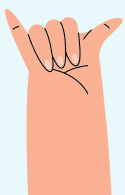
SUBSTITUTION

Knowledgeable buyer will pay no more for one item than for a comparatively equivalent substitute.

SUPPLY & DEMAND

The relationship between availability and desirability.

STUDY TIP



**This too shall pass.
Although it might pass like a
kidney stone.**

WORDS TO KNOW

DATUM

Horizontal/baseline (measure heights & depths).

ENCUMBRANCES

Anything affecting title of property or limits its use.

Ex: mortgages, judgments, leases, easements, liens.

FEE SIMPLE

Individually owned (completely).

FREEHOLD

Estate held in "Fee Simple".

HETEROGENEOUS

Means dissimilar (property etc)

LACHES DELAY

Results in loss of legal action. **Snooze = You lose.**

PROPERTY OWNERSHIP - 1

LIS PENDENS

Notice of legal suit filed against specific lands.

NON-HOMOGENEITY

Dissimilar. No two properties alike.

NOVATION

Exchange an old with a new. *e.g. contracts, debt.*

SERVIENT ESTATE

Property burdened by its right of way and use.

SITUS

Personal preference of an area or position of real estate.

UNDIVIDED INTEREST

Ownership with 2 or more parties in one property.
Fractional ownership interest may be equal /unequal.

TYPES OF EASEMENTS

APPURTENANT

(belongs to, runs with land) benefits the Dominant land.

GROSS

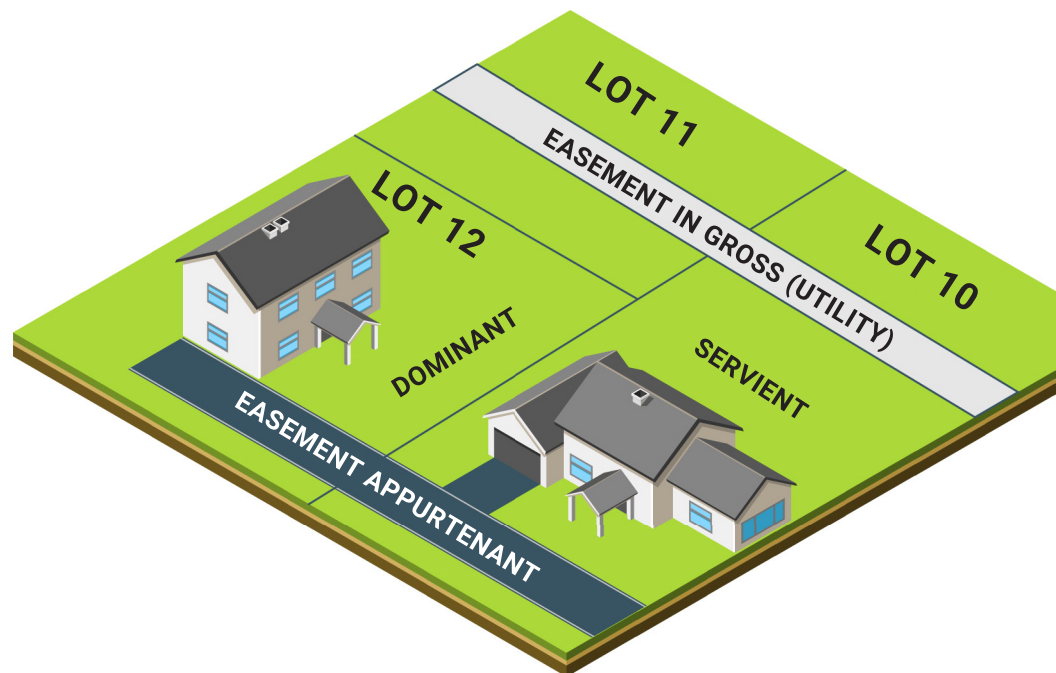
Benefits company/person not land, example: utility companies.

SERVIENT ESTATE

Property burdened by its right of way and use.

DOMINANT ESTATE

Is not burdened but rather benefits from its right of way and use.



6 BUNDLE OF RIGHTS

- 1 THE RIGHT TO **USE & OCCUPY** PROPERTY
- 2 THE RIGHT TO **SELL** IT IN PART OR WHOLE
- 3 THE RIGHT TO **GIVE IT AWAY** (BEQUEATH)

TYPES OF OWNERSHIP

SEVERALTY

Sole ownership.

CO OWNERSHIP

2 or more owners

JOINT TENANCY

2+ owners, if 1 dies, interest goes to surviving owner(s).

TENANCY IN COMMON

Multi owners, distinct/separate shares of same property.

PROPERTY OWNERSHIP - 2

- 4 THE RIGHT TO **RENT/LEASE IT/RESTRICT**
- 5 THE RIGHT TO **TRANSFER BY CONTRACT**
- 6 THE RIGHT TO **DO NOTHING AT ALL**

TENANCY IN ENTIRETY

Marital, if 1 spouse dies then entire interest goes to survivor.

CONDOMINIUM

Unit owned + undivided interest in common areas & rights.

CO OP

shares in a corporation that actually owns the property

LEGAL DESCRIPTION

LOT & BLOCK

A system of legal description for land that refers to parcels' lot & block numbers within recorded maps and plats of subdivided land or assessment maps.

METES & BOUNDS

A system of legal description for land using distance (*metes*) & angles/compass directions (*bounds*).

GOVERNMENT SURVEY

A system of legal description that divides land into townships approx. 36 miles square, each containing 36 sections of 640 acres



LAND USE CONTROL

GOVERNMENT POWERS

(P)OLICE POWER

Building & Zoning Codes. Environmental Laws.

(E)MINENT DOMAIN

Taking of Private Property for Public Use.

ZONING TERMS

BUFFER ZONES

A separate strip of land that separates parcels. e.g. Residential (buffer) from commercial shops.

CONDITIONAL USE

A permit that allows for properties that can be shown to be essential for the public interest. e.g. Churches, Clinics, Daycare.

DOWN ZONING

A rezoning of land for less dense uses. e.g. from high rise apt's. to single family housing.

NON CONFORMING USE

Property does not conform to the current zoning but is legally allowed (grand fathered). e.g. structure existed before current regs

PUD

(Planned unit development) large zoned development that includes areas of various uses. e.g. residential, public use, commercial.

SPOT ZONING

Changes zoning for just a small area/lot in contrast to everything else around it.

VARIANCE

Individual approval (by a board) to have a zoning requirement waived

DEED RESTRICTIONS

A DEED RESTRICTION

This clause which is placed in the deed of a property, limits or restricts its permitted future use or activities. e.g. restrict the sale of alcohol on the land for xx amount of years.

(T)AXATION

of Real Estate for Public Needs.

(E)SCHEAT

Owner Dies + No Heirs = State Gets It

WATER WORLD

RIPARIAN RIGHTS

When located directly next to flowing water source, such as stream/river.

LITTORAL RIGHTS

When land is next to non-flowing water. e.g. lake, sea, ocean

BIG PRINT GIVETH, FINE PRINT TAKETH AWAY

ACCRETION

When land is increased because of water depositing additional soil gradually.

ALLUVION

"To wash against" shoreline & deposit soil gradually creating firm ground.

AVULSION

A sudden loss of land or soil due to a sudden natural act. (earthquake, river flow)

PRIOR APPROPRIATION

Scarce water results in assigning water rights from a water source, beneficial use must be shown.

RELICTION

When water line recedes gradually and leaves the exposed land permanently dry. The word "Dereliction" is also used for this definition interchangeably.

STUDY TIP



If you can remember "P Sherman 42 Wallaby Way, Sydney"... you can remember all this.

AGENT DUTIES TO THE CLIENT... THIS IS THE HEAVY BURDEN OF:

THE "C.C. - L.O.A.D."

*sometimes known as COALD

- ✓ CONFIDENTIALITY
- ✓ CARE
- ✓ LOYALTY
- ✓ OBEDIENCE
- ✓ ACCOUNTABILITY
- ✓ DISCLOSURE



REMEMBER FOLKS

RECIPE FOR SUCCESS

An Agent works for the client/principle and with the customer (2 different things). Therefore, there is a fiduciary relationship between Agent and client... and honesty/fairness with the customer.

TRANSACTIONAL BROKER

NOT TAKING SIDES

This is a non-agent, therefore... no agency nor fiduciary relationship. Commonly known as a coordinator or facilitator. Does NOT represent either party (buyer/seller).

This facilitator only assists both parties (paperwork etc.) without representing or negotiating for either the buyers or sellers. Any negotiations are done directly by the buyers and sellers.

WORDS TO KNOW

BUYERS AGENT

An agent who represents the buyer.

LISTING AGENT

The agent who represents the seller.

SELLING AGENT

The agent who obtains a buyer.

SPLIT (DESIGNATED) AGENCY

2 agents from the same office (separate clients) involved with the same transaction.

1 agent is the Listing Agent and the 2nd agent is the buyers agent.

SUBAGENT

A salesperson who works for an agent

AGENTS

LAWS OF AGENCY - 2

SPECIAL/SPECIFIC AGENT

Limited. Authorized for a specific transaction for a set amount of time. (most common)

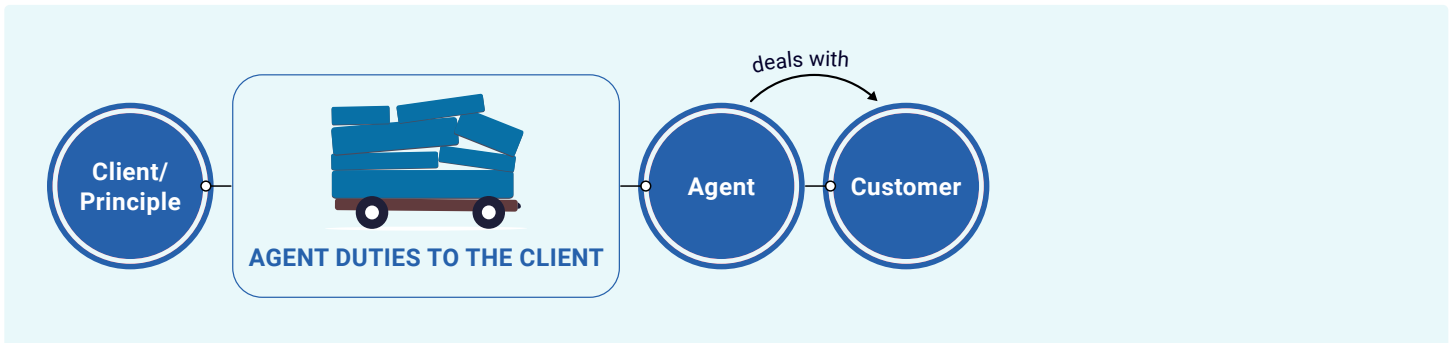
GENERAL AGENT

Less limited. Authorized for a series of transactions or acts over a continuous period of time. (e.g. property manager)

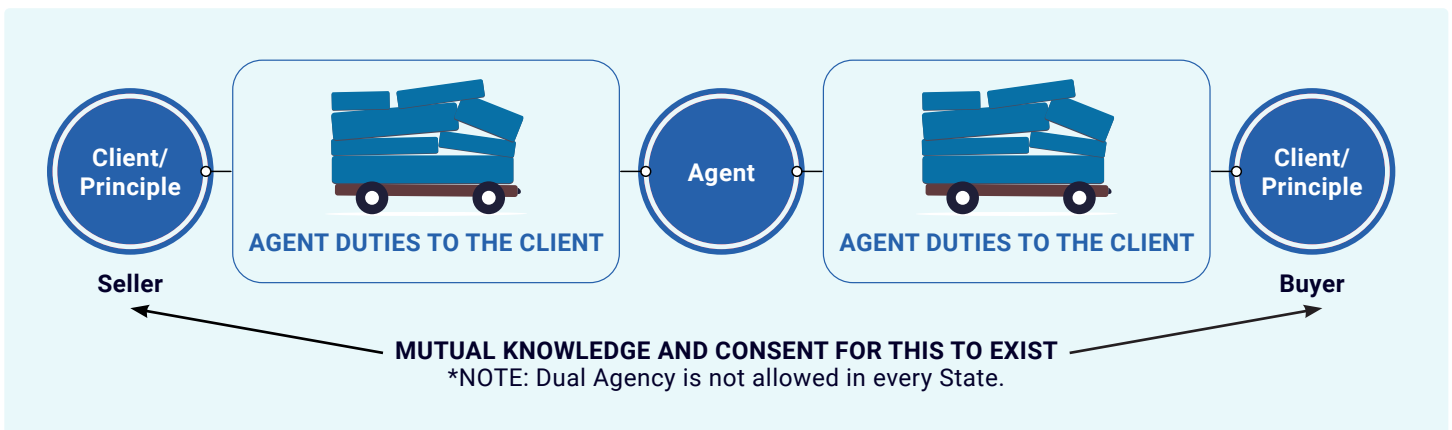
UNIVERSAL AGENT

Broad. Power of attorney, can act in all matters of real estate on behalf of client.

SINGLE AGENCY



DUAL AGENCY



AGENCY TERMINATION

DEATH

Either Agent or Client.

EXPIRATION

Agreement expires.

IMPOSSIBILITY

e.g. property was destroyed.

INCAPACITY

Either Agent or Client e.g. mentally unable or perhaps bankrupt.

PERFORMANCE

Agreement was completed.

REPUDIATION

Rejecting the contract, either Agent or Client. (Liability may be possible)