

Florida Real Estate Commission

BROKER COURSE SYLLABUS

(FREC COURSE II)

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PART I

GETTING STARTED IN THE REAL ESTATE BROKERAGE BUSINESS

SESSION 1

BECOMING A LICENSED REAL ESTATE BROKER

Intended Learning Outcomes

- Know the broker applicant requirements and situations that may cause an application to be denied
- Know the consequences of failing to disclose a prior conviction
- Know the post-licensing and continuing education requirements for brokers and salespersons
- Know that it is unlawful to perform real estate services with an expired real estate license and the consequences of renewing a real estate license without first satisfying the continuing education requirement
- Distinguish between licensure and registration
- Know the requirements regarding registration of real estate business entities and of officers, directors and partners of real estate brokerage corporations and partnerships
- Distinguish between a multiple license and a group license and know the provisions for issuance of multiple licenses
- Understand the rules regarding change of address, residency and change of business address
- Identify practices that are exempt from licensure

Vocabulary List

- | | |
|----------------------------------|-------------------------------|
| ▪ compensation | ▪ nonresident |
| ▪ Florida resident | ▪ multiple license |
| ▪ group license | ▪ mutual recognition |
| ▪ involuntarily inactive status | ▪ registration |
| ▪ irrevocable consent to service | ▪ voluntarily inactive status |
| ▪ licensure | |

Outline

- I. Licensure
 - A. License requirements for brokers
 1. Application process
 2. Nonresident applicants
 - a. Irrevocable consent to service
 - b. Rules pertaining to nonresident licensees
 - c. Florida resident (for application and licensing purposes)

3. Education requirement
 - a. Regulations pertaining to prelicense courses
 - b. Exceptions to prelicense courses
4. Mutual recognition
5. Experience requirement
6. Broker license examination
 - a. Review of exam
 - b. Objections
7. Post-license requirements
8. Continuing education requirements
- B. License requirements for salespersons
 1. Qualifications for practice
 2. Post-license requirements
 3. Continuing education requirements
- C. License renewal
 1. Failure to complete education requirements
 2. Members of armed forces
 3. Inactive status
 - a. Voluntarily inactive
 - b. Involuntarily inactive
- D. Registration versus licensure
 1. Who must register
 2. Failure to register
- E. Multiple licenses for brokers
 1. Multiple license versus group license
- F. Change of address
 1. Definition of current mailing address
- G. Individuals who are exempt from licensure

SESSION 2

OPENING A REAL ESTATE OFFICE

Intended Learning Outcomes

- Describe the characteristics of the various business structures that may be registered as brokerage entities and the statutes/rules pertaining to operating under a broker's own name
- Know the requirements associated with registering a trade name and registration of general partnerships, limited partnerships and corporations as real estate brokerage entities
- Know the statutes/rules regarding a change in the composition (or a vacancy) in the partnership, what action is taken if a partner is not properly licensed or registered, including what activities limited partners may perform
- Recognize the various business forms that may not register as real estate brokerage entities
- Know the rules and requirements regarding real estate brokerage offices, branch offices and temporary shelters
- Understand the accessibility requirements outlined in the Americans with Disabilities Act pertaining to public accommodations and commercial facilities
- Know the statutes/rules pertaining to classified advertising and self-promotion, "for sale" signs and "sold" signs and rental lists.
- Understand the Fair Housing Act as it applies to advertising and the display of the Fair Housing Poster
- Understand the provisions of the Federal Communications Commission's (FCC) do-not-call rules and describe the applicable exemptions under Florida's Telephone Solicitation Law

Vocabulary List

- | | |
|-------------------------------|--|
| ▪ blind advertising | ▪ ostensible partnership |
| ▪ corporation | ▪ quasi-partnership |
| ▪ Florida Fictitious Name Act | ▪ registered limited liability partnership |
| ▪ general partnership | ▪ S corporation |
| ▪ joint adventure | ▪ sole proprietorship |
| ▪ joint venture | ▪ telephone solicitation |
| ▪ limited liability company | ▪ trade name |
| ▪ limited partnership | |

Outline

- I. Business structures that may be registered as brokerage entities
 - A. Sole proprietorship
 1. Characteristics
 2. Dissolution
 3. Registration requirements
 - B. General partnership
 1. Characteristics

2. Forming a general partnership
 3. Registration requirements
 4. Dissolution
 5. Ostensible partnership
 - C. Limited partnership
 1. Characteristics
 2. Forming a limited partnership
 3. Registration requirements
 4. Dissolution
 5. Salespersons and broker-salespersons as limited partners
 - D. Registered limited liability partnership
 1. Characteristics
 2. Registration requirements
 - E. Corporation
 1. Characteristics
 - a. Foreign and domestic corporations
 2. Forming a corporation
 - a. For-profit and not-for-profit corporations
 3. Registration requirements
 4. Dissolution
 5. Salespersons as stockholders
 6. S corporation
 7. Limited liability company
- II. Other business forms that may not register
- A. Corporation sole
 - B. Joint adventure
 - C. Business trust
 - D. Associations
- III. Use of trade (fictitious) names
- A. Registering trade names with FREC
 - B. Fictitious Name Act - requirements
- IV. Office requirements
- A. Principal offices requirements
 - B. Branch office requirements
 1. Registering salespersons
 2. Temporary shelters
 - C. Entrance signs
 - D. Americans with Disabilities Act (ADA)
- V. Advertising and self-promotion
- A. Requirements for various forms of advertising
 - B. Blind ads
 - C. Fair housing and advertising
 1. Classified advertisements
 2. Displaying fair housing poster

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- D. Telephone solicitation
 - 1. Florida Telephone Solicitation Law
- E. Rental lists

- VI. Other requirements and issues to consider
 - A. ADA as it applies to the real estate brokerage office

SESSION 3

OWNING, MANAGING AND SUPERVISING A REAL ESTATE OFFICE

Intended Learning Outcomes

- Describe what considerations are involved in developing a business plan and what types of initial start-up costs are involved in opening a real estate business
- Describe factors to consider when projecting income and expenses of a real estate business and list typical fixed and variable expenses incurred by a real estate business
- Compare the advantages of purchasing a franchise versus remaining an independent broker
- Distinguish between cash basis accounting and accrual basis accounting
- Understand I.R.S. treatment concerning employees versus independent contractors
- Describe considerations when hiring sales managers, personal assistants and recruiting of salespersons
- Understand the equal employment opportunity laws and ADA requirements regarding hiring personnel
- Describe the considerations regarding development of employment agreements, including the various commission structure plans and what fees and payments typically are deducted from the salesperson's commission
- List important topics to include in a training program for sales associates and what should be included in a policy and procedures manual

Vocabulary List

- | | |
|----------------------------|--|
| ▪ accrual basis accounting | ▪ Employer Identification Number (EIN) |
| ▪ business plan | ▪ franchise |
| ▪ buyer's market | ▪ graduated commission |
| ▪ cash basis accounting | ▪ independent contractor |
| ▪ commission override | ▪ personal assistant |
| ▪ company dollar | ▪ policy manual |
| ▪ employee | ▪ seller's market |

Outline

- I. Capital and Start-up Costs
 - A. Sufficient capital to cover start-up costs and to supplement income for a given period of time
 - B. Initial start-up costs include:
 1. Attorney and accountant fees
 2. Office
 - a. Purchase
 - (1) Down payment and closing costs
 - (2) Advantages to buying an office building

- b. Rental
 - (1) Security deposit and initial rent
 - (2) Advantages of renting office space
 - 3. Purchase/rent of office equipment and furniture
 - 4. Signs and lock boxes
 - 5. Board of Realtor and M.L.S. fees
 - 6. Office supplies
 - 7. Printing of forms and promotional materials
 - 8. Initial promotional (advertising) costs
- II. Projecting Income and Expenses
- A. Projections will depend on
 - 1. Scope of company operations
 - 2. Market area and general market conditions
 - 3. Number and projected productivity of sales associates
 - B. Income sources
 - 1. Commissions
 - 2. Referral fees
 - 3. Property management fees
 - 4. Other
 - C. Projecting operating expenses will vary based on
 - 1. Size of office
 - 2. Scope of company operations
 - 3. Marketing methods
 - 4. Market conditions
 - 5. Agent/employee compensation
 - D. Fixed expenses include
 - 1. Office rental or mortgage payments
 - 2. Salaries and employer contributions for employees
 - 3. Equipment rental and maintenance
 - 4. Furniture rental
 - 5. Business risk (liability) insurance
 - 6. Property insurance
 - E. Variable expenses include
 - 1. Advertising
 - 2. Sales commissions
 - 3. M.L.S. listing fees
 - 4. Telephone
 - 5. Utilities
 - 6. Office supplies
 - 7. Printing
- III. Franchise vs. Independent Firm
- A. Franchise membership fee programs
 - B. Franchise advantages include
 - 1. Built in referral network
 - 2. Formal training programs

3. National recognition
 4. Advertising assistance
 5. Management and sales training program
- C. Independent advantages include
1. Lower overhead
 2. Increased operational freedom
 3. Local personality
 4. Reduced start up fees
- IV. Tax Considerations
- A. Bookkeeping system (cash vs. accrual method)
- B. IRS treatment concerning employees vs. independent contractor
1. The nature of the independent contractor relationship
 2. Reporting wages to employees
 3. Withholding taxes and other costs for employees
 4. Reporting income to sales associates as independent contractors
- V. Personnel Issues
- A. Support staff
1. Receptionist
 2. Bookkeeper
 3. Support staff
- B. Real estate sales associates
1. Number of associates relates to budget
 2. Total transactions needed divided by average sales per agent indicates number of agents required
 3. Space limitations
 4. Hiring part-time associates
 5. Need for a sales manager
 6. Unlicensed personal assistants and clerical assistants
 7. Occupational licenses
- C. Miscellaneous contract services
1. Janitorial services
 2. Sign delivery and construction
 3. Computer programming and technical support
- D. Recruitment and selection
1. Set recruiting goals
 2. Recruiting sources include
 - a. Media advertising
 - b. Career nights
 - c. Prelicensing schools
 - d. Support personnel
 - e. Personal contacts
 - f. Referrals from associates
 3. ADA requirements regarding hiring personnel
- E. Application process
1. Application forms
 2. Verifying license status

3. References
4. Interview procedures
- F. Employment arrangements and agreements
 1. Tax considerations
 2. Non-compete clauses (consult with attorney)
 3. Hours and working conditions
 4. Written understanding of acceptance of company policies
- G. Compensation of sales associates
 1. Methods include
 - a. Straight salary
 - b. 100% commission with management fee
 - c. Straight commission with split
 - d. Commission with bonus
 - e. Sliding scale commission
 2. Commission reductions include
 - a. Required fees and payments
 - b. Franchise fees
 - c. Sign fees
 - d. Other fees
- H. Training of sales associates
- I. Policy and procedures manual
 1. Define the company's function(s)
 - a. Types of property
 - b. Property management function
 - c. Agency representation policy
 2. Statement of company's objectives
 3. Items to include
 - a. Company status, history, philosophy and goals
 - b. Responsibilities and requirements of associates
 - c. Organizational chart
 - d. Job descriptions
 - e. Office procedures
 - f. Employment policies (including compensation policies and employment agreement)
 - g. Listing and sales policies
 - h. Buyer representation
 - i. Property management provisions
- J. Sales manager responsibilities
 1. Supervision and control of sales staff
 - a. Monitoring sales activities and evaluating performance
 - b. Assuring compliance with office policies
 - c. Assisting sales associates who have problems
 - d. Supervising advertising
 - e. Assigning floor duty
 - f. Assuring compliance with rules and regulations
 - g. Conduct regular sales meetings
 - h. Monitor listings

2. Sales meetings
 - a. Regular time and place
 - b. Review recent sales and listings
 - c. Review changes in price, terms and so forth
 - d. Review of sales activity
 - e. Review of company sales and productivity goals
 - f. Recognition of associate's accomplishments
 - g. Communication between workforce and management

SESSION 4

ESCROW MANAGEMENT

Intended Learning Outcomes

- Describe the requirements for establishing an escrow account and the requirements for timely deposit of escrow funds, including interest-bearing escrow accounts
- Describe the requirements for handling advance fees and know the penalty for a violation of advance fee requirements
- Calculate the broker's trust liability and the reconciled bank balance
- Prepare a monthly reconciliation statement
- Describe the penalties for an overage in the escrow account
- Describe the situations wherein good faith doubt is considered to exist and know the time period allowed to notify the FREC of conflicting demands or good faith doubt
- Distinguish among the four settlement procedures
- Describe the escrow disbursement dispute process
- Recognize exceptions to the FREC's notification and settlement requirements

Vocabulary List

- | | |
|-----------------------------|---------------------|
| ▪ advance fee | ▪ immediately |
| ▪ arbitration | ▪ interpleader |
| ▪ commingle | ▪ mediation |
| ▪ conflicting demands | ▪ negative report |
| ▪ conversion | ▪ post-dated checks |
| ▪ declaratory judgment | ▪ treble damages |
| ▪ escrow account | ▪ trust account |
| ▪ escrow disbursement order | ▪ trust liability |
| ▪ good-faith doubt | |

Outline

- I. Establishing Escrow Accounts
 - A. Purpose of escrow accounts
 - B. Types of monies to be placed in escrow
 1. Commingling of funds
 2. Conversion
 - C. Setting up an escrow account
 1. Authorized depositories for escrow accounts
 2. Broker must be a signatory
 3. Timely deposit of escrow funds
 4. Post-dated checks and promissory notes
 5. Disbursing monies from the trust account

6. Interest bearing escrow accounts
 - a. Reporting and disbursing earned interest
 - b. Other requirements regarding interest-bearing accounts
 - D. Advance fees
 1. Advance fee trust accounts — requirements for establishing
 2. Management of advance fee trust accounts—record keeping
 3. Negative reports
 4. Accounting to the principal/customer
 5. Penalty for violation of advance fee requirements
 6. Auctions
- II. Broker's Records
- A. Record keeping requirements
 - B. Monthly statement-reconciliation
 1. Information to be included
 2. Broker to review, sign and date the monthly statement reconciliation
 - C. Broker's trust liability
 1. Calculating trust liability
 - D. Determining reconciled bank balance
 - E. Up to \$200 personal funds to maintain the account
 - F. Disciplinary guidelines for failure to reconcile escrow accounts
- III. Escrow Disputes
- A. Requirements to notify FREC
 1. Conflicting demands
 2. Good faith doubt
 - B. Escape procedures
 1. Mediation
 2. Escrow disbursement order
 3. Arbitration
 4. Litigation
 - C. Escrow disbursement dispute process
- IV. Notification and Settlement Procedure Requirements for Special Types of Property
- A. HUD-owned properties
 - B. Property management deposits and advance rent
 1. Requirements to place in escrow
 2. Section 83.49(3)(d), F.S.
 3. Disbursement from escrow
 - C. Condominiums

SESSION 5

OFFICE INSPECTIONS, DISCIPLINARY PROCESS AND REAL ESTATE RECOVERY FUND

Intended Learning Outcomes

- Describe the office inspection process and what information and records must be made available to the inspector during a routine office inspection and escrow account audit
- Describe the steps involved in the complaint process
- Explain the use and purpose of a notice of noncompliance
- Describe the grounds and penalties for denial, suspension and revocation of a real estate license
- Explain the various types of administrative penalties
- Distinguish between a first degree and second degree misdemeanor and know what real estate violations are misdemeanors of the first degree
- Describe the purpose and requirements associated with the Real Estate Recovery Fund, including payment limits for claims and assessment of fees
- List persons not qualified to make a claim

Vocabulary List

- | | |
|--------------------|---------------------------|
| ▪ appeal | ▪ legally sufficient |
| ▪ citation | ▪ notice of noncompliance |
| ▪ complaint | ▪ probable cause |
| ▪ final order | ▪ probable cause panel |
| ▪ formal complaint | ▪ recommended order |
| ▪ formal hearing | ▪ stipulation |
| ▪ informal hearing | ▪ subpoena |
| ▪ judicial review | ▪ summary suspension |

Outline

- I. Office Inspections and Audits
 - A. Inspection of real estate offices of brokers with active licenses
 1. Minimum office requirements
 2. Office entrance sign
 3. Licenses and registrations of broker, brokerage entity, salespeople and branch offices
 - a. Verify licenses are current and valid
 - b. Verify that licensees have complied with continuing education requirements
 4. Agency disclosures
 - B. Escrow account audit
 1. Monthly reconciliation statements
 2. Bank statements and canceled checks

3. Checkbook(s), deposit book(s) and bank deposit receipts
 4. Ledger book(s) or computer records for sale and/or property management records
 5. Pending sale contracts (files)
 6. Voided contracts/offers with escrow funds presently being held
 7. Any earnest money deposit disputes
 8. Property management contracts, agreements and leases (files)
- C. Investigator is authorized to:
1. Issue a Notice of Noncompliance
 2. Issue a Citation
 3. Docket (file) a complaint

II. The Complaint Process

A. Complaint is filed

1. Confirm jurisdiction
2. Legal sufficiency
3. Minor violations defined by rule
4. Notice of Noncompliance rule
5. Citation rule

B. Investigation

1. The DBPR may:
 - a. Investigate any written complaint that is legally sufficient
 - b. Investigate any anonymous complaint that is in writing and legally sufficient
 - c. Initiate an investigation
2. When activity is a criminal offense
3. Investigator interviews individuals, exhibits are assembled
4. Investigative report is prepared and sent to Legal Section for review
 - a. May order supplemental investigation
5. Confidentiality
6. Case may be:
 - a. Dismissed
 - b. Sent to probable cause panel
 - c. DBPR issues an emergency suspension order

C. Probable cause panel

1. Composition
2. Function
3. Authority to:
 - a. Find probable cause
 - b. Dismiss case
 - c. Dismiss with a letter of guidance

D. Formal complaint

1. Issued if probable cause is found to exist
2. Election of rights by licensee
 - a. Formal hearing and recommended order
 - b. Informal hearing
 - c. Stipulation
 - d. Nolle Prosequi

E. Final order

1. Probable cause panel excused

2. May be appealed
 - a. Stay of enforcement
 - b. Writ of supersedeas

III. Violations and Penalties

- A. Grounds for denial
- B. Grounds for suspension up to 10 years
- C. Grounds for revocation
 1. Permanent with one exception
 2. Salesperson licenses are canceled automatically when the broker's license is suspended or revoked
 3. Revocation without prejudice
- D. Types of penalties
 1. Administrative
 - a. Reprimand and/or notice of noncompliance
 - b. Probation
 - c. Fine or citation
 - d. Requirement for additional education
 - e. Suspension
 - f. Revocation
 2. Civil penalties
 3. Criminal penalties
 - a. First-degree misdemeanor violations
 - b. Second-degree misdemeanor violations
 4. Unlicensed activity

PART II

VALUING REAL PROPERTY

SESSION 6

OVERVIEW OF REAL ESTATE VALUATION

Intended Learning Outcomes

- Know which appraisal assignments must be performed by state certified or licensed appraisers and that real estate licensees must comply with the USPAP when conducting appraisals, but not CMAs
- Distinguish among value, price and cost
- Distinguish among the various types of value
- Describe the elements of demand and supply and the factors that affect them
- Distinguish among the various principles of value and understand how each influences value
- Distinguish between highest and best use as vacant and highest and best use as improved
- Describe the steps in the appraisal process
- Reconcile indicated values from different comparables or different approaches to value using weighted and simple averaging
- List the three general types of reporting formats and describe the three types of narrative reports

Vocabulary List

- | | |
|---------------------------------|----------------------------|
| ▪ appraisal | ▪ limited appraisal |
| ▪ assessed value | ▪ liquidation value |
| ▪ complete appraisal | ▪ market value |
| ▪ conformity | ▪ overimprovement |
| ▪ demand | ▪ reconciliation |
| ▪ federally related transaction | ▪ salvage value |
| ▪ FIRREA | ▪ substitution |
| ▪ going-concern value | ▪ supply |
| ▪ highest and best use | ▪ The Appraisal Foundation |
| ▪ investment value | ▪ USPAP |
| ▪ insurable value | ▪ value in use |

Outline

- I. Introduction to Appraisal
 - A. Appraisal defined
 1. Purpose of an appraisal
 2. CMA vs. appraisal

- B. Relationship between licensed brokers and professional appraisers
 - C. Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA)
 - 1. Federally related transactions
 - 2. Uniform Standards of Professional Practice (USPAP)
 - D. State certification and licensure requirements (overview only)
 - 1. Registered assistant appraisers
 - 2. Licensed appraisers
 - 3. Certified residential appraisers
 - 4. Certified general appraisers
- II. Basic Appraisal Concepts
- A. Concepts of value
 - 1. Value vs. cost and price
 - B. Types of value estimates
 - 1. Market value
 - 2. Liquidation value
 - 3. Assessed value
 - 4. Insurable value
 - 5. Salvage value
 - 6. Investment value
 - C. Basic economic principles of value
 - 1. Supply and demand
 - 2. Anticipation
 - 3. Substitution
 - 4. Increasing and decreasing returns (overimprovement)
 - 5. Conformity
 - 6. External economies and diseconomies
 - 7. Highest and best use
 - a. As though vacant
 - b. As improved
 - D. Steps in the appraisal process
 - 1. Definition of the problem
 - 2. Preliminary analysis; data selection and collection
 - 3. Highest and best use analysis
 - 4. Land value estimate
 - 5. Application of the three approaches to value
 - 6. Reconciliation of value indications and final value estimate
 - 7. Report of value
- III. Types of Appraisal Reports
- A. Complete versus limited appraisals
 - B. Reporting formats
 - 1. Oral reports
 - 2. Form reports

3. Narrative reports
 - a. Self-contained report
 - b. Summary report
 - c. Restricted report

SESSION 7

SALES COMPARISON, COST-DEPRECIATION AND INCOME APPROACHES

Intended Learning Outcomes

- Describe the assumptions underlying the sales comparison approach
- Construct a sales comparison adjustment grid using the proper sequence of adjustments
- Distinguish among normal sale price, market conditions-adjusted normal sale price, and final adjusted sale price
- Describe considerations regarding the applicability of the cost-depreciation approach
- Apply the steps in the cost-depreciation approach
- Distinguish among the three types of accrued depreciation the methods of estimating accrued depreciation
- Perform a GIM analysis
- Develop a reconstructed operating statement
- Calculate a market-derived capitalization rate and estimate value using the income approach formula

Vocabulary List

- accrued depreciation
- arm's-length transaction
- economic life
- contract rent
- curable
- effective age
- effective gross income
- external obsolescence
- fixed expense
- fixture
- functional obsolescence
- incurable
- market rent
- net operating income
- personal property
- physical deterioration
- potential gross income
- replacement cost
- reproduction cost
- reserve for replacements
- trade fixture
- vacancy and collection loss
- variable expense

Outline

- I. Sales Comparison Approach
 - A. Basic concepts and uses of sales comparison approach
 1. Usefulness of the approach
 2. Rationale for the approach
 - a. Principle of substitution
 - b. Market price as evidence of market value
 3. Applicability of approach

- B. Elements of comparison-transactional and property characteristics
 - 1. Conditions of sale
 - 2. Financing terms
 - a. Types of non-market financing
 - b. Methods of adjustment
 - (1) Market abstraction
 - (2) Cash equivalency
 - 3. Market conditions
 - a. Factors causing need for adjustment
 - b. Successive sales analysis
 - 4. Adjusting for personal property
 - a. Distinguish between personal property and real property
 - b. Distinguish between a fixture and a trade fixture
 - 5. Location
 - a. Paired-sales analysis
 - 6. Property characteristics
 - a. Matched pairs analysis
 - C. Methods of adjustment
 - 1. Dollar and percentage adjustments
 - 2. Sequence of adjustments
 - a. Normal sale price
 - b. Market conditions-adjusted normal sale price
 - c. Final adjusted sale price
 - 3. Adjustment grid
 - D. Reconciliation
 - 1. The value conclusion
- II. Cost-depreciation Approach
- A. Applicability of the approach
 - 1. Relationship to other approaches
 - 2. Basic concepts and uses of the cost approach
 - B. Steps in the cost-depreciation approach
 - 1. Estimating cost of the improvements
 - a. Reproduction cost new and replacement cost of the improvements
 - b. Estimating reproduction/replacement cost
 - (1) Quantity survey method
 - (2) Unit-in-place method
 - (3) Comparative-unit method
 - 2. Estimate depreciation and deduct from cost
 - a. Basic theory and concepts
 - b. Types of depreciation
 - (1) Physical deterioration
 - (2) Functional obsolescence
 - (3) External obsolescence
 - c. Estimating depreciation
 - (1) Breakdown method
 - (2) Market extraction method

- (3) Lump-sum age-life method
 - (a) Effective age
 - (b) Economic life
 3. Estimate site value and non-structural site improvements value as if vacant at site's highest and best use
 4. Add site value and site improvements value to the depreciated cost new to obtain an indication of value
- III. Income-Capitalization Approach
 - A. Basic concepts and uses of the income-capitalization approach
 - B. Steps in the income-capitalization approach
 1. Estimate potential gross income
 - a. Contract rent
 - b. Market rent
 2. Estimate projected vacancy and collection losses
 3. Subtract vacancy and collection loss to derive effective gross income (EGI)
 4. Estimate operating expenses
 - a. Fixed expenses
 - b. Variable expenses
 - c. Reserve for replacements
 5. Deduct operating expenses yielding net operating income (NOI)
 6. Estimate an overall capitalization rate from market data
 7. Apply the overall capitalization rate to derive an indication of value
 - C. Reconstructed operating statement
 1. Types of expenses included and excluded
- IV. Reconciliation and Final Value Estimate
 - A. Evaluation of factors affecting reliability of value indications derived by the various approaches
 - B. Weighting of value indications

SESSION 8

COMPARATIVE MARKET ANALYSIS (CMA)

Intended Learning Outcomes

- Distinguish between a formal appraisal and a comparative market analysis (CMA)
- Explain the three major sections of a typical CMA report form
- Know what information is necessary to prepare a CMA
- Suggest the best sources to find the information necessary to prepare a CMA
- Explain the major elements of comparison between the comparable property and the subject property
- Correctly calculate the square footage of a building
- Prepare a CMA which would allow a seller or buyer to understand values in the neighborhood

Vocabulary List

- comparative market analysis
- curb appeal
- gross living area
- opinion of value

Outline

- I. The Comparative Market Analysis (CMA)
 - A. Defined
 - B. Purpose
 - C. Distinctions between a CMA and a formal appraisal
- II. Preparation of a Comparative Market Analysis
 - A. The CMA form—Florida Association of Realtors
 - B. Categories of comparables
 1. On market now
 2. Reported sold past 12 months
 3. Reported expired past 12 months
 - C. Information needed for comparative market analysis
 1. Names and address of owners
 2. Adequate description of the property
 3. Lot size (frontage and depth)
 4. Number and size of rooms and total square footage
 5. Construction and age of the building
 6. Information relative to the neighborhood (schools, churches, transportation)
 7. Current taxes

8. Amount of existing financing
 9. Utilities and average payments
 10. Appliances to be included in the transaction
 11. Zoning classification (especially important for vacant land)
 12. Personal property and fixtures included in sale
 13. Environmental hazards
 - D. Obtaining comparables
 - E. Common elements of comparison
 1. Location
 2. Size/shape of lot
 3. Landscaping
 4. Construction quality
 5. Style
 6. Design
 7. Age
 8. Square feet of gross living area
 - a. Measure the structure
 9. Number of rooms
 10. Number of bedrooms
 11. Number of bathrooms
 12. Kitchen
 13. Other space
 14. Condition of exterior
 15. Condition of interior
 16. Garage
 17. Other improvements
 - F. Adjusting for differences
 - G. Reconciliation
 - H. Computerized CMAs
 1. Use of Computer/Internet in Data Collection/Analysis
 - I. Customized CMAs
 - J. Attachments to CMA
- II. Case Study of a Comparative Market Analysis

SESSION 9

BUSINESS VALUATION

Intended Learning Outcomes

- Distinguish between real property valuation and business valuation
- Describe the characteristics of the various business entities
- Explain the business appraisal process
- Describe the problems associated with accounting principles
- Describe the steps in the analysis of financial statements
- Describe the elements of a balance sheet and an income statement
- Describe and calculate current ratio, quick ratio, inventory turnover ratio, debt-to-worth ratio and net-profit-to-owner capital ratio
- Describe the various approaches to business valuation
- Distinguish among the different types of intangible assets and the techniques used to value intangible assets

Vocabulary List

- accrual basis accounting
- balance sheet
- book value
- cash basis accounting
- current ratio
- debt-to-worth ratio
- going concern value
- goodwill
- income statement
- intangible asset
- inventory turnover ratio
- liquidation value
- market value
- quick ratio
- S corporation

Outline

- I. Fundamentals of Business Appraisal
 - A. Similarities to real estate appraisal
 - B. Business appraisal definitions
 1. Proprietorship
 2. Partnership
 3. Corporation
 4. Other forms
 - C. Reasons for a business appraisal
 1. Contemplated sale or purchase of a business
 2. Allocation of value to specific assets
 3. Financial reporting purposes
 4. Buy-sell agreements
 5. Liquidation of a business
 6. Divorce
 7. Estate and inheritance taxation

8. Condemnation proceedings
 9. Employee benefit plans
 10. Determination of insurable value
 - D. Business appraisal process
 1. Definition of the assignment
 2. Establish the date of the appraisal
 3. Data collection
 4. Analysis of data
 5. Determine final estimate of value
 6. Preparation of the appraisal report
- II. Understanding and Using Financial Statements
- A. Overview of financial statements
 - B. Some problems
 1. Estimates are necessary
 2. Assets are reported at cost
 3. Valuation accounts do not reflect value
 4. Assets and liabilities may be missing
 5. Differences in accounting methods are permitted
 - C. Analyzing financial statements
 1. Construct historical series
 2. Calculate financial ratios over time
 - a. Quick ratio
 - b. Inventory turnover
 - c. Debt-to-worth ratio
 - d. Net profit-to-owner
 3. Investigate unusual items and results
 - D. Preparing financial statements for valuation purposes
 1. Adjusted balance sheet
 2. Market balance sheet
 3. Adjusted income statement
 4. Pro forma income statement
- III. Valuation Methods
- A. Approaches to valuation
 1. Sales comparison approach
 2. Cost-depreciation approach
 3. Income capitalization approach
 4. Liquidation value approach
 - B. Valuation of intangible assets
 1. Definitional problem with intangible assets
 - a. Business goodwill
 - b. Personal goodwill
 - c. Separable intangible assets
 2. Methods of valuation
 - a. Excess profits approach
 - b. Market residual approach

PART III

LISTING AND SELLING REAL PROPERTY

SESSION 10

AGENCY RELATIONSHIPS AND DISCLOSURE REQUIREMENTS

Intended Learning Outcomes

- Describe which provisions of the Brokerage Relationship Disclosure Act apply only to residential real estate sales and list types of real estate activities that are exempt from the disclosure requirements
- Describe the required content and format of the various disclosure forms
- Describe the procedure for giving the Notice of Nonrepresentation when the first contact is not a face-to-face meeting and the events that do not constitute first contact according to F.S. 475
- Distinguish among the three forms of authorized brokerage relationships
- List and describe the duties owed in the various authorized relationships
- Describe the disclosure procedures for the various authorized relationships
- Know the procedure for transition from a single agent to a transaction broker
- Describe the disclosure requirements for non-residential transactions where the buyer and seller have assets of \$1 million or more
- List the events that will cause an agency relationship to be terminated

Vocabulary List

- | | |
|--------------------------|--------------------------|
| ▪ agent | ▪ limited representation |
| ▪ customer | ▪ nonrepresentation |
| ▪ designated salesperson | ▪ principal |
| ▪ dual agent | ▪ residential sale |
| ▪ fiduciary | ▪ single agent |
| ▪ first contact | ▪ transaction broker |

Outline

- I. Concept of agency
 - A. Historical perspective of agency relationships
 1. Statutory law
 2. Case law
- II. Disclosure Requirements at First Contact (effective October 1, 1997)
 - A. Applies to residential sales only

1. Section 475.276(1)(a) defines **residential sales** as the sale of improved residential property of four units or fewer, the sale of unimproved residential property intended for use of four units or less, or the sale of agricultural property of 10 acres or less
- B. Disclosure requirements do not apply to:
 1. Non residential transactions
 2. The rental or leasing of real property, unless an option to purchase all or a portion of the property improved with four or less residential units is given
 3. Auctions
 4. Appraisals
 5. Dispositions of any interest in business enterprises or business opportunities, except for property with four or less residential units
- C. Notice of nonrepresentation must be given to all potential buyers and sellers at first contact
 1. **First contact** means the commencement of the initial meeting of, or communication between, a licensee and a seller or buyer except in situations where a licensee knows that the potential seller or buyer is represented by a single agent or a transaction broker
 2. First contact does *not* include:
 - a. A bona fide "open house" or model home showing that does not involve eliciting confidential information, the execution of a contractual offer or an agreement for representation, or negotiations concerning price, terms, or conditions of a potential sale
 - b. Unanticipated casual encounters between a licensee and a seller or buyer that do not involve eliciting confidential information, the execution of a contractual offer or an agreement for representation, or negotiations concerning price, terms, or conditions of a potential sale
 - c. Responding to general factual questions from a prospective buyer or seller concerning properties that have been advertised for sale
 - d. Situations in which a licensee's communications with a customer are limited to providing general factual information, oral or written, about the qualifications, background, and services of the licensee or the licensee's brokerage firm
 - e. In any of the situations described above, "first contact" occurs when the communications between the licensee and the prospective seller or buyer proceed in any way beyond the conditions or limitations described above
 - f. When first contact occurs during a telephone conversation or any other communication in which the licensee is unable to provide the required Notice of Nonrepresentation, the licensee shall provide an oral notice and thereafter provide the required Notice of Nonrepresentation at the time of the first fact-to-face contact, execution of a brokerage relationship agreement, or execution of a contractual agreement for purchase and sale, whichever occurs first
- D. Required Information (See Exhibit 10.1)
- E. Required Format
 1. The notice must be printed as a separate and distinct form on paper at least 8½ by 11 inches in size
 2. Nothing may be added to the form except a brokerage firm logo containing only the firm name, address, and relevant phone numbers
 3. The form title and first sentence must in bold typeface and at least 16-point type. The remainder of the form must be of 12-point type or larger

Exhibit 10.1 Notice of Nonrepresentation Form

NOTICE OF NONREPRESENTATION

**FLORIDA LAW REQUIRES THAT REAL ESTATE LICENSEES
PROVIDE THIS NOTICE AT FIRST CONTACT TO ALL
POTENTIAL SELLERS AND BUYERS OF REAL ESTATE.**

You are hereby notified that (*insert name of brokerage firm*) and I do not represent you in any capacity. You should not assume that any real estate broker or salesperson represents you unless you agree to engage a real estate licensee in an authorized brokerage relationship, either as a single agent or as a transaction broker. You are advised not to disclose any information you want to be held in confidence until you make a decision on representation.

Your signature below acknowledges receipt of this form and does not establish a brokerage relationship.

(Signature Optional)

Date

(Signature Optional)

Date

III. Authorized Brokerage Relationships

A. Nonrepresentation

1. Give customer the Notice of Nonrepresentation at first contact
2. **Customer** means a member of the public who is or may be a buyer or seller of real property and may or may not be represented by a real estate licensee in an authorized brokerage relationship
3. Duties include:
 - a. Dealing honestly and fairly
 - b. Disclose all known facts that materially affect the value of property which are not readily observable to the buyer
 - c. Accounting for all funds entrusted to the licensee

B. Single agent relationship

1. **Single agent** is a broker who represents, as a fiduciary, either the buyer or seller but not both in the same transaction
2. The party with whom a real estate licensee has entered into a single agent relationship is the **principal**

3. Duties include:
 - a. Dealing honestly and fairly
 - b. Loyalty
 - c. Confidentiality
 - d. Obedience
 - e. Full disclosure
 - f. Accounting for all funds
 - g. Skill, care and diligence in the transaction
 - h. Presenting all offers and counteroffers in a timely manner
 - i. Disclosing all known facts that materially affect the value of residential real property that are not readily observable
 4. Give Notice of Nonrepresentation at first contact and the single agent disclosure before, or at the time of, entering into a listing agreement or an agreement for representation
 5. Required information (see Exhibit 10.2)
 6. Required format
-

Exhibit 10.2 Single Agency Disclosure Form

SINGLE AGENT NOTICE

FLORIDA LAW REQUIRES THAT REAL ESTATE LICENSEES OPERATING AS SINGLE AGENTS DISCLOSE TO BUYERS AND SELLERS THEIR DUTIES.

As a single agent, (*insert name of Real Estate Entity and its Associates*) owe to you the following duties:

1. Dealing honestly and fairly;
2. Loyalty;
3. Confidentiality;
4. Obedience;
5. Full disclosure;
6. Accounting for all funds;
7. Skill, care, and diligence in the transaction;
8. Presenting all offers and counteroffers in a timely manner, unless a party has previously directed the licensee otherwise in writing; and
9. Disclosing all known facts that materially affect the value of residential real property and are not readily observable.

Signature

Date

Signature

Date

C. Transaction broker relationship

1. **Transaction broker** means a broker who provides limited representation to a buyer, a seller, or both, in a real estate transaction, but does not represent either in a fiduciary capacity or as a single agent
2. Transaction brokers provide a limited form of nonfiduciary representation to a buyer, a seller, or both in a real estate transaction
3. Duties include:
 - a. Dealing honestly and fairly
 - b. Accounting for all funds
 - c. Using skill, care, and diligence in the transaction;
 - d. Disclosing all known facts that materially affect the value of residential real property and are not readily observable to the buyer
 - e. Presenting all offers and counteroffers in a timely manner, unless a party has previously directed the licensee otherwise in writing
 - f. Limited confidentiality, unless waived in writing by a party. This limited confidentiality will prevent disclosure that the seller will accept a price less than the asking or listed price, that the buyer will pay a price greater than the price submitted in a written offer, of the motivation of any party for selling or buying property, that a seller or buyer will agree to financing terms other than those offered, or any other information requested by a party to remain confidential
 - g. Any additional duties that are mutually agreed to with a party
4. Give Notice of Nonrepresentation at first contact and the transaction broker disclosure before, or at the time of, entering into a listing agreement or an agreement for representation
5. Required information (see Exhibit 10.3)
6. Required format
 - a. The disclosure must be in writing either as a separate and distinct disclosure or included as part of another document such as a listing agreement or other agreement for representation
 - b. When incorporated in other documents the required notice must be of the same type, or larger, as other provisions of the document and must be conspicuous in its placement so as to advise customers of the duties of a single agent, except that the first sentence of the disclosure statement must be printed in uppercase and bold type

IV. Transition From Single Agent to Transaction Broker

- A. A single agent relationship may be changed to a transaction broker relationship at any time during the relationship between an agent and principal, provided the agent gives the transition disclosure and the principal consents to the transition before a change in relationship
- B. Procedure
 1. Give Notice of Nonrepresentation at first contact and the single agent disclosure before, or at the time of, entering into a listing agreement or an agreement for representation
 2. Give transition disclosure and secure consent (signature) from party

- C. Required information (see Exhibit 10.4)
- D. Required format
 - 1. The disclosure must be in writing either as a separate and distinct disclosure or included as part of another document such as a listing agreement or other agreement for representation
 - 2. When incorporated in other documents the required notice must be of the same type, or larger, as other provisions of the document and must be conspicuous in its placement so as to advise customers of the duties of a single agent, except that the first sentence of the disclosure statement must be printed in uppercase and bold type

- V. Designated Salesperson
 - A. Non-residential transaction limitations
 - B. Disclosure requirements
 - C. Single agent duties (see Exhibit 10.5)

- VI. Discipline
 - A. The Commission may deny an application for licensure, registration, or permit, or renewal thereof; may place a licensee, registrant, or permittee on probation; may suspend a license, registration, or permit for a period not exceeding 10 years; may revoke a license, registration, or permit; may impose an administrative fine not to exceed \$1,000 for each count or separate offense; and may issue a reprimand, and any or all of the foregoing, if it finds that the licensee, registrant, permittee, or applicant has violated any provision of s. 475.276 or s. 475.278, F.S., including the duties owed under those sections.

- VII. Record keeping
 - A. Documenting agency disclosure

Exhibit 10.3 Disclosure Form for Operating as a Transaction Broker

TRANSACTION BROKER NOTICE

FLORIDA LAW REQUIRES THAT REAL ESTATE LICENSEES OPERATING AS TRANSACTION BROKERS DISCLOSE TO BUYERS AND SELLERS THEIR ROLE AND DUTIES IN PROVIDING A LIMITED FORM OF REPRESENTATION.

As a transaction broker, (*insert name of Real Estate Firm and its Associates*), provides to you a limited form of representation that includes the following duties:

1. Dealing honestly and fairly;
2. Accounting for all funds;
3. Using skill, care and diligence in the transaction;
4. Disclosing all known facts that materially affect the value of residential real property and are not readily observable to the buyer;
5. Presenting all offers and counteroffers in a timely manner, unless a party has previously directed the licensee otherwise in writing;
6. Limited confidentiality, unless waived in writing by a party. This limited confidentiality will prevent disclosure that the seller will accept a price less than the asking or listed price, that the buyer will pay a price greater than the price submitted in a written offer, of the motivation of any party for selling or buying property, that a seller or buyer will agree to financing terms other than those offered, or of any other information requested by a party to remain confidential; and
7. Any additional duties that are entered into by this or by separate written agreement.

Limited representation means that a buyer or seller is not responsible for the acts of the licensee. Additionally, parties are giving up their rights to the undivided loyalty of the licensee. This aspect of limited representation allows a licensee to facilitate a real estate transaction by assisting both the buyer and the seller, but a licensee will not work to represent one party to the detriment of the other party when acting as a transaction broker to both parties.

Signature

Date

Signature

Date

Exhibit 10.4 Transition to Transaction Broker Disclosure

CONSENT TO TRANSITION TO TRANSACTION BROKER NOTICE

FLORIDA LAW ALLOWS REAL ESTATE LICENSEES WHO REPRESENT A BUYER OR SELLER AS A SINGLE AGENT TO CHANGE FROM A SINGLE AGENT RELATIONSHIP TO A TRANSACTION BROKERAGE RELATIONSHIP IN ORDER FOR THE LICENSEE TO ASSIST BOTH PARTIES IN A REAL ESTATE TRANSACTION BY PROVIDING A LIMITED FORM OF REPRESENTATION TO BOTH THE BUYER AND THE SELLER. THIS CHANGE IN RELATIONSHIP CANNOT OCCUR WITHOUT YOUR PRIOR WRITTEN CONSENT.

I agree that my agent may assume the role and duties of a transaction broker.

Signature

Date

Signature

Date

Exhibit 10.5 Designated Salesperson Disclosure

FLORIDA LAW PROHIBITS A DESIGNATED SALESPERSON FROM DISCLOSING, EXCEPT TO THE BROKER OR PERSONS SPECIFIED BY THE BROKER, INFORMATION MADE CONFIDENTIAL BY REQUEST OR AT THE INSTRUCTION OF THE CUSTOMER THE DESIGNATED SALESPERSON IS REPRESENTING. HOWEVER, FLORIDA LAW ALLOWS A DESIGNATED SALESPERSON TO DISCLOSE INFORMATION ALLOWED TO BE DISCLOSED OR REQUIRED TO BE DISCLOSED BY LAW AND ALSO ALLOWS A DESIGNATED SALESPERSON TO DISCLOSE TO HIS OR HER BROKER, OR PERSONS SPECIFIED BY THE BROKER, CONFIDENTIAL INFORMATION OF A CUSTOMER FOR THE PURPOSE OF SEEKING ADVICE OR ASSISTANCE FOR THE BENEFIT OF THE CUSTOMER IN REGARD TO A TRANSACTION. FLORIDA LAW REQUIRES THAT THE BROKER MUST HOLD THIS INFORMATION CONFIDENTIAL AND MAY NOT USE SUCH INFORMATION TO THE DETRIMENT OF THE OTHER PARTY.

SESSION 11

CONTRACTS

Intended Learning Outcomes

- Describe the characteristics of the various types of listings and describe at least three statutory requirements for listing agreements
- List the four types of legal contracts that licensees may prepare
- Explain the requirements of the statute of frauds and the exceptions allowed under the law
- Explain the various components of the FAR/BAR Contract for Sale and Purchase
- Distinguish between specific performance and liquidated damages
- Describe the differences between an option contract and a right of first refusal
- Explain the provisions of Chapters 689 and 760, F.S. regarding occupants infected with HIV or AIDS
- Describe the effects of Johnson v. Davis Supreme Court ruling on real estate practice in Florida
- Describe the requirements under Chapter 689, F.S. regarding disclosure of homeowner associations

Vocabulary List

- abstract
- compensatory damages
- contingency
- earnest money deposit
- effect a sale
- find a purchaser
- joint tenancy
- lease-option agreement
- lease-purchase agreement
- liquidated damages
- procuring cause
- right of first refusal
- specific performance
- statute of frauds
- tenancy by the entirety
- tenancy in common
- time is of the essence

Outline

- I. Entitlement to Commission
 - A. Listing agreements
 1. Features of various types
 - a. Verbal open listing
 2. Rules pertaining to listing agreements
 - B. Entitlement to commission
 1. Procuring cause
 2. Assignment of commission

II. FAR/BAR Purchase and Sale Contract

- A. Unauthorized practice of law
- B. Statute of Frauds

III. Documents for Preparing To Write the Contract

- A. Seller documents
 - 1. Owner's title policy or attorney's abstract of opinion
 - a. Who owns property (and must sign listing agreement and purchase and sale contract)
 - b. Property interest held
 - c. Money encumbrances on property
 - d. Title exceptions such as easements, right-of-way, reservations and restrictive covenants
 - 2. Survey
 - a. Encroachments
 - b. Verify correct legal description on seller's title policy
 - 3. Mortgage
 - a. Documents related to existing loan(s)
 - 4. Other
 - a. Zoning, zoning variances and nonconforming uses

IV. Provisions of Real Estate Contracts

- A. Date
 - 1. Date contract is prepared
 - 2. Date parties sign
- B. Parties to the contract
 - 1. Joint tenancy versus tenancy in common
 - 2. Tenancy by the entireties
- C. Earnest money deposit
 - 1. Amount and wording to insert in earnest money blank
 - 2. Buyer financial statement for seller to review
 - 3. Form of funds
 - a. Third-party checks
 - b. Subsequent additional earnest money
 - c. Notes as earnest money
 - d. Old earnest money for new contract
 - e. Failure to pay deposit
 - f. When a licensee is the buyer or seller
- D. Legal description
 - 1. Importance of including legal in sales contract
 - a. When the legal becomes known to the buyer at a later date, and if it is inconsistent with other information relied on by the buyer (for example, the total area of the lot) the buyer may use this as a basis to invalidate the contract
- E. Street address
- F. Purchase price
 - 1. How price is to be paid

G. Financing terms

1. Importance of obtaining a buyer financial statement
2. When buyer has pre-applied for a loan
3. Time limit for loan approval and loan application
4. Amount of monthly payment
5. Owner occupied as principal residence
6. Conditional on buyer obtaining a loan
7. Specify loan documents buyer must execute
8. Specify types of financing
 - a. Cash sale
 - b. Seller to carry first mortgage
 - (1) Purchase money mortgage liens
 - (2) Due on sale or assumable
 - (3) Installment sale
 - (4) Balloon payment
 - (5) Tax and insurance reserves
 - (6) Judgment and tax liens
 - (7) Assignment of rent
 - c. New conventional first mortgage
 - (1) Interest rate, LTV ratio, term of loan
 - (2) Conditional on obtaining loan
 - d. New conventional first mortgage plus seller to carry second mortgage
 - e. Straight (non-amortized) second mortgage
 - f. New VA loan
 - (1) Maximum loan amount
 - (2) VA loan features
 - (3) Loan discount fees
 - (4) VA escape clause
 - g. New FHA loan
 - (1) Direct endorsement lenders
 - (2) FHA mortgage insurance
 - (3) FHA-required repairs
 - h. Adjustable-rate loans
 - i. Loan assumptions
 - (1) Lender consent but no loan changes
 - (2) No lender consent required
 - (3) Lender consent plus loan changes

H. Chattel and fixture inclusions

1. Sales tax on personal property in contract

I. Evidence of title

1. Time to examine title
2. Days to perform
3. Quality of seller's title

J. Hour, date and place for closing

K. Proration of taxes, rent, etc.

Broker Course Syllabus (FREC Course II)

- L. Possession of property
 - 1. Immediate possession
 - 2. Delayed possession
 - 3. Possession when tenant-occupied
 - M. Time allowed for acceptance
 - N. Type of deed to be delivered
 - O. Specific performance versus liquidated damages
 - 1. Division of forfeited earnest money
 - P. Miscellaneous
 - 1. Special assessments
 - 2. Agent as buyer or seller
 - 3. Conditional on sale of buyer's property
 - 4. Property inspections
 - 5. Conditional on spouse's approval
 - 6. Right of first refusal
 - Q. Signing and acknowledgment
 - 1. Number of copies needed
- V. Disclosure
- A. Psychologically impacted or stigmatized property
 - B. Occupant infected with HIV or AIDS
 - 1. Section 689.26, F.S.
 - C. Statutory duties of disclosure
 - 1. Agency
 - 2. Radon gas
 - D. Duty of seller to disclose
 - 1. Johnson versus Davis, 480 So. 2d 265 (Florida 1985)
 - 2. Dorton versus Jensen, 676 So. 2d 437 (Florida 2d DCA 1996)
 - 3. Lead paint disclosure
 - E. Transaction fees
 - F. Restrictive covenants
 - G. Other disclosures
- VI. Other contracts
- A. Lease-purchase agreements
 - B. Option contracts
 - C. Agreement for deed
- VII. Sold signs—FREC Rules Pertaining to Sold Signs

SESSION 12

FINANCING REAL ESTATE

Intended Learning Outcomes

- Distinguish between a mortgage and a note and list the essential elements of each
- Describe Florida's statutory foreclosure process
- Understand mortgage priorities and the concept of subordination
- Understand the characteristics of a conventional mortgage and calculate a mortgage payment on a new loan using financial tables and/or a financial calculator
- Understand the provisions of FHA-insured mortgage loans and Veterans Affairs (VA) loans and calculate the maximum loan amount and required investment for an FHA residential mortgage loan
- Explain the calculation of the interest rate on an adjustable rate mortgage (ARM) and describe the features of graduated payment, reduction option, early payment, 15-year and 3 percent down mortgages
- Understand the characteristics of purchase money, participation, blanket and package mortgages
- Describe the types of discrimination prohibited by the Equal Credit Opportunity Act (ECOA) and understand the provisions of the Truth-in-Lending Act and Regulation Z
- Calculate the minimum qualifying ratios for conventional and FHA mortgages and estimate the approximate yield to the lender based on the number of points charged

Vocabulary List

- | | |
|--------------------------------------|--------------------------------|
| ▪ buy down | ▪ partially amortized mortgage |
| ▪ conforming loan | ▪ reverse annuity mortgage |
| ▪ contract for deed | ▪ sale and leaseback financing |
| ▪ discount points | ▪ secured note |
| ▪ Florida Real Estate Time Share Act | ▪ term mortgage |
| ▪ fully amortized mortgage | ▪ title theory |
| ▪ home equity loan | ▪ unsecured note |
| ▪ lien theory | ▪ yield |
| ▪ nonconforming loan | |

Outline

- I. Mortgage Concepts and Practices
 - A. Promissory note
 1. Essential elements of the note

- B. Mortgage
 - 1. Parties to the mortgage
 - 2. Essential elements of a mortgage
 - 3. Special provisions
 - a. Acceleration clause
 - b. Prepayment (penalty) clause
 - c. Due-on-sale clause
 - C. Mortgage theory
 - 1. Title theory
 - 2. Lien theory
 - D. Mortgage priorities
 - 1. Effect and importance of chronology of recordation
 - 2. Subordination of mortgages
 - E. Rights of mortgage lenders
 - 1. Right to foreclose
 - a. Foreclosure procedure in Florida
 - b. Foreclosure sale
 - c. Deficiency judgment
 - d. Junior lien holders
 - 2. Right to transfer (assign) the mortgage
 - a. Right of possession
 - b. Equity of redemption
- II. Types of Mortgage Loans
- A. Conventional mortgage loans
 - 1. Definition and availability
 - 2. General characteristics and interest rates
 - 3. Computation of maximum loan amount and minimum down payment
 - 4. Calculation of mortgage payment (use of financial calculator and mortgage tables)
 - 5. Assumption of conventional mortgages
 - 6. Private mortgage insurance
 - a. Purpose and importance
 - b. Typical coverage and conditions
 - B. Governmental originated, insured or guaranteed mortgage loans
 - 1. FHA-insured mortgage loans
 - a. FHA mortgage insurance concept
 - b. Maximum loan amounts/minimum down payment computations
 - c. Interest rates
 - d. Assumption of FHA loans
 - e. Basic FHA loan programs—characteristics and underwriting guidelines
 - (1) Section 203(b)—home mortgage
 - (2) Section 234(c)—condominium mortgage
 - (3) Section 245(a) and (b)—graduated payment mortgage
 - f. Direct endorsement program for lenders

Broker Course Syllabus (FREC Course II)

2. Veterans Administration (VA) loan
 - a. Mortgage guarantee concept
 - b. Eligibility and loan guaranty entitlement
 - c. Program characteristics
 - (1) Maximum loan amount computation
 - (2) Interest rates
 - (3) Certificate of reasonable value
 - (4) Closing costs and VA funding fee
 - (5) Underwriting guidelines
 - (6) Assumption and release of liability
 3. Rural Housing Services Administration loan
 - a. Basic characteristics and restrictions
 - b. Qualification requirements
 - C. Mortgages by method of payment
 1. Fully amortized
 2. Partially amortized
 - D. Mortgages by payment or yield variability
 1. Adjustable rate mortgage (ARM)
 2. Graduated payment mortgage (GPM)
 3. Reduction option mortgage
 4. Early payment mortgage
 5. 15-year mortgage
 6. New 3 percent down mortgage
 7. Mortgage programs currently being offered
 8. Buy downs
 - E. Mortgages by purpose
 1. Purchase money mortgage
 2. Participation mortgage
 3. Blanket mortgage
 4. Reverse annuity mortgage
 5. Package mortgage
 6. Home equity loan
 - F. Conforming vs. Nonconforming loans
- III. Other Techniques Used in Financing Real Estate
- A. Time sharing
 - B. Contract for deed
 - C. Sale and leaseback
 - D. Wraparound mortgage
 - E. Installment land contract
- IV. Federal Consumer Protection Legislation
- A. Equal Credit Opportunity Act (ECOA)
 - B. Truth-in-Lending Act and Regulation Z
 - C. Real Estate Settlement Procedures Act (RESPA)

- V. Residential Loan Underwriting
 - A. Initial interview and loan application
 - B. Borrower analysis
 - 1. Credit history
 - 2. Adequacy of assets
 - 3. Stability of income
 - 4. Income/expense ratios
 - a. Conventional
 - b. FHA
 - c. VA
 - C. Property analysis
 - 1. Appraisal
 - 2. Title examination
 - D. Loan analysis
 - 1. Loan-to-value ratio
 - 2. Interest rate and discount points
 - a. Yield calculations
 - 3. Loan term
 - 4. Availability of mortgage insurance
 - E. Loan fees and calculations
 - F. Underwriting decision and loan commitment
 - 1. Firm
 - 2. Conditional
 - 3. Takeout commitment
 - G. Automated underwriting

SESSION 13

CLOSING REAL ESTATE TRANSACTIONS

Intended Learning Outcomes

- Describe the preliminary steps to closing a transaction
- Describe the objective of a pre-closing inspection
- Know the provisions of the Real Estate Settlement Procedures Act of 1974 (RESPA) concerning: (1) disclosures at the time of application; (2) disclosures before settlement; and (3) RESPA prohibitions
- Know IRS reporting provisions concerning foreign investors
- Describe the various sections of the HUD-1 Settlement Statement
- Prorate property taxes, mortgage interest and prepaid rent
- Prepare a HUD-1 Settlement Statement

Vocabulary List

- HUD-1 Settlement Statement
- Real Estate Settlement Procedures Act

Outline

- I. Broker's Role in Closing
- II. Preliminary Steps to a Closing
 - A. Property survey
 - B. Title search
 1. Chain of title
 2. Abstract of title
 3. Title insurance
 - C. Release of existing liens and encroachments
 - D. Final inspection of the property
 - E. Wood-destroying termite inspection
 - F. Examination of mortgage loan documents by buyer's attorney
 - G. Examination of zoning and private restrictions by buyer's attorney
 1. Condo documents, if applicable
 2. Homeowner's association restrictions, if applicable
 3. Existing leases, if applicable
 - H. Broker to deliver all necessary legal instruments
 - I. Homeowner's or hazard insurance

- J. Deed and other closing documents
 - 1. Recording acts
 - K. RESPA requirements (Real Estate Settlement Procedures Act of 1974)
 - 1. Requires lender to provide prospective borrowers with a copy of the HUD booklet "Settlement Costs and You" and "good faith estimates" of closing costs within 3 business days of the date a loan application is filed
 - 2. Lenders must use HUD-1 form for all federally related mortgage loans
 - 3. Upon demand by borrower, lenders must permit borrower to examine the closing statement at least one business day prior to closing
 - 4. Prohibits lenders from paying "kickbacks" for referrals
 - 5. Regulates reserve (impound and escrow) accounts for payment of property taxes and insurance premiums
 - L. IRS reporting requirements
- III. Preparation of the Closing Statement
- A. The contract for sale agreement
 - B. Parts of the RESPA Uniform Settlement Statement
 - 1. Information
 - 2. Proration and prepayments
 - 3. Expenses
 - 4. Balance due seller
 - 5. Balance owed by buyer
- IV. Prorating Procedures
- A. Items typically prorated
 - 1. Property taxes
 - 2. Interest on mortgage assumed by buyer
 - 3. Rents and/or security deposits
 - 4. Other, as agreed between the parties
 - B. Principles of prorating
 - C. Prorating calculations
- V. Preparation of Closing Statements—Examples
- A. Residential transaction with new financing
 - B. Residential transaction with assumed mortgage
 - C. Income producing transaction with prorated rental income

SESSION 14

FEDERAL INCOME TAX LAWS

Intended Learning Outcomes

- Know two principal tax deductions available to homeowners and list two types of home loans that qualify for a homeowner's interest deduction
- Understand the requirements for mortgage interest deductions and understand the requirements for deducting buyer-paid points
- Explain how to use an IRA for contributing the down payment and acquisition costs of a new home
- Describe how the tax treatment of vacation home rental income properties differs from other investment property
- Know the special rules that apply for persons who deduct expenses for a home office
- Know the requirements for excluding tax on the gain on sale of a principal home sold after May 6, 1997
- Itemize the steps required to calculate taxable income from the operations of an investment property and describe the process used to allocate the acquisition costs of a property between land and improvements
- Calculate after-tax cash flow; taxable income for an investment property; and the depreciation (cost recovery) for residential and nonresidential investment property
- Describe the tax treatment from operating losses on investment property for small investors; the tax treatment for operating losses on investment property for real estate professionals; and two methods for deferring taxes

Vocabulary List

- active participant
- after-tax cash flow
- capital gain
- home acquisition loan
- home equity loan
- installment sale
- investment interest
- like-kind exchange
- passive income
- qualified intermediary

Outline

- I. Taxpayer Relief Act, effective May 6, 1997
 - A. Capital gain treatment
 1. Long-term
 2. Short-term
 - B. Tax rate

- II. Principal Residence
 - A. Allowable classifications of residences
 - B. Real estate property taxes
 - 1. Principal residence
 - 2. Second home
 - C. Mortgage interest
 - 1. Principal residence
 - 2. Second home
 - D. Other benefits include
 - 1. IRA deduction for down payment
- III. Special Rules
 - A. Vacation homes (basic rules)
 - B. Office in home (basic rules)
- IV. Tax Incentives for Low Income Housing
- V. Sale of principal residence
 - A. Exclusion of gain on sale or exchange of principal residence.
 - B. Reporting requirements to IRS
- VI. Real Estate Investment Operations
 - A. Accounting methods
 - B. Determination of net (taxable) income
 - 1. Cash flow from operations
 - 2. Deductions for collection losses and operating expenses
 - 3. Deduction for depreciation
 - a. Methods of calculating depreciation
 - 4. Losses
 - C. Taxes from operations
 - 1. Passive vs. Non-passive income
 - 2. Tax classifications of investment
 - 3. Tax status of investor
- VII. Sale of Investment Real Estate
 - A. Determination of gain or loss
 - B. Taxation of gain or loss
 - C. Estimating tax liability (basic concepts)
- VIII. Methods of Deferring Taxes Upon Disposition (Special Rules)
 - A. Installment sales (basic concept)
 - B. Like-kind exchange (basic concept)

PART IV

SPECIALTIES

SESSION 15

INVESTMENT REAL ESTATE

Intended Learning Outcomes

- List the characteristics that affect the value of an investment site and describe the structural components of an income property building and the types of problems that might be observed by the broker
- Understand the use of expense stops and rent concessions and calculate the additional rent required from financing a tenant improvement
- Describe the various methods an investor can use to reduce the annual debt service on a mortgage
- Describe the priorities of leases compared with mortgages on the same property
- Describe the most common problem areas that the broker must scrutinize when reviewing an owner's operating statement and construct an annual operating statement for an income property
- Calculate the appropriate financial and investment ratios for an evaluation of the one-year statement
- Describe the process used to estimate the after-tax equity reversion
- Calculate the present value of a series of unequal cash flows and the net present value of an investment
- Describe the differences between net present value and the internal rate of return

Vocabulary List

- | | |
|---------------------------------|-------------------------|
| ▪ add-on interest | ▪ net lease |
| ▪ discounted cash flow analysis | ▪ net present value |
| ▪ expense stop | ▪ nominal interest rate |
| ▪ gross leasable area | ▪ percentage lease |
| ▪ gross lease | ▪ rent concession |
| ▪ internal rate of return | ▪ simple interest |
| ▪ net leasable area | ▪ triple-net lease |

Outline

- I. Matching Investment Properties with Investor Needs
 - A. Beyond the capability to present a property and analysis of it, the effective investment property broker wants to know as much as possible about the investment needs of potential clients (buyers and sellers), and what properties best fit those needs
 - B. Basic investor situation
 1. Existing asset portfolio (anything valuable that affects the investor's interest in real estate investment)
 2. Liabilities (debts and existing obligations)
 3. Contingent liabilities (retirement needs, education for children, weddings, etc.)
 4. Risk preferences
 5. Earning potential
 6. Real estate management capability
 7. Specific investment goals
 - C. Basic property characteristics
 1. Return
 2. Risk level (variability of potential return)
 - a. Business risk
 - b. Financial risk
 - c. Capital risk
 - d. Regulatory risk
 - e. Inflation risk
 3. Liquidity
 4. Income tax consequences
 5. Management requirements
 6. Indirect effects on investor (ego, experience, reputation)
- II. Leases and Lease Terminology
 - A. Rent determination
 1. Area determination
 - a. Gross leasable area
 - b. Net rentable area
 2. Determination of base rent charge
 - a. Treatment of common areas
 - b. Common area maintenance fee (CAM)
 - c. Importance of explicit dollar rental charges
 3. Percentage (overage) rent
 - a. Sales thresholds
 - b. Problem of specifying monitoring provisions
 - c. Problem of defining sales
 4. Rent concessions
 - B. Expenses
 1. Expense stops and pass-throughs
 2. Reimbursable vs non-reimbursable expenses

3. Pro-rata expenses
 - a. Based on tenant's percentage of total building space
 - b. Based on tenant's percentage of occupied space
 4. Importance of examining explicit lease provisions rather than relying on the terms "gross" vs "net" lease, or "full service lease"
 - C. Tenant improvement allowances
 1. New tenant
 2. Renewal tenant
 - D. Options
 1. Renewal option
 2. Expansion option
- III. Mortgages (existing or stipulated as part of the transaction)
- A. Basic terms
 1. Interest computation
 2. Balloon date
 3. Amortization term
 4. Other terms affecting the payment
 - B. Recourse provisions
 - C. Legal priority of leases relative to mortgages (Do leases survive foreclosure?)
 - D. Prepayment clauses
 - E. Importance of estoppel for existing mortgage
- IV. Structural Knowledge
- A. Type and condition of roof
 - B. Type and condition of HVAC system
 - C. Nature and capacity of electrical systems
 - D. Nature and capacity of telephone systems
 - E. Nature and condition of elevators
 - F. Insulation level
 - G. Sources of utilities
 - H. Adequacy of storm drainage system
 - I. Condition of appliances and special equipment
 - J. Condition and needs of drives and parking areas
 - K. Survey of land and buildings
 1. Importance of verifying structure sizes
 2. Importance of easements and encroachments
- V. Property Expenses
- A. Importance of identifying and verifying all current property expenses
 - B. Importance of identifying imminent capital expenditure needs

VI. Investment Analysis

- A. While the foregoing knowledge may be required of a broker with even the most passive involvement in brokering investment property, the effective income property broker will require knowledge well beyond. The active investment property broker must understand investment needs and investment decisions, accounting for the following considerations:
- B. The creation of investment pro formas
 1. Potential gross income
 2. Effective gross income
 3. Operating expenses
 4. Net operating income
 5. Expenses after NOI
 6. Debt service
 7. Before tax cash flow
 8. Before tax cash flow at sale
- C. The projection of after tax cash flows
 1. Taxable income and taxes from operations
 2. After tax cash flow (from operations)
 3. Taxable income and taxes at sale
- D. Financial and investment ratios
 1. Loan to value ratio over time
 2. Debt service coverage ratio
 3. Operating expense ratio
 4. Expenses per square foot
 5. Price per square foot
 6. Rent per square foot
 7. Break-even ratio
 8. Equity dividend rate
 9. Overall rate of capitalization
 10. Loan constant
- E. The computation and interpretation of IRR and NPV
 1. Before tax
 2. After tax
 3. Importance of possible tax advantaged returns in real estate
- F. Basic risk analysis
 1. Evaluation of debt coverage ratio and break-even ratio relative to property type
 2. Sensitivity analysis (worst case scenario)

SESSION 16

ZONING AND PLANNING, SUBDIVIDING OF LAND, AND SPECIAL ISSUES

Intended Learning Outcomes

- Describe the major provisions of the Growth Management Act
- Know when a development of regional impact review is needed
- Understand the purpose of the concurrency provision
- Distinguish among a variance, special exception and a nonconforming use
- Describe the characteristics of a planned unit development
- Distinguish between zoning and subdivision regulations
- Explain the use of impact fees and dedication of land
- Explain the basic provisions of the Florida Uniform Land Sales Practices law
- Briefly describe the purpose of the Clean Water Act of 1997 and the Coastal Zone Management Act

Vocabulary List

- | | |
|----------------------------------|------------------------------|
| ▪ concurrency | ▪ subdivider |
| ▪ dedication | ▪ subdivision |
| ▪ development of regional impact | ▪ subdivision plat map |
| ▪ Growth Management Act | ▪ subdivision regulations |
| ▪ impact fees | ▪ variance |
| ▪ nonconforming use | ▪ wetlands |
| ▪ planned unit development | ▪ zoning |
| ▪ special exception | ▪ zoning board of adjustment |

Outline

- I. Zoning
 - A. Historical perspective
 - B. Nonconforming use
 - C. Variance
 - D. Special-use permit
 - E. Variations and special uses of traditional zoning
 1. Planned Unit Development (PUD)
 2. Flood zones
 - a. Flood insurance
 - F. Subdivision regulations

Broker Course Syllabus (FREC Course II)

II. Subdividing and Development of Land

- A. Concurrency
- B. Impact fees
- C. Uniform Land Sales, F.S. 498
 - 1. Definition of a subdivider
 - 2. Subdivision defined
 - 3. Provisions of law
 - 4. Exemptions
- D. Federal regulation of interstate sales of subdivided land

III. Wetlands and Ecological Issues

- A. Federal Water Pollution Control Act (Clean Water Act)
 - 1. Army Corp of Engineers administers permitting process
 - 2. Requires authorization to deposit dredged or fill matter onto wetlands
- B. Coastal Zone Management Act
 - 1. To protect wetlands, beaches, dunes and barrier islands

SESSION 17

ENVIRONMENTAL ISSUES AFFECTING REAL ESTATE TRANSACTIONS

Intended Learning Outcomes

- Understand the purpose and provisions of the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA)
- Understand the provisions of the Superfund Amendment and Reauthorization Act (SARA)
- List the criteria for the innocent landowner defense
- Understand the purpose and use of the National Priority List
- Describe the information contained in a Phase I Environmental Assessment
- Describe the disclosure requirements for radon gas
- Know the provisions of the Residential Lead-Based Paint Hazard Reduction Act
- Understand the disclosure requirements for lead-based paint
- List exceptions to the Lead-Based Paint Hazard Reduction Act

Vocabulary List

- | | |
|---------------------------------|--|
| ▪ asbestos | ▪ lead-based paint |
| ▪ CERCLA | ▪ national priorities list |
| ▪ environmental due diligence | ▪ phase I assessment |
| ▪ environmental site assessment | ▪ potentially responsible person (PRP) |
| ▪ innocent landowner defense | ▪ radon gas |

Outline

- I. Comprehensive Environmental Response, Compensation and Liability Act (CERCLA)
 - A. Purpose and scope
 - B. Superfund Amendment and Reauthorization Act (SARA)
 1. Potentially responsible persons
 2. Innocent landowner defense
 - C. National priorities list
 - D. Environmental due diligence
 1. Environmental site assessment
 - E. Reducing liability

II. Environmental Hazards

A. Asbestos

B. Radon

1. Florida disclosure law, Section 404.056, F.S.
2. Required radon disclosure statement

C. Lead-based paint

1. Residential Lead-Based Paint Hazard Reduction Act
 - a. Information pamphlet
 - b. Disclosure of known lead-based paint and all test results
 - c. 10-day period for testing allowed for purchaser
 - d. Warning statement and acknowledgment attached to purchase and sale agreement with required language
 - e. Exemptions from law
 - f. Seller responsibilities
 - g. Landlord responsibilities
 - h. Real estate licensee responsibilities

SESSION 18

PROPERTY MANAGEMENT

Intended Learning Outcomes

- Understand the licensing requirements for property managers and list the exemptions from the requirements
- Understand the definition of a community association and the employment situations which require a community association manager's license
- Describe the skills required of a property manager
- Describe the steps involved in analyzing the market and the property
- Describe the methods required by Chapter 475, F.S. to handle security deposits
- Know which lease forms may be completed by a real estate licensee
- Distinguish among the various types of leases and between a tenancy at will and a tenancy at sufferance
- Understand the provisions of the Civil Rights Act of 1866, the Fair Housing Act and the Americans with Disabilities Act as it applies to property management activities
- Know the provisions of the Florida Landlord and Tenant Act

Vocabulary List

- | | |
|-----------------------------------|--------------------------|
| ▪ Americans with Disabilities Act | ▪ sublease |
| ▪ assignment | ▪ subordination of space |
| ▪ Civil Rights Act of 1866 | ▪ technical oversupply |
| ▪ community association | ▪ tenancy for years |
| ▪ economic oversupply | ▪ tenant at sufferance |
| ▪ Fair Housing Act | ▪ tenant at will |
| ▪ fixed lease | ▪ three-day notice |
| ▪ Florida Landlord and Tenant Act | ▪ writ of possession |
| ▪ gross lease | |

Outline

- I. Introduction to Property Management
 - A. Scope of property management
 1. Property management firms
 2. Affiliate of full-service real estate company
 3. On-site management

- B. Licensing requirements and exemptions
 - 1. Activities requiring a real estate license
 - 2. Rental activities exempt from requirement for a real estate license
 - 3. Lawful and unlawful activities of unlicensed salaried employees

- II. Property Management Markets
 - A. Office building management
 - B. Retail management
 - C. Residential management
 - D. Condominiums and cooperatives
 - E. Community association relationships

- III. Skills Required of a Property Manager
 - A. A property manager must be able to:
 - 1. Supervise others
 - 2. Understand general accounting principles (GAP), monthly and yearly reports
 - 3. Understand building systems
 - 4. Handle landlord-tenant relations and have a working knowledge of applicable laws
 - 5. Lease space including space planning, area design, and building layout
 - 6. Advertise and market space
 - 7. Know codes and regulations (local, state and national)
 - 8. Know purchasing
 - 9. Know appraisal, finance, money markets, depreciation techniques, financial trends, local market conditions
 - 10. Have a general construction knowledge
 - 11. Have an understanding of ecology issues

- IV. The Rental Process
 - A. Evaluating the rental market
 - 1. Regional analysis
 - 2. Neighborhood analysis
 - B. Property analysis
 - 1. Evaluate interior and exterior's condition and utility
 - 2. Examine locational characteristics
 - 3. Analyze the income
 - 4. Analyze the operating expenses
 - 5. Project the cash flows
 - 6. Rate of return for property
 - 7. Determine recommendations for the property
 - C. Marketing rental units
 - 1. Advertising space
 - a. Signs
 - b. Newspapers
 - c. Broadcast advertising

Broker Course Syllabus (FREC Course II)

- d. Direct mail
 - e. Other media choices
 - 2. Image
 - 3. Promotional programs
 - 4. Showing the property to prospective tenants
 - 5. Screening applicants in accordance with appropriate laws and regulations
- D. Tenant policies
 - 1. Tenant relations
 - 2. Tenant complaints and conflicts among tenants
 - 3. Fees, security deposits and rental collection
 - a. Rental collection policy
 - b. Delinquency procedure
 - c. Trust accounts
- E. The lease agreement
 - 1. Standard residential lease provisions (use exhibit of standardized lease agreement to explain major lease provisions)
 - 2. Lease with option to purchase
 - a. Broker may prepare standardized lease-option contracts only
 - 3. Other types of leases
 - a. Fixed lease
 - b. Graduated lease
 - c. Ground lease
 - d. Net lease
 - e. Percentage lease
 - 4. Proration of rents
 - 5. Assignment, sublease and subordination of space
 - 6. Tenancy for years
 - 7. Periodic tenancies
 - 8. Tenancy at will
 - 9. Tenancy at sufferance
- F. Maintenance for:
 - 1. Physical integrity
 - 2. Functional performance
 - 3. Housekeeping and cleanliness
 - 4. Merchandising
- G. Staff versus contract maintenance
- H. Schedules and inspections
- I. Supervising security
- J. Accounting, record keeping and insurance
 - 1. The operating budget
 - 2. Record keeping
 - 3. Property insurance
 - 4. Statement of operations

- V. The Owner-Manager Relationship
 - A. Fiduciary responsibilities to owner
 - B. Owner's financial statement
 - C. Management associations
 - D. Management agreement provisions
 - 1. Identification of the parties and the property
 - 2. Duration of agreement
 - 3. Responsibilities and obligations of the manager and owner
 - 4. Reporting
 - 5. Accounting responsibilities
 - 6. Insurance and risk management
 - 7. How and why agreement may be terminated
 - E. Negotiating the property management agreement
 - F. Compensation for management services
 - G. Personal communications
 - H. Evaluating management performance

- VI. The Residential Landlord/Tenant Act
 - A. Landlord's statutory duties
 - B. Tenant's statutory duties
 - C. Tenant remedies for breach by landlord
 - D. Tenant security deposits and advance rent
 - 1. Accounting to tenant
 - 2. Pet deposits
 - E. Landlord's right to enter during lease term
 - F. Eviction proceedings

- VII. Staffing and Employee Relations
 - A. Job descriptions
 - 1. Executive property manager
 - 2. Director of leasing
 - 3. Property supervisor
 - 4. Resident manager
 - 5. Leasing agent
 - B. Hiring qualified personnel
 - 1. Recruitment and selection
 - 2. Training
 - 3. Retaining personnel

- VIII. Applicable Federal and State Laws
 - A. Federal and state fair housing laws
 - B. Americans with Disabilities Act
 - C. Application of Statute of Frauds
 - 1. Recordation of leases
 - D. Environmental hazards