

# REAL ESTATE: PRACTICE AND ETHICS (60 Hours)

Course No.: 71-40-80

## COMPETENCY CHECKLIST

Student Name \_\_\_\_\_

Teacher Name \_\_\_\_\_ School Site \_\_\_\_\_

Start Date \_\_\_\_\_ Completion Date \_\_\_\_\_ Certificate Date \_\_\_\_\_

Teacher Signature \_\_\_\_\_ Student Signature \_\_\_\_\_

(Signature verifies completion of course competencies)

### A. INTRODUCTION TO REAL ESTATE AGENCY LAWS

(2 hrs)

- \_\_\_\_\_ 1. Rules of agency
- \_\_\_\_\_ 2. Contract law
- \_\_\_\_\_ 3. Consequences of breach of fiduciary duties
- \_\_\_\_\_ 4. Fiduciary duties/exercising care and skill
- \_\_\_\_\_ 5. Disclosure of all 'material facts'
- \_\_\_\_\_ 6. Offers, value & marketability of property
- \_\_\_\_\_ 7. Self-dealing/secret profit/dual agency
- \_\_\_\_\_ 8. Agent's duties to the buyer
- \_\_\_\_\_ 9. Disclosure requirements to the buyer
- \_\_\_\_\_ 10. Liability of the agent
- \_\_\_\_\_ 11. Civil Rights Act of 1866 related to real estate
- \_\_\_\_\_ 12. Basic tenants of the Federal Fair Housing Act
- \_\_\_\_\_ 13. Home Mortgage Disclosure Act of 1975
- \_\_\_\_\_ 14. Unruh Civil Rights Act related to real estate
- \_\_\_\_\_ 15. Housing Financial Discrimination Act
- \_\_\_\_\_ 16. Fair Employment and Housing Act
- \_\_\_\_\_ 17. California License Law
- \_\_\_\_\_ 18. Commissioner Regulations 2780, 2781, 2787
- \_\_\_\_\_ 19. Safe office practices and procedures
- \_\_\_\_\_ 20. Pass safety test with score of 100%

### B. EMPLOYMENT CONTRACTS (3 hrs)

- \_\_\_\_\_ 1. Independent contractor vs employee
- \_\_\_\_\_ 2. B-S Contract: handling of listings
- \_\_\_\_\_ 3. B-S Contract: right to use office space
- \_\_\_\_\_ 4. B-S Contract: working in a diligent manner
- \_\_\_\_\_ 5. B-S Contract: payment of dues and fees
- \_\_\_\_\_ 6. Restate B-S Contract: payment of dues/fees
- \_\_\_\_\_ 7. B-S Contract as it relates to disputes
- \_\_\_\_\_ 8. 'Hold harmless' agreements
- \_\_\_\_\_ 9. Integration clauses of B-S Contract
- \_\_\_\_\_ 10. Prerequisites in Broker-Salesperson Contract
- \_\_\_\_\_ 11. Types of listings of B-S Contract

- \_\_\_\_\_ 12. Seller's agreement to pay commission
- \_\_\_\_\_ 13. Seller's agreement to withdraw from sale
- \_\_\_\_\_ 14. Safety clauses and condition in B-S Contract
- \_\_\_\_\_ 15. Multiple listings as relate to B-S Contract
- \_\_\_\_\_ 16. How net listings relate to B-S Contract
- \_\_\_\_\_ 17. Buyer-broker agreements & commission pay

### C. CALIFORNIA ASSOCIATION OF REALTORS' LISTING

FORM (2 hrs)

- \_\_\_\_\_ 1. Exclusive type of authorization
- \_\_\_\_\_ 2. Nonexclusive type of authorization
- \_\_\_\_\_ 3. Right to 'sell' provisions
- \_\_\_\_\_ 4. Terms of sale
- \_\_\_\_\_ 5. Multiple Listing Service
- \_\_\_\_\_ 6. Title insurance provision
- \_\_\_\_\_ 7. Negotiable commission during/after listing
- \_\_\_\_\_ 8. Protection period after listing term
- \_\_\_\_\_ 9. Limitations to commission after listing term
- \_\_\_\_\_ 10. Deposit provision
- \_\_\_\_\_ 11. Home protection plan
- \_\_\_\_\_ 12. Key box and sign provisions
- \_\_\_\_\_ 13. Pest control requirements
- \_\_\_\_\_ 14. Seller's disclosure obligations
- \_\_\_\_\_ 15. Agreement to provide listing information
- \_\_\_\_\_ 16. Disclosure statement
- \_\_\_\_\_ 17. 'Hold harmless' clause
- \_\_\_\_\_ 18. Tax withholding provisions
- \_\_\_\_\_ 19. Equal housing provisions
- \_\_\_\_\_ 20. Attorney fees provisions
- \_\_\_\_\_ 21. 'Entire agreement' paragraph of CAR form

### D. REAL ESTATE DISCLOSURE STATEMENT (1 hr)

- \_\_\_\_\_ 1. Pass test on opening an escrow
- \_\_\_\_\_ 2. Section I – other disclosure forms
- \_\_\_\_\_ 3. Section II – seller's information

- \_\_\_\_\_ 4. Section III – inspection disclosure/listing agent
- \_\_\_\_\_ 5. Section IV – inspection disclosure/selling agent

**E. COMPETITIVE MARKET ANALYSIS (3 hrs)**

- \_\_\_\_\_ 1. Determining fair market value in a listing
- \_\_\_\_\_ 2. “Eyeball” approach to establishing value
- \_\_\_\_\_ 3. Cost approach to establishing value
- \_\_\_\_\_ 4. Income approach to establishing value
- \_\_\_\_\_ 5. Competitive market analysis approach
- \_\_\_\_\_ 6. How utility influences value
- \_\_\_\_\_ 7. How scarcity influences value
- \_\_\_\_\_ 8. How demand influences value
- \_\_\_\_\_ 9. How transferability influences value
- \_\_\_\_\_ 10. List types of value
- \_\_\_\_\_ 11. Principles of value
- \_\_\_\_\_ 12. Competitive market analysis for value
- \_\_\_\_\_ 13. Sources of market analysis
- \_\_\_\_\_ 14. How to analyze property by site analysis
- \_\_\_\_\_ 15. How to analyze property by improvements
- \_\_\_\_\_ 16. How to select comparables by date
- \_\_\_\_\_ 17. How to select comparables by location
- \_\_\_\_\_ 18. How to select comparables by characteristics
- \_\_\_\_\_ 19. How to select comparables by terms of sale
- \_\_\_\_\_ 20. Comparables by arm’s length transaction
- \_\_\_\_\_ 21. Compare subject property to comparables
- \_\_\_\_\_ 22. Estimate market value of subject property
- \_\_\_\_\_ 23. CAR comparative market analysis form
- \_\_\_\_\_ 24. Reconsideration of value/low appraisal
- \_\_\_\_\_ 25. Reconsideration of value/lender

**F. ADVERTISING (3 hrs)**

- \_\_\_\_\_ 1. Define advertising
- \_\_\_\_\_ 2. Factors to consider when advertising
- \_\_\_\_\_ 3. How to budget for advertising
- \_\_\_\_\_ 4. Determining objectives in ad process
- \_\_\_\_\_ 5. Determining the target audience
- \_\_\_\_\_ 6. Media selection in advertising process
- \_\_\_\_\_ 7. Design of ad in advertising process
- \_\_\_\_\_ 8. Desired effects of an ad
- \_\_\_\_\_ 9. Image advertising
- \_\_\_\_\_ 10. Rules of classified advertising
- \_\_\_\_\_ 11. Know the elements of a classified ad
- \_\_\_\_\_ 12. Importance of listed ad components
- \_\_\_\_\_ 13. Advertising subject to review and revision

**G. PROPERTY MANAGEMENT (3 hrs)**

- \_\_\_\_\_ 1. Describe how a check sheet is used
- \_\_\_\_\_ 2. History of property management
- \_\_\_\_\_ 3. How supply/value of money affect market
- \_\_\_\_\_ 4. Other factors that affect real estate market
- \_\_\_\_\_ 5. Management techniques for apt buildings

- \_\_\_\_\_ 6. Techniques used w/co-ops and condominiums
- \_\_\_\_\_ 7. Techniques used with office buildings
- \_\_\_\_\_ 8. Techniques used with retail property
- \_\_\_\_\_ 9. Techniques used with industrial property
- \_\_\_\_\_ 10. Contents of a management agreement
- \_\_\_\_\_ 11. Explain management plan strategy
- \_\_\_\_\_ 12. Importance of list items to management plan
- \_\_\_\_\_ 13. Describe good manager/owner relations
- \_\_\_\_\_ 14. Benefits of types of advertising when leasing
- \_\_\_\_\_ 15. Showing property to a prospective leasee
- \_\_\_\_\_ 16. How to qualify a prospective leasee
- \_\_\_\_\_ 17. Types of leases and their uses
- \_\_\_\_\_ 18. Characteristics of a valid lease
- \_\_\_\_\_ 19. Reasons for security deposits
- \_\_\_\_\_ 20. Manager’s roles in lease renewals
- \_\_\_\_\_ 21. Manager’s role/responsibility in rent collection
- \_\_\_\_\_ 22. Mgr’s supervision in property maintenance
- \_\_\_\_\_ 23. Four basic categories of maintenance activities

**H. INTRODUCTION TO FINANCE (3 hrs)**

- \_\_\_\_\_ 1. Describe loan application process
- \_\_\_\_\_ 2. Necessary data for loan application
- \_\_\_\_\_ 3. Practice use of loan application checklist
- \_\_\_\_\_ 4. Agent’s duty of full disclosure
- \_\_\_\_\_ 5. CA License Law requirements for an agent
- \_\_\_\_\_ 6. Fiduciary duties of an agent
- \_\_\_\_\_ 7. Regulation Z of Truth-in-Lending Act
- \_\_\_\_\_ 8. Real Estate Settlement Procedures Act
- \_\_\_\_\_ 9. Seller financing disclosures of CA Statutes

**I. FINANCE PROGRAMS (6 hrs)**

- \_\_\_\_\_ 1. Describe the 80% conventional loan
- \_\_\_\_\_ 2. Define secondary financing
- \_\_\_\_\_ 3. Describe the 90% conventional loan
- \_\_\_\_\_ 4. Describe the 95% conventional loan
- \_\_\_\_\_ 5. Reasons for Private Mortgage Insurance
- \_\_\_\_\_ 6. Describe how PMI works
- \_\_\_\_\_ 7. Buy Down plan for alternate financing
- \_\_\_\_\_ 8. List several types of Buy Downs
- \_\_\_\_\_ 9. Advantages of a Buy Down plan
- \_\_\_\_\_ 10. Describe Adjustable Rate Mortgages
- \_\_\_\_\_ 11. Advantages of ARMs
- \_\_\_\_\_ 12. Describe how ARMs work
- \_\_\_\_\_ 13. List elements of an ARM
- \_\_\_\_\_ 14. Describe Growth Equity Mortgages
- \_\_\_\_\_ 15. Explain how GEMs work
- \_\_\_\_\_ 16. List advantages of GEMs
- \_\_\_\_\_ 17. List disadvantages of GEMs
- \_\_\_\_\_ 18. Federal Housing Authority-insured loans
- \_\_\_\_\_ 19. Process for obtaining FHA-insured loans
- \_\_\_\_\_ 20. Benefits to borrowers for obtaining FHA loan

- \_\_\_ 21. Eligibility requirements for FHA-insured loan
- \_\_\_ 22. List fees for FHA-insured loan
- \_\_\_ 23. Allowable sources of down payment for FHA
- \_\_\_ 24. Secondary financing requirements for FHA
- \_\_\_ 25. Describe Mortgage Insurance Payment
- \_\_\_ 26. How to calculate the MIP
- \_\_\_ 27. Describe FHA standard program for loans
- \_\_\_ 28. Various FHA loans for listed groups
- \_\_\_ 29. FHA graduated payment and ARM's
- \_\_\_ 30. Loan-to-value ratios for standard FHA loan
- \_\_\_ 31. Maximum loan amounts set for FHA loans
- \_\_\_ 32. Describe Veteran's Administration loan
- \_\_\_ 33. Advantages of a VA loan
- \_\_\_ 34. Requirements for a VA loan approval
- \_\_\_ 35. Loan guarantee for VA loans
- \_\_\_ 36. Guarantee amount/loan amount for VA loan
- \_\_\_ 37. Eligibility requirements for a VA loan
- \_\_\_ 38. How to apply for a VA Loan
- \_\_\_ 39. Provisions for transfer of property w/VA loan
- \_\_\_ 40. Describe California Veterans loan
- \_\_\_ 41. Source of funding for Cal Vet loan
- \_\_\_ 42. Eligibility requirements of a Cal Vet loan
- \_\_\_ 43. Loan fees of a Cal Vet loan
- \_\_\_ 44. Describe loan terms for a Cal Vet loan

**J. QUALIFYING STANDARDS (3 hrs)**

- \_\_\_ 1. Describe loan application process
- \_\_\_ 2. Function of the secondary market
- \_\_\_ 3. Major govt agencies of secondary market
- \_\_\_ 4. Conventional underwriting guidelines
- \_\_\_ 5. List acceptable sources of stable income
- \_\_\_ 6. State unacceptable sources of income
- \_\_\_ 7. Importance of an employment history
- \_\_\_ 8. Housing expense-to-income ratio
- \_\_\_ 9. Total monthly obligations-to-income ratio
- \_\_\_ 10. Define net worth
- \_\_\_ 11. Explain need for verification of net worth
- \_\_\_ 12. Describe use of gift letters
- \_\_\_ 13. Importance of credit history/credit report
- \_\_\_ 14. Define derogatory credit
- \_\_\_ 15. FHA underwriting guidelines for income
- \_\_\_ 16. VA underwriting guidelines for income

**K. FINANCE DOCUMENTS (6 hrs)**

- \_\_\_ 1. Describe the promissory note
- \_\_\_ 2. Explain negotiability of promissory note
- \_\_\_ 3. Types of endorsements of promissory note
- \_\_\_ 4. List types of promissory notes
- \_\_\_ 5. Describe a Deed of Trust
- \_\_\_ 6. Describe lien theory versus title theory
- \_\_\_ 7. Explain how a Deed of Trust works

- \_\_\_ 8. Necessary provisions of valid Deed of Trust
- \_\_\_ 9. Describe process for Trust Deed foreclosure
- \_\_\_ 10. Define junior lienholder
- \_\_\_ 11. State rights of a junior lienholder
- \_\_\_ 12. List disadvantages of a junior lienholder
- \_\_\_ 13. Special provisions that appear in Deed of Trust

**L. DEPOSIT RECEIPT: OVERVIEW (3 hrs)**

- \_\_\_ 1. Purpose of a deposit receipt
- \_\_\_ 2. Proper preparation of a deposit receipt
- \_\_\_ 3. Necessary elements of a deposit receipt
- \_\_\_ 4. Role of agent in preparation of deposit receipt
- \_\_\_ 5. Demo understanding of preprinted clauses
- \_\_\_ 6. Demo understanding of signature
- \_\_\_ 7. Need to disclose marital status
- \_\_\_ 8. Need to include all names/signatures on CAR
- \_\_\_ 9. Need to describe property to be sold
- \_\_\_ 10. Define full and legal description of property
- \_\_\_ 11. State where legal description attached

**M. DEPOSIT RECEIPT: THIRD-PARTY FINANCING**

(3 hrs)

- \_\_\_ 1. Deposit receipt and total price and liens
- \_\_\_ 2. Different version of payment clauses
- \_\_\_ 3. Procedure when payment can be 'all cash'
- \_\_\_ 4. Procedure when payment is conventional loan
- \_\_\_ 5. Identify loan expenses normally paid by buyer
- \_\_\_ 6. Describe payment of points/discounts
- \_\_\_ 7. Identify procedures for FHA loans
- \_\_\_ 8. Identify procedures for VA loans
- \_\_\_ 9. Describe FHA/VA Amendment
- \_\_\_ 10. Identify procedures for Cal-Vet financing
- \_\_\_ 11. Checklist to complete practice deposit receipt

**N. DEPOSIT RECEIPT: SELLER FINANCING (6 hrs)**

- \_\_\_ 1. Define seller-financing
- \_\_\_ 2. Advantages of seller-financing
- \_\_\_ 3. Disadvantages of seller-financing
- \_\_\_ 4. Pre-printed forms for transactions
- \_\_\_ 5. Requirements for seller having clear title
- \_\_\_ 6. Describe an all-inclusive trust deed
- \_\_\_ 7. Advantages/disadvantages in transactions
- \_\_\_ 8. Describe 'zero-down' seller-financing
- \_\_\_ 9. Why contingencies are used
- \_\_\_ 10. How contingencies work
- \_\_\_ 11. Conditions within control of one party
- \_\_\_ 12. Elements of a contingency clause
- \_\_\_ 13. Pre-printed clauses for financing contingencies
- \_\_\_ 14. Purpose of financing contingencies
- \_\_\_ 15. Define bump clause
- \_\_\_ 16. How/when to use contingency release clause

**O. DEPOSIT RECEIPT: STANDARD PROVISIONS**

(3 hrs)

- \_\_\_\_\_ 1. Define a deed of trust
- \_\_\_\_\_ 2. Standard provisions relating to occupancy
- \_\_\_\_\_ 3. Standard provision relating to title
- \_\_\_\_\_ 4. Define prorations
- \_\_\_\_\_ 5. Provisions relating to possession and vesting
- \_\_\_\_\_ 6. Provisions relating to Multiple Listing Service
- \_\_\_\_\_ 7. Provisions relating to liquidated damages
- \_\_\_\_\_ 8. Provisions relating to arbitration/fees
- \_\_\_\_\_ 9. Provisions relating to personal property
- \_\_\_\_\_ 10. Provisions relating to structural modification
- \_\_\_\_\_ 11. Provisions relating to transfer disclosure
- \_\_\_\_\_ 12. Provisions relating to tax withholding
- \_\_\_\_\_ 13. Additional terms, conditions, amendments
- \_\_\_\_\_ 14. Relating to offer, acceptance, counter offer
- \_\_\_\_\_ 15. Relating to licensee and a party to contract

**P. ESCROW (3 hrs)**

- \_\_\_\_\_ 1. Define escrow
- \_\_\_\_\_ 2. Describe the use of escrows
- \_\_\_\_\_ 3. Describe requirements of a valid escrow
- \_\_\_\_\_ 4. Define escrowees
- \_\_\_\_\_ 5. Identify parties involved in an escrow
- \_\_\_\_\_ 6. Essential steps of the escrow process
- \_\_\_\_\_ 7. Closing costs and settlement statements
- \_\_\_\_\_ 8. Need to use an escrow progress chart
- \_\_\_\_\_ 9. Provisions of the RESPA

**Q. TAX ASPECTS OF REAL ESTATE PRACTICE (2 hrs)**

- \_\_\_\_\_ 1. Define progressive tax
- \_\_\_\_\_ 2. Define proportional tax
- \_\_\_\_\_ 3. Define regressive tax
- \_\_\_\_\_ 4. Federal Income Tax is progressive
- \_\_\_\_\_ 5. Define income
- \_\_\_\_\_ 6. Define realization
- \_\_\_\_\_ 7. Define recognition
- \_\_\_\_\_ 8. Explain "installment sale"
- \_\_\_\_\_ 9. Explain "principal residence sale"
- \_\_\_\_\_ 10. Explain "principal residence property"
- \_\_\_\_\_ 11. Explain "unimproved residence property"
- \_\_\_\_\_ 12. "Property held for production of income"
- \_\_\_\_\_ 13. Explain "property used in trade or business"
- \_\_\_\_\_ 14. Explain "dealer property"
- \_\_\_\_\_ 15. How sale/exchange results in gain or loss
- \_\_\_\_\_ 16. Figure gain/loss on sale of property
- \_\_\_\_\_ 17. How to figure adjusted basis on sale
- \_\_\_\_\_ 18. Tax Reform Act of 1896 as it relates to gain
- \_\_\_\_\_ 19. IRS allows installment gain to be deferred
- \_\_\_\_\_ 20. Deferred gain on principal residence
- \_\_\_\_\_ 21. Deferred gain for taxpayer over age fifty-five

- \_\_\_\_\_ 22. Deferral of tax in sale of low-income housing
- \_\_\_\_\_ 23. What the IRS allows in tax-free exchange
- \_\_\_\_\_ 24. Calculating new basis for property
- \_\_\_\_\_ 25. Define depreciation
- \_\_\_\_\_ 26. Describe depreciation method: straight line
- \_\_\_\_\_ 27. Depreciation method: 200% declining balance
- \_\_\_\_\_ 28. Depreciation method: 150% declining balance
- \_\_\_\_\_ 29. Depreciation method: 125% declining balance
- \_\_\_\_\_ 30. Depreciation method: sum of the years digits
- \_\_\_\_\_ 31. Define cost recovery deductions
- \_\_\_\_\_ 32. Repairs are deductible for most properties
- \_\_\_\_\_ 33. Identify capital expenditures
- \_\_\_\_\_ 34. Capital expenditures not deductible
- \_\_\_\_\_ 35. What taxes on property are deductible
- \_\_\_\_\_ 36. What mortgage interest is deductible
- \_\_\_\_\_ 37. "Passive losses" under Tax Reform Act of 1986
- \_\_\_\_\_ 38. Limitations on deductibility of passive taxes

**R. EVALUATION: ESCROW FOR AN EXISTING LOAN**

(1 hr)

- \_\_\_\_\_ 1. Pass test covering procedures for existing loan
- \_\_\_\_\_ 2. Responsibilities of one realtor to another
- \_\_\_\_\_ 3. Fee the broker can charge in transactions
- \_\_\_\_\_ 4. Requirements in presentation of offer by agent
- \_\_\_\_\_ 5. Licensee/professional transaction relationship
- \_\_\_\_\_ 6. When written offers must be submitted
- \_\_\_\_\_ 7. Refund of purchase money deposit
- \_\_\_\_\_ 8. When licensee may claim to be a specialist
- \_\_\_\_\_ 9. When document can be modified or changed
- \_\_\_\_\_ 10. Explain secret profit

**S. EMPLOYABILITY SKILLS (2 hrs)**

- \_\_\_\_\_ 1. Step in a job search
- \_\_\_\_\_ 2. Résumé and cover letter
- \_\_\_\_\_ 3. Complete job application form legibly
- \_\_\_\_\_ 4. Demo punctuality and regular attendance
- \_\_\_\_\_ 5. Job interview preparation
- \_\_\_\_\_ 6. Participate in mock interview as applicant
- \_\_\_\_\_ 7. Participate in mock interview as employer
- \_\_\_\_\_ 8. Civil, age and equal rights in employment
- \_\_\_\_\_ 9. Describe employer's rights
- \_\_\_\_\_ 10. Describe various benefits
- \_\_\_\_\_ 11. Define listed items related to payroll
- \_\_\_\_\_ 12. Customer service to build business