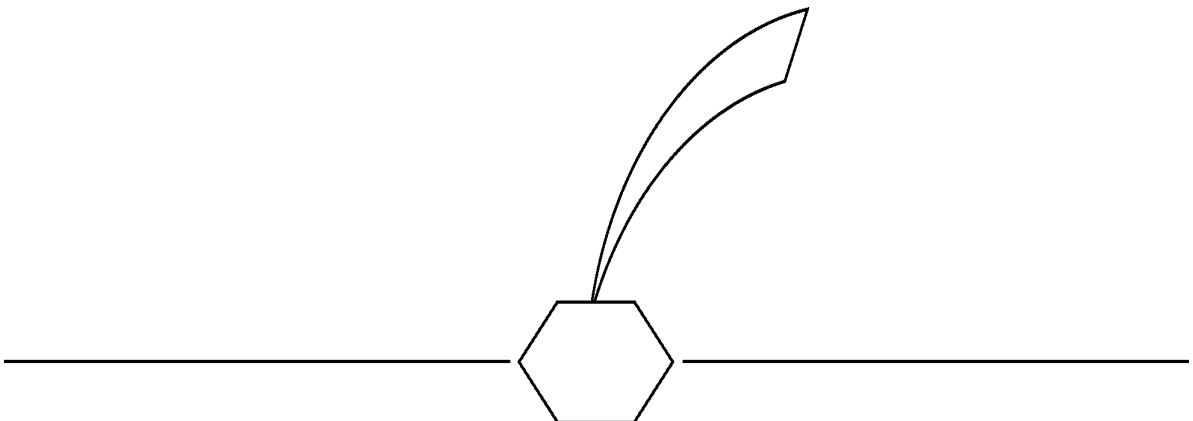


THE REALITY OF REAL ESTATE

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Instructor's Manual



THE REALITY OF REAL ESTATE

Outline:

- Real Estate Competencies
- Basic Parties, Resources and Terminology in the Real Estate Transaction
- The Nature of Real Property
- Forms of Real Property Ownership

Keywords:

| | |
|---------------------------|--------------------------------------|
| Real Property | Tenants in Common |
| Fixture | Concurrent Ownership |
| Personal Property | Condominiums |
| Easements | Unity of Time |
| License | Unity of Title |
| Freehold Estate | Unity of Interest |
| Estate in Fee Simple | Unity of Possession |
| Life Estate | Unity of Person |
| Less-than-freehold | Community Property |
| Estate for Years | Partnership |
| Estate at Will | Joint Venture |
| Estate at Sufferance | Real Estate Investment Trust (REITS) |
| Tenancy by the Entireties | Corporation |
| Joint Tenants | |

Summary:

Before extended study of real estate, your students should understand the basic concepts of real property. Chapter One defines real property, its forms of ownership and interests. Be sure the students understand the differences in ownership forms. Figures 1-2 and 1-3 should be especially helpful in demonstrating the differences between freehold and less than freehold forms. Also stress the four unities of joint ownership.

Easements, licenses and right of ways can be easily confused. Use common examples to demonstrate the differences to your students.

Questions:

1. Corresponding and communicating with a large number of parties is expected in real estate practice.
A. true B. false
2. Real property, as a real estate interest, is only a right or privilege to use certain land.
A. true B. false
3. A fixture is usually removable from real estate and is considered personal property.
A. true B. false

4. An estate at will is an estate for a fixed number of years.
A. true B. false
5. The owner of a fee simple estate has less of an interest than the owner of a less-than-freehold.
A. true B. false
6. A tenant who stays after a lease has expired, when that lease has not been renewed, has a future estate.
A. true B. false
7. A tenancy by the entirety is the preferred form of joint ownership between husband and wife.
A. true B. false
8. Joint tenancy involves a right of survivorship.
A. true B. false
9. A _____ allows a designated person to do something on land for a limited purpose.
10. _____ are rights granted to use, but not own, a specified piece of real property.
11. When a freehold estate limits the transfer of the estate to both the present owner and the owner's or other's heirs, the estate is a:
A. Fee Tail Estate B. Fee Simple Estate
C. Life Estate D. Less-than-freehold Estate
12. _____ Unity of Time A. Co-owners/tenants must have equal interest in land
_____ Unity of Title B. Co-owners/tenants must receive interest at same time
_____ Unity of Interest C. Co-owners/tenants must have an equal right to possess
_____ Unity of Possession D. Co-owners/tenants must acquire interest from same source
13. Surviving spouses in what type of state may not take a full interest in real property?
A. Joint Property B. Common
C. Community Property D. Survivorship
14. A _____ exists when a fractional, divisible investment in a number of real estate properties is allotted based on the amount of investment.
15. What type of estate gives an owner unlimited use until his or her demise?
A. Fee Simple B. Life Estate
C. Fee Tail D. Per Autre Vie

Essay Question:

When might a person prefer an easement over a joint tenancy? Why?

Practical Exercise:

Identify an easement on your property or in you locale. Describe the easement, it's location, purpose and, if possible, its owner.

**THE REAL ESTATE TRANSACTION:
LISTING, DISCLOSURE, AND AGENCY**

Outline:

- Listings
- Listing Agreement
- Disclosure and Consumer Protection
- Broker/Agent Disclosure
- Initial Client Consultation

Keywords:

Agency
Brokers
Agents
Exclusive Listing
Exclusive Agency
Listing
Commission
Exclusive Right to Sell
Flat Fee Listing
Multiple Listing Service
Open Listing
Net Listing
Caveat Emptor
Fraud
Innocent Misrepresentation
Malevolent Misrepresentation
Reckless Misrepresentation
Silent Misrepresentation
Latent Defects
Caveat Venditor
Property Disclosure Statement
Implied Warranty of Habitability
Property Disclosure Statement
Ignorant Misrepresentation
Fraudulent Misrepresentation
Negligent Misrepresentation
Disclosure
Good Faith
Fiduciary Duty

Summary:

Chapter Two covers the essentials regarding brokers and agents. Be sure to cover each agreement in the book thoroughly and demonstrate the differences and similarities in each listing agreement. Much confusion can result from not understanding the different forms of Listing Agreements.

Cover disclosure and consumer protection thoroughly. Be sure to expose students to your state laws on the subject. Cover the types of misrepresentations in depth, giving examples from court cases in your state or personal experience.

Be sure to explain the purpose of the property disclosure statement. This may be the most important tool in preventing any misrepresentations.

You may want to utilize Figures 2-8 and 2-9 in a role-playing exercise to help students understand the nuances of initial client consultation.

Questions:

1. A listing in which a broker receives a commission only when the broker finds the buyer, is called _____.
2. Listings are held by property owners.
A. True B. False
3. A Net Listing Agreement rewards the broker/agent for an aggressive sales price.
A. True B. False
4. Caveat Emptor means _____.
5. Caveat Venditor is being replaced by Caveat Emptor.
A. True B. False
6. What are the five types of misrepresentations recognized by courts in real estate transactions?
7. Brokers and agents owe their client a _____ duty, which includes acting in good faith and disclosing material facts which may impact a purchaser's decision.
8. When an agent retains all rights, including the right to preclude sellers from selling their property, they have agreed to:
A. Open Listing B. Exclusive Right to Sell
C. Exclusive Agency D. Net Listing
9. MLS stands for _____.
10. A latent defect can be easily detected by a prospective buyer.
A. True B. False
11. A Flat Fee Listing is very popular with brokers and agents.
A. True B. False
12. Define the "implied warranty of habitability."
13. A Property Disclosure Statement is unnecessary in the real estate transaction.
A. True B. False

14. For many years, the buyer's protection largely depended upon whether the seller's misrepresentations were:
- A. Innocent, fraudulent, reckless
 - B. Silent, negligent, fraudulent
 - C. Innocent, ignorant, malevolent
 - D. Malevolent, silent, innocent
15. Discrimination is a punishable offense relating to a real estate transaction.
- A. True
 - B. False

Essay:

Discuss the similarities and differences of an Exclusive Listing, and Exclusive Right to Sell Listing, a Net Listing and an Open Listing.

Practical Exercise:

Visit a local real estate agent or broker. Discuss their Property Disclosure Statement and obtain a copy for your records.

AGREEMENTS OF SALE

Outline:

- Introduction
- Agreement Forms and Drafting Techniques
- Agreement of Sale Components
- Draftsmanship, Language and the Agreement of Sale
- Miscellaneous Agreements to Purchase Real Estate
- Cancellation, Rescission and Release

Keywords:

Agreement of Sale
Statute of Frauds
Contract
Assignment
Breach of Agreement
Consideration
Earnest Money
Fire Insurance
Hazard Insurance
Parties to Agreement
Prorations
Recording
Time of the Essence
Transfer Tax
Agent
Commitment
DefaultEscrow
Flood Insurance
Legal Description
Possession
Property Disclosure Statement
Tender
Title Insurance
Zoning Ordinance
Installment Contract
Recovery of Said Sum
Option
Land Contract
Recovery of Possession
Cancellation
Rescission
Release

Summary:

Chapter Three is the heart of the work. Without a working understanding of the formation of an Agreement of Sale the student will have difficulty during the remainder of the class. Be sure to cover each clause fully, explaining the differences in each example. Stress that oral agreements are not enforceable in a real estate transaction. The agreement must be in writing.

As a practical exercise, have students prepare their own Agreement of Sale. Including each clause they feel appropriate. Have students explain why clauses were excluded.

Make sure students understand the differences in Land Installment and Option contracts and the advantages and disadvantages of each.

Finally, students need to understand the concepts of cancellation, rescission and release. Demonstrate with practical examples of when each is appropriate.

Questions:

1. An earnest money deposit may be refundable.
A. True B. False
2. In the standard agreement of sale, multiple clauses and provisions are included to protect the buyer and seller from any misunderstandings. Name three examples.
3. Binder Insurance protects against challenges to a property by assuring that the title is good and marketable.
A. True B. False
4. List three circumstances when a “time is of the essence” clause is required in a contract.
5. Transfer tax is always paid by the seller of the property.
A. True B. False
6. All agreements of sale contain provisions regarding sewage and water.
A. True B. False
7. A _____ Contingency requires a buyer to apply for a mortgage within a specified period of time after signing the contract.
8. Any mortgage that a buyer is approved for must be accepted, even if the mortgage is offered on terms unacceptable to the buyer.
A. True B. False
9. Discuss the difference between a Land Installment Contract and an Option Contract.
10. When a contract is canceled or released, the parties should always execute an Agreement to Rescind.
A. True B. False
11. A _____ formalizes the termination of an agreement or contract.
12. What is the primary aim of the Statute of Frauds?

13. A street address or lot number may be a sufficient property description.
A. True B. False
14. Surveys are always required in a real estate transaction.
A. True B. False
15. As with any contract, an Agreement of Sale is not valid until fully executed.
A. True B. False
16. A seller always benefits from an Agreement to Rescind.
A. True B. False

Essay:

If a buyer violates the “time is of the essence” clause in an agreement in seeking a mortgage, what is the impact on the agreement? Be specific.

Practical Exercise:

Contact either your state real estate association or local realtor and inquire whether they publish their own Agreements of Sale. Obtain a copy.

**CONDITIONS, CONTINGENCIES
AND OTHER QUALIFICATIONS**

Outline:

- Qualifying the Real Estate Agreement of Sale
- Conditions Relating to Financing
- Home Inspections
- Hazardous Materials
- Pest Infestation
- Zoning
- Buyer's Sale of Present Home

Keywords:

Condition
Contingency
Mortgage Contingency
Clause
Rider
Addendum
Home Inspection
Major Defect
Wood Infestation
Well Inspection Clause
Radon
Urea Formaldehyde Foam Insulation (UFFI)
Pest Infestation
Right of First Refusal
Hazardous Materials

Summary:

Chapter Four discusses Conditions and Contingencies in the Real Estate transaction. Be sure students understand that conditions and contingencies are basically the same thing. Stress that they may be added to an agreement of sale by addendum by the mutual consent of the parties at any time.

Cover each type of contingency using the examples provided. As a practical exercise, you may want students to prepare their own to attach to the agreement of sale produced while covering Chapter Three.

Be sure to thoroughly discuss the right of first refusal and provide court cases from your state as examples.

Questions:

1. An agreement of sale generally has no conditions or contingencies within its contents.
A. True B. False
2. A _____ is a set of events, an occurrence or other state that must be achieved before a contract comes to fruition.
3. Conditions and contingencies are two different concepts.
A. True B. False
4. Conditions that are not specified in the original agreement of sale, can be attached by _____ or _____.
5. Name three types of clauses commonly attached to agreements of sale by addendum.
6. The Right of First Refusal states that the seller can back out of any agreement of sale for any reason.
A. True B. False
7. An addendum assuring that an inspection of the property will be performed to determine the presence of termites and other wood boring insects is called a Home Inspection Clause.
A. True B. False
8. Conditional language can never be integrated into a contract by use of an addendum or rider.
A. True B. False
9. An unsatisfactory home inspection report can lead to cancellation of an agreement of sale.
A. True B. False
10. An example of a major defect is:
A. Chipped Paint B. Faulty wiring
C. Broken doorknob D. Leaking faucet
11. The following is an excerpt from what type of Addendum?...seek a variance from the present zoning classification of R-2 to a zoning classification of C-2....
A. Zoning B. Mortgage Contingency
C. Home Inspection D. Right of First Refusal

12. A conditional contract is an agreement in _____.
13. To meet the standards of a mortgage contingency clause the buyer has to do three things. What are they?
14. The existence of either unacceptable Radon gas levels or UFFI is not a valid reason to cancel an Agreement of Sale.
A. True B. False
15. If termites are discovered during an inspection, there are normally no available remedies for the buyer. They must purchase the home, despite the infestation.
A. True B. False
16. An example of a major defect is not:
A. UFFI B. Unstable and crumbling foundation
C. Missing doorknobs D. Severe termite infestation

Essay:

What impact may an unfavorable or “failed” home inspection have on an Agreement of Sale?

Practical Exercise:

Visit your local zoning office and obtain a copy of their rules and regulations. What are the zoning designations in your area (i.e., R-Residential, etc.)?

Outline:

- Introduction
- Title Abstraction
- Title Insurance

Keywords:

Conveyancer
Judgment Records
Special Warranty Deed
Title
Quitclaim Deed
Deed Book
Representations
Sheriff's Transaction
Title Company
Abstract of Title
Marketable Title
Defects
Conveyance Search
Encroachments
GrantorCovenants
Grantee
Restriction
Encumbrance Search
Lien
Mortgage Satisfaction Piece
Judgment
Mechanic's Lien
Affidavit of Title
Closing Instructions
Title Insurance
Binder
Report of Title
Title Insurance Company

13. Define “abstraction.”
14. Which of the following is not an impediment to a good title.
 - A. Unsatisfied liens
 - B. A bounced check that’s been paid
 - C. Easements
 - D. Unpaid property taxes
15. When conducting a conveyance search the content of the deed must be focused on. List five deed elements that may effect the marketability of title.
16. Encumbrance searches look for impediments in different categories than conveyance searches. List five.
17. If a mortgage has been paid, a _____ needs to be prepared and submitted.

Essay:

Would the existence of a real estate tax lien on property make the sale of the property impossible?
Would a title company issue a policy for this property? If yes, how?

Practical Exercise:

Obtain the deed to either your or a family member’s property. Visit the Recorder of Deeds or appropriate office and trace the deed back at least five transactions (if possible).

2. To be legally valid, a deed must contain certain provisions. List three.
3. The deed with the least restrictions and most assurances of clear title is _____ deed.
4. The _____ states that a deed must be in writing to be enforceable.
5. The following language is an excerpt from what deed clause?...whereof is hereby acknowledged, has granted, sold, released, and conveyed, and by these presents does grant, sell, release and convey...
 - A. Encumbrance
 - B. Recital
 - C. Testimonium
 - D. Habendum
6. It is not necessary to have deeds recorded in the appropriate government office.
 - A. True
 - B. False
7. A deed issued when the property is sold by levy, order of execution or other extraordinary attachment is:
 - A. Executor's Deed
 - B. Trustee's Deed
 - C. Sheriff's Deed
 - D. Limited Warranty Deed
8. When property is located near a river, a _____ Clause is prudent.
9. When architectural changes to a structure, landscaping and other improvements are to be regulated, a _____ is included in the deed.
10. Which deed provision assures the grantee that they may utilize the premises without intrusion or other harm.
 - A. Covenant of Warranty
 - B. Single-Family Restriction
 - C. Covenant of Quiet Enjoyment
 - D. Riparian Rights Clause
11. The rights to coal and other underground minerals are automatically included in the deed to the property they lie under.
 - A. True
 - B. False
12. An oral contract for the sale of realty can be made, but can't be enforced.
 - A. True
 - B. False
13. Define "nominal consideration."
14. The Recital is absolutely necessary in a deed.
 - A. True
 - B. False
15. The Property Description should be identical to the one in what other document?
16. When is a guardian deed used?

Essay:

Which type of deed would be best when a buyer wishes absolute protection from litigation involving the land?

Practical Exercise:

Visit your local Recorder of Deeds Office and determine whether official documents need to be attached to the deed when it's filed for recording and what the recording fees are. Obtain a copy of any required forms.

MORTGAGES

Outline:

- The Nature of a Mortgage
- Mortgage Documents
- Buyer's Preliminary Qualification
- Types of Mortgage Products
- Transfer of Mortgage Interests
- Mortgage Application
- Mortgage Commitment

Keywords:

Acceleration Clause

Mortgagee

Note

Mortgage

Mortgagor

Points

Amortization

Balloon Payment

Due on Transfer Rider

Market Value

Prime Rate of Interest

Assumption

Conventional Mortgage

Federal Housing Administration

Origination Fee

Veterans Administration

Appraisal

Escrow

Market Value

Mortgage Application

Plat

Survey

Closing Conditions

Escrow Statement

Payment Information

Underwrite

Good Faith Estimate

Metes and Bounds

Mortgage Questionnaire

Plat Book

Authorization to Release

Fee Disclosure

Mortgage Commitment

Mortgage Insurance

Essay:

Which mortgage allows a lower rate in the earliest years with an acceleration of payment even though amortized over 30 years? What are its advantages and disadvantages?

Practical Exercises:

Contact one of the government programs in your area that insures mortgages and request an information packet or guidelines. Would you qualify?

FORECLOSURE

Outline:

- Purpose of Foreclosure
- Methods of Foreclosure
- Sale Surplus
- Deficiency Judgments
- Redemption

Keywords:

Foreclosure
Acceleration Clause
Default
Judicial Foreclosure
Power-of-sale Foreclosure
Strict Foreclosure
Necessary Party
Proper Party
Deed of Trust
Chilled Bidding
One-Action Rule
Deficiency Judgment
Fair-Value Legislation
Equitable Redemption
Statutory Redemption
Clog on the Equity of Redemption

Summary:

Foreclosure, the topic of Chapter Eight, is an essential topic to cover when discussing any real estate purchase. Discuss when foreclosure can occur, the different methods of foreclosure, deficiency judgments and redemption.

Questions:

1. The mortgagee's right to foreclosure occurs on default.
A. True B. False
2. Which clause gives the mortgagee the right to move up the payment date for the entire loan amount if the mortgagor defaults on the loan.
A. Acceleration clause B. Default Clause
C. Mortgage Clause D. Debt Clause
3. What are the three ways to foreclose on property?
4. _____ foreclosure is the process by which mortgaged property is sold under the supervision of a court.
5. Explain the difference between a necessary party to a foreclosure and a proper party to a foreclosure.
6. List the order in which foreclosure sale proceeds are disbursed.
7. A Deed of Trust is utilized in a Power-of Sale Foreclosure.
A. True B. False
8. Discuss chilled bidding.
9. A Strict Foreclosure is the most common means of foreclosing on a property.
A. True B. False
10. If foreclosure sale proceeds are not enough to pay the mortgage debt, the mortgagee brings an action for _____ against the mortgagor.
11. Statutory Redemption allows the mortgagor a limited amount of time to buy back the foreclosed property by paying the sale price.
A. True B. False
12. What is the primary advantage of judicial foreclosure?
13. Judicial foreclosure is a simple process.
A. True B. False
14. What are the three ways a purchaser can get clear title when debts still exist to junior lienholders?
15. In a power-of-sale foreclosure a judicial hearing is required before the property can be sold.
A. True B. False
16. Define the "one-action rule."

Essay:

Discuss what is meant by a “clog in the equity of redemption.”

Practical Exercise:

Visit the mortgage department of your local bank. Find out if they or a collections department conduct foreclosures. Obtain the forms they use in the process.

CLOSING AND SETTLEMENT

Outline:

- Introduction
- Closing Documentation
- Closing
- Other Considerations

Keywords:

| | |
|---|-----------------------|
| Bill of Sale | Delivery |
| Disbursement | Priority |
| Settlement | Mortgage Satisfaction |
| Settlement Sheet | Survey |
| Real Estate Settlement and Procedures Act (RESPA) | Recordation |
| | Release of liens |

Summary:

The Closing Process is covered in depth in Chapter Nine. Next to the mortgage application period, closing can be the most distressing time in a realty transaction. Stress to students the need for patience and understanding when dealing with clients and the need to keep the closing process as amicable as possible. Discuss each piece of documentation in the closing process and be positive students understand its purpose. Let the students know that they may be required to explain the same documentation to clients.

Explain each item on the HUD-1 Settlement Sheet line by line. Have students complete the statement using the information provided on pages 16 to 17, or devise your own information. Have students complete Figure 9-7 to demonstrate additional information that may be required at closing.

Students may complete a disbursement ledger to accompany the HUD-1 Sheet, as well as any IRS forms required.

Questions:

1. Name five regularly expected closing costs that a buyer will have to pay.
2. Assume you are responsible for settlement and closing. Name ten examples of documentation.
3. A HUD-1 Settlement Statement must be completed for all real estate transactions, whether financed or not.
A. True B. False
4. At closing, the Seller is responsible for the majority of the paperwork.
A. True B. False
5. List five parties that funds may be paid to at settlement.
6. List the four categories of real estate transactions reportable to the IRS.

7. Deeds and mortgages must be recorded as soon as possible after closing.
A. True B. False
8. The climate at closing is always comfortable and friendly.
A. True B. False
9. Complete the HUD-1 Settlement Sheet using the information given on pages 16 and 17 in Chapter 9.
10. What is commonly known as the Regulation Z document?
11. Leases are never a subject for settlement and closing.
A. True B. False
12. Utilities should never be prorated.
A. True B. False
13. Define "proceeds to seller."
14. Why is an owner's affidavit executed?

Essay:

Why will certain items be pro-rated at settlements? How are the prorations computed?

Practical Exercise:

Visit a local realtor, attorney or bank and speak with a settlement officer. Obtain copies of the forms used at closing.

**LEASES IN THE REAL
ESTATE TRANSACTION**

Outline:

- Introduction
- The Nature of a Lease
- Leases in a Buy-Sell Contract
- Leases for Sellers in Real Estate Transactions
- Leases by Buyers in Real Estate Transaction
- Landlord Remedies for Holding

Keywords:

Lessee
Landlord
Leasehold
Eviction
Trespass

Lessor
Lease
Ejectment
Rent

Summary:

Chapter Ten, discusses Leases in a realty transaction, which are not uncommon. Explain to students the different instances when a lease may be required as well as the different types of leases and when each is appropriate. Have the students complete the rental application at Figure 10-2, and prepare a lease agreement.

Be sure to explain, utilizing state law, when eviction and other remedies are appropriate.

Questions:

1. To be properly drafted, a lease needs certain provisions. Name three.
2. Name two landlord remedies for holding.
3. If a lease is for less than three years a written document is mandated by the Statute of Frauds.
A. True B. False
4. A _____ requirement forces landlords to redraft leases in understandable, non-legalistic language.
5. An _____ is a right to purchase, exercisable solely by purchase, with no legal liability to do so.
6. A buyer can take early possession of a premises, if the seller has vacated the premises, with the completion of a lease purchase clause.
A. True B. False
7. If early possession of the property is taken by the buyers a _____

- _ should be executed to protect the sellers from any damage to the property.
8. When a landlord is preparing to evict a tenant, notice is not required.
A. True B. False
 9. A lease is a _____ estate.
 10. Define "lease."
 11. If a renter wants to "kick the tires" of a property before committing to a purchase, what type of lease should be drafted?
 12. Eviction practices are not governed by statute.
A. True B. False
 13. When a property owner doesn't want the day-to-day responsibilities of a leasehold, a _____
_____ can be executed.

Essay:

Describe the remedies available to landlords for non-payment of rent.

Practical Exercises:

Obtain a standard lease from a friend, relative or realtor. In whose favor is the lease drafted? Highlight clauses supporting your answer.

**RESOLUTION OF REAL
ESTATE DISPUTES**

- Alternative Dispute Resolution (ADR)
- Arbitration and Mediation Agreements and Clauses
- Legal Actions

Keywords:

Alternative Dispute Resolution

Arbitration

Mediation

Damages Motion for Stay

Action for Breach

Specific Performance

Demand for Arbitration

Summary:

ADR, the topic of Chapter Eleven, is becoming the standard for dispute resolution. Discuss the differences between mediation and arbitration, as well as the different forms used in each process. You may want to provide the students with a set of facts and role play a mediation or arbitration process. Have the students complete the required forms in the process.

Explain the legal remedies available when ADR fails.

Questions:

1. All real estate transactions proceed amicably, and never need disputes resolved.
A. True B. False
2. List three advantages of mediation.
3. A mediator should become an advocate for one party in mediation.
A. True B. False
4. _____ uses a neutral third party to act as a referee while the parties negotiate.
5. In _____ one person or a panel of people, listen to evidence and arguments from each side and render a decision.
6. Testimony from witnesses is not permitted during arbitration.
A. True B. False
7. Name the two types of arbitration.
8. Mediation and arbitration clauses are never included in or attached to the agreement of sale.
A. True B. False
9. To begin the ADR process the initiating party submits either a _____ or a _____.
10. Explain the difference between a demand and a submission for ADR.
11. At the conclusion of the ADR process a Settlement Agreement is executed or Award granted.
A. True B. False
12. List the two remedies available if ADR fails.
13. In an Action for Breach, the complaining party must demonstrate that the breach was _____.
14. List three examples of a material breach of contract.
15. An equitable action that forces the completion of the contract is called _____.

Essay:

Describe the Arbitration process from Application to Award.

Practical Exercise:

Contact the American Arbitration Association or a private arbitration/mediation company and request materials relating to the arbitration or mediation of disputes in the real estate setting.

True/False

1. Real property, as a real estate interest, is a right or privilege to use certain land, only.
A. true B. false
2. A fixture is usually removable from real estate and is considered personal property.
A. true B. false
3. Listings are held by property owners.
A. True B. False
4. A latent defect can be easily detected by a prospective buyer.
A. True B. False
5. An earnest money deposit may be refundable.
A. True B. False
6. When a contract is canceled or released, the parties should always execute an Agreement to Rescind.
A. True B. False
7. Conditions and contingencies are two different concepts.
A. True B. False
8. An unsatisfactory home inspection report can lead to cancellation of an agreement of sale.
A. True B. False
9. A purchaser wants to be sure of getting a clear and fully marketable title.
A. True B. False
10. Encumbrances are nothing more than judgments placed against real property.
A. True B. False
11. Deeds are recorded to insure a party's rights, or priority of rights, between competing parties.
A. True B. False
12. An oral contract for the sale of realty can be made, but can't be enforced.
A. True B. False
13. An amortization schedule lists only interest payments.
A. true B. false
14. Government entities will directly lend funds to individuals to purchase property.
A. True B. False
15. A Deed of Trust is utilized in a Power-of Sale Foreclosure.
A. True B. False

16. Statutory Redemption allows the mortgagor a limited amount of time to buy back the foreclosed property by paying the sale price.
A. True B. False
17. A HUD-1 Settlement Statement must be completed for all real estate transactions, whether financed or not.
A. True B. False
18. The climate at closing is always comfortable and friendly.
A. True B. False
19. If a lease is for less than three years, a written document is mandated by the Statute of Frauds.
A. True B. False
20. A mediator should become an advocate for one party in mediation.
A. True B. False

Fill-in-the-blank

21. A _____ allows a designated person to do something on land for a limited purpose.
22. A _____ exists when a fractional, divisible investment in a number of real estate properties is allotted based on the amount of investment.
23. A listing in which a broker receives a commission, only when the broker finds the buyer, is called _____.
24. Caveat Emptor means _____.
25. A _____ formalizes the termination of an agreement or contract.
26. A _____ is a set of events, an occurrence or other state that must be achieved before a contract comes to fruition.
27. A conditional contract is an agreement in _____.
28. A _____ performs research to determine problems in chain of ownership, easements, rights of way, and interpreting legal property descriptions.
29. The _____ search focuses on mortgage, judgments, tax liens and estate debts.
30. If a mortgage has been paid, a _____ needs prepared and submitted.
31. The deed with the least restrictions and most assurances of clear title is _____ deed.
32. The _____ states that a deed must be in writing to be enforceable.
33. When property is located near a river, a _____ Clause is prudent.
34. When architectural changes to a structure, landscaping and other improvements are to be regulated, a _____ is included in the deed.

...whereof is hereby acknowledged, has granted, sold, released, and conveyed, and by these presents does grant, sell, release and convey...

- A. Encumbrance
- B. Recital
- C. Testimonium
- D. Habendum

49. A deed issued when the property is sold by levy, order of execution or other extraordinary attachment is:
- A. Executor's Deed
 - B. Trustee's Deed
 - C. Sheriff's Deed
 - D. Limited Warranty Deed
50. Which clause gives the mortgagee the right to move up the payment date for the entire loan amount if the mortgagor defaults on the loan.
- A. Acceleration clause
 - B. Default Clause
 - C. Mortgage Clause
 - D. Debt Clause

Short Answer

51. What are the five types of misrepresentations recognized by courts in real estate transactions.
52. Discuss the difference between a Land Installment Contract and an Option Contract.
53. What is the primary aim of the Statute of Frauds?
54. In the abstraction of title, the abstractor must identify those items and conditions which encumber the quality of title. Name five issues that encumber the free and full alienation of real property.
55. Encumbrance searches look for impediments in different categories than conveyance searches. List five.
56. To be legally valid, a deed must contain certain provisions. List three.
57. Financing products and services have been revolutionized in the last two decades. Give five examples of mortgage types that are available to potential buyers.
58. What are the three ways to foreclose on property?
59. Explain the difference between a necessary party to a foreclosure and a proper party to a foreclosure.
60. List five items that should be considered when drafting a mortgage commitment.
61. Define the "one-action rule."
62. List the four categories of real estate transactions reportable to the IRS.
63. Define "proceeds to seller."
64. Why is an owner's affidavit executed?
65. Name two landlord remedies for holding.
66. List three advantages of mediation.

67. Explain the difference between a demand and a submission for ADR.
68. List the two remedies available if ADR fails

ANSWER KEY

Answers are not provided for the essay questions in each chapter. Any reasonable answer that thoroughly answers the question should be credited.

Chapter 1

1. A. True
2. B. False
3. B. False
4. B. False
5. B. False
6. B. False
7. A. True
8. A. True
9. License
10. Easements
11. A. Fee Tail
12. B - Unity of Time; D - Unity of Title; A - Unity of Interest; C - Unity of Possession
13. C. Community Property
14. Real Estate Investment Trust (REIT)
15. A. Fee Simple

Chapter 2

1. Open Listing
2. B. False
3. A. True
4. "Let the buyer beware"
5. B. False
6. •Fraudulent
•Reckless
•Negligent
•Innocent
•Silent
7. Fiduciary
8. C. Exclusive Agency
9. Multiple Listing Service
10. B. False
11. B. False
12. When a seller sells, he implies the thing he sells has value. By selling a house the seller impliedly warrants its fitness as a dwelling.
13. B. False
14. C. Innocent, ignorant, malevolent
15. A. True

Chapter 3

1. A. True
2. •Name to appear in deed
•source and nature of seller's title
•title to be conveyed
•insurance
•defects

- description of land and buildings
 - consideration
 - title insurance
 - municipal improvements
 - zoning classification
 - fixture and personal property
 - date and conditions of possession
 - waste
 - apportionment and allotment of charges
 - prorata charges
 - time of essence clause
 - contingencies
 - financing
 - deed
3. B. False
 4. “Time is of the essence” clause
 - bank application
 - mortgage commitment
 - earnest money deposit
 - certificates
 - purchaser’s failure to sell residence
 5. B. False
 6. B. False
 7. Financing
 8. B. False
 9. Assure these points are covered:
 - A Land Installment Contract is a contract to purchase property that is paid in installments by the buyer. It is an enforceable contract with remedies for breach.
 - An Option is a right to purchase, not an obligation to purchase, in the future and is exercisable only by the purchase of the property.
 10. B. False
 11. Release
 12. To prevent fraud and perjury in relation to oral assertions.
 13. A. True
 14. B. False
 15. A. True
 16. B. False

Chapter 4

1. B. False
2. Condition or contingency
3. B. False
4. Addendum or rider
5. •Mortgage/financing
 - home inspections
 - swimming pool
 - well, water and septic
 - hazardous materials
 - radon
 - UFFI
 - pest infestation
 - zoning
 - sale of buyer’s present home

- right of first refusal
- 6. B. False
- 7. B. False
- 8. B. False
- 9. A. True
- 10. B. Faulty Wiring
- 11. A. Zoning
- 12. Expectancy
- 13. •apply within the stated timelimit.
•make honest representations to the lender
•make a good faith effort to obtain financing
- 14. B. False
- 15. B. False
- 16. C. Missing doorknobs

Chapter 5

1. A. True
2. B. False
3. •Unsatisfied mortgages
•unsatisfied liens
•Judgments of courts of local or federal jurisdiction
•Federal tax claims
•Estate tax claims
•Corporate taxes
•Welfare liens
•Sales and use taxes
•Unemployment compensation contributions
•Personal income tax claims
•Personal income tax claims
•Use tax claims
•Inheritance and estate tax claims
•Real estate tax claims
•Municipal claims for services
•Municipal assessments
•Rights of way
•Building and use restrictions
•Easements
•Ground rents
•Leases
•Water rents
•Lis Pendens
4. C. Quitclaim Deed
5. Title company
6. Encumbrance
7. B. False
8. B. False
9. A. True
10. •mortgages
•judgments of the State Supreme Court (or other court)
•federal court judgments and federal liens
•judgments of the criminal courts and road damages awards
•judgments, mechanics' liens, and possible revival of liens of debts of decedents
•municipal liens and taxes

- pending actions affecting the title
 - federal tax liens
 - sheriff's sales
 - liens of debts of or claims against decedent
 - taxes are due by the corporation
11. B. False
 12. A. True
 13. Tracing all previous owners in an unbroken chain of title and identifying any liabilities, encumbrances or liens that saddle the property in question.
 14. B. Bounced check that's been paid
 15.
 - Encroachments
 - defective deed language
 - easements
 - mineral rights
 - well rights
 - estate and heir claims
 - use restrictions
 - restrictive covenants
 - leases
 - oil and gas rights
 - rights of way
 - privileges
 16.
 - Mortgages
 - Judgments
 - Federal liens
 - Mechanic's liens
 - Municipal liens and taxes
 - Pending actions
 - Sheriff's sales
 - Liens/claims against decedent
 17. Mortgage satisfaction piece

Chapter 6

1. A True
2.
 - Names of the parties
 - Consideration, whether nominal or actual
 - Specific words of conveyance
 - Description of the property
 - Habendum clause
 - Execution and acknowledgment clause
3. Special warranty
4. Statute of Frauds
5. D. Habendum
6. B. False
7. C. Sheriff's Deed
8. Riparian Rights
9. Building Restriction Clause
10. C. Covenant of Quiet Enjoyment
11. B. False
12. A. True
13. When one dollar or some other nominal value is used in the consideration clause, not necessarily what was paid for the property.
14. B. False

15. Survey or government or plat descriptions
16. When a minor or physically or mentally incompetent has property that must be sold.

Chapter 7

1. B. False
2. A. True
3.
 - Fixed Rate Mortgage
 - Adjustable Rate Mortgage
 - Balloon Mortgage
 - Graduated Payment Mortgage (GPM)
 - Governmental Mortgages
 - Veterans Administration (VA)
 - Federal Housing Administration (FHA)
 - Reverse Annuity Mortgage
 - Assumed Mortgage
4.
 - Payment of principal and interest
 - Prepayment and late charges
 - Funds for taxes and insurance
 - Application of mortgage payments
 - Charges and liens
 - Occupancy
 - Preservation, maintenance and protection of the property
 - Leaseholds
 - Lender's rights in the property
 - Mortgage insurance
 - Inspection rights
 - Condemnation actions
 - Release and forbearance
 - Successors and assigns
 - Loan charges
 - Right of reinstatement
 - Transfer of property
 - Sale of Note
 - Environmental consideration
 - Acceleration release clause.
5. B. False
6. A. True
7. B. False
8. B. False
9.
 - Federal Housing Administration (FHA)
 - Veteran's Administration (VA)
 - Farmer's Home Administration (FMHA)
10. B. False
11. A buyer refinances when he needs to obtain a loan to pay off a first mortgage. The first mortgage is then discharged and replaced by a second mortgage.
12.
 - originating a loan
 - structuring and documenting the loan
 - providing credit enhancement in the form of guarantees or additional collateral
 - placing and trading of the loan with investors and
 - servicing the loan.
13.
 - Fair Credit Reporting Act
 - Equal Credit Opportunity Act
 - Right to Financial Privacy Act

- Federal Truth in Lending Act
- 14. Real Estate Settlement and Procedures Act (RESPA)
- 15.
 - Loans
 - Rent or Mortgage
 - Funds
 - Employment
- 16.
 - Detailed statement of purpose of loan and use of funds
 - Expiration date
 - Type of loan
 - Nature of financing
 - List of collateral
 - Terms of the note
 - Cross-default provisions
 - Cross-collateralization provisions
 - Restrictions on sale or transfer
 - Nature and scope of required guarantees
 - Specific default provisions
 - Waiver of borrower's right of redemption
 - The nature of any escrows to be established
 - Special title insurance endorsement
 - Documents to be required from or by third parties.

Chapter 8

1. A. True
2. A. Acceleration Clause
3.
 - Judicial
 - Power-of-Sale
 - Strict
4. Judicial
5. A necessary party is a person who must be joined to accomplish the purpose of the foreclosure, while a proper party is desired, but not necessary.
6. Expenses of the foreclosure payment of the mortgage debt satisfaction of junior liens.
7. A. True
8. Chilled bidding occurs when the seller engages in collusive activity with a potential purchaser to artificially hold down the sale price.
9. B. False
10. Deficiency judgment
11. A. True
12. It settles disputes more definitively than the other two types of foreclosures.
13. B. False
14.
 - Payoff (redeem) the junior lienholder
 - the purchaser can foreclose on the property a second time, making sure to include the junior lienholder
 - strict foreclosure
15. B. False
16. When the mortgagee is required to bring an action for a deficiency judgment at the same time as the foreclosure action, on pain of being forever barred from pursuing this type of judgment.

Chapter 9

1. The answer may include the following, and any other reasonable items:
 - document preparation
 - processing

- tax service fee
- interest paid in advance to lender
- settlement fee
- title examination
- title insurance binder
- notary fees
- title insurance
- charge for endorsements
- overnite delivery charge
- recording fees for deed, mortgage, releases
- city/county tax/stamps for deed

2.
 - Survey
 - Loan pay-off documents
 - Judgment certificates
 - Assumption statements and other documentation
 - Notice requirements under government loan programs
 - Leases
 - Receipts for payment of all taxes.
 - Certificates for septic, soil, percolation, and zoning rights
 - Insurance policies that cover hazard and occupational activities
 - Rough draft of a settlement sheet
 - Certificate of attorney as required
 - Termite inspection report
 - Satisfaction pieces for mortgages
 - Evidence of satisfied judgments
 - Evidence of satisfied liens
 - Releases as needed
 - Septic tank inspection reports
 - Premise inspection documents
 - Certificates of occupancy
 - Final accounting
 - Checks from escrow account, whether real estate or attorney's office
 - Zoning certificates and waivers
 - Utility bills
 - Calculation on earnest money deposit interest.
3. B. False
4. B. False
5.
 - Cash to seller
 - Taxes to governments
 - Commission to Agents and Brokers
 - Lender's fees:
 - Points
 - Appraisal
 - Credit
 - Tax service
 - Processing
 - Escrow/Reserves
 - Title Company charges
 - Attorneys
 - Notary and Express
 - County Governments
 - Recorder of Deeds
 - Transfer Tax

- Local Governments
 - Sewage
 - Water
 - Pest Infestation
 - Survey
 - Repairs
6.
 - land
 - inherently permanent structures
 - condominium units and certain related property
 - stock in a cooperative housing corporation
 7. A. True
 8. B. False
 9. See Appendix B of the text.
 10. Truth in Lending Disclosure Statement
 11. B. False
 12. B. False
 13. The difference between selling price and obligations yet to be paid by the seller
 14. To protect the title company against misrepresentations and to limit coverage in the event of falsehood

Chapter 10

1.
 - The parties to the lease
 - The premises that will be the subject of the lease
 - The right of usage and corresponding restrictions
 - The rent amount
 - The term and possession of the lease
 - The rights to renewal
 - The rights to possession
 - The covenants to the lease
2.
 - Eviction
 - Reentry and Rent
 - Recovery of Possession
3. B. False
4. Plain English
5. Option
6. A. True
7. Liability Release
8. B. False
9. Less-than-freehold
10. A written or oral contract between an owner and another for the use of real estate in return for consideration called rent.
11. Lease with option to purchase
12. B. False
13. Real Estate Management Agreement

Chapter 11

1. B. False
2.
 - relieving court congestion.
 - reducing undue costs and delay in the litigations of cases.
 - enhancing opportunities for personal and community involvement in the resolution of cases.

- facilitating access to justice.
 - providing access to justice to all classes and groups.
 - providing a more expeditious forum for decision making.
3. B. False
 4. Mediation
 5. Arbitration
 6. B. False
 7.
 - Non-binding
 - Binding
 8. B. False
 9.
 - Demand
 - Submission
 10. A demand is filed by one party and asserts the right or obligation to mediate or arbitrate, a submission is a mutual agreement between the parties to participate in ADR.
 11. A. True
 12.
 - Action for Breach
 - Specific Performance
 13. Material
 14.
 - Failure to deliver deed
 - Failure to make required deposits
 - Failure to apply for mortgage
 - Failure to make repairs
 - Failure to make zoning application.
 15. Specific performance

Final Exam

True/False

1. B. False
2. B. False
3. B. False
4. B. False
5. A. True
6. B. False
7. B. False
8. A. True
9. A. True
10. A. True
11. A. True
12. A. True
13. B. False
14. B. False
15. A. True
16. A. True
17. B. False
18. B. False
19. B. False
20. B. False

Fill In

21. License
22. Real Estate Investment Trust
23. Open Listing
24. Let the buyer beware
25. Release
26. Condition/contingency
27. Expectancy
28. Title company
29. Encumbrance
30. Satisfaction piece
31. Special warranty
32. Statute of Frauds
33. Riparian Rights
34. Building Restriction Clause
35. Judicial
36. Deficiency judgment
37. Plain english
38. Option
39. Material
40. Specific performance

Multiple Choice

41. A. Fee tail
42. A. Fee Simple
43. C. Exclusive Agency
44. C. Innocent, ignorant, malevolent
45. A. Zoning
46. C. Quitclaim
47. A. A bounced check that's been paid
48. D. Habendum
49. C. Sheriff's Deed
50. A. Acceleration Clause

Short Answer

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•Reckless
•Negligent
•Innocent
•Silent
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54. •Unsatisfied mortgages
•unsatisfied liens
•Judgments of courts of local or federal jurisdiction
•Federal tax claims

- Estate tax claims
 - Corporate taxes
 - Welfare liens
 - Sales and use taxes
 - Unemployment compensation contributions
 - Personal income tax claims
 - Use tax claims
 - Inheritance and estate tax claims
 - Real estate tax claims
 - Municipal claims for services
 - Municipal assessments
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