

A black and white photograph of a hand holding a fountain pen, poised to write on a document. The pen is a classic fountain pen with a silver-colored nib and a black barrel. The hand is positioned in the upper right quadrant of the frame. The document below is slightly out of focus, showing some text and a signature. The overall composition is clean and professional, suggesting a focus on real estate or business writing.

HPW

REAL ESTATE SCHOOL

PROBLEM TOPICS ON THE REAL ESTATE LICENSING EXAMINATION

DID YOU KNOW?



The number one problem that students have in successfully passing the state exam the first time is in fact...TIME.

PASSING RATES OF STUDENTS TAKING THE STATE EXAM RELATIVE TO THE NUMBER OF DAYS FROM THE LAST DAY OF PRE-LICENSING CLASS.

<i>Took state exam within 30 days of last class</i>	<i>85%*</i>
<i>Took state exam within 31 – 60 days of last class</i>	<i>62%*</i>
<i>Took state exam within 61 – 90 days of last class</i>	<i>49%*</i>

* Information provided by NC Real Estate Commission

Frequently students will say they are not ready to take their class exam and they prefer to wait. As the above chart illustrates, if you wait to take the class exam you will greatly impact the likelihood of passing the state exam on the first attempt. Remember the number one thing you can do to increase the odds you will pass the state exam is not to wait.

PROBLEM TOPICS ON THE REAL ESTATE LICENSING EXAMINATION

This information has been provided by the NC Real Estate Commission regarding student performance on state licensing exams. Performance on certain questions related to the listed topics is below 60% on the state licensing examination. It would appear that the following areas should receive increased emphasis in prelicensing courses::

REAL ESTATE LAW AND BROKERAGE PRACTICE

1. *Property Concepts, Ownership, Rights and Interests*

- Definition and examples of an appurtenance. (Stress the concept that an appurtenance is a right or benefit that transfers with land.)
- Defeasible fee estate – examples and possibility of reverter interest.

2. *Land Use Controls*

- “Private” streets in subdivisions.
- Subdivision protective (restrictive) covenants – especially action necessary for enforcement.

3. *Agency Duties and Relationships*

- Differences between duties to principal and duties to third parties.
- Concept of dual agent. Whether an agent showing an in-house listing is a dual agent depends upon the agent’s relationship with the buyer – buyer’s agent vs. seller’s agent working with the buyer.

4. *Basic Contract Law*

- Damages that may be awarded for breach of contract; differences between compensatory, punitive and liquidated damages.
- Contract remedies – legal concept of specific performance.

5. *Agency Contracts*

Differences between exclusive right to sell and exclusive agency listing contracts.

- Commission Rule A. 0104(a) – requirements and restrictions concerning oral buyer agency agreement. Note all details in paragraph (a) of this rule including the requirement that each oral buyer agency agreement be express. Permissible provisions in a written buyer agency agreement vs. permissible provisions in an oral buyer agency agreement. Circumstances in which use of oral buyer agency agreement is appropriate. Examples of rule violations.
- Essential elements of a buyer agency contract – including a provision concerning how broker is to be paid for his/her service. Distinguish between mandatory and optional provisions in a buyer agency contract.

6. *Residential Square Footage Guidelines*

- Application of “living area” criteria when determining and reporting square footage of a house – including treatment of the common wall between a living area and a part of the structure that is not a living area.
- Agents’ responsibilities, especially differences between typical responsibilities of a listing agent and an agent working with a buyer (either as a buyer’s agent or as a seller’s agent) with regard to measuring and calculating square footage.

7. *Standard Offer to Purchase Contract Form*

- Appropriate vs. inappropriate entries concerning the interest rate on the loan to be obtained.
- Proper methods for handling a seller’s counteroffer.
- Option money in either an option to purchase real estate or a standard offer to purchase with Alternative 2.

MISCELLANEOUS TOPICS

1. *Environmental Hazards, Laws, and Regulations*

- Real estate agents’ duties in regard to required disclosures relating to lead-based paint.

2. *N.C. Residential Property Disclosure Act*

- Properties subject to the act (and major exemptions).
- Deadline for seller to provide the required disclosure statement.

3. *Federal Income Tax implications of Home Ownership and Real Estate Investments.*

- Homeowner’s deductible expenses during years of ownership
- Allowable deductions from gross income for real estate investments.

4. *Basic construction terminology, specifically the different functions of components such as studs, joists and headers.*

REAL ESTATE LAW AND COMMISSION RULES

1. *Agency disclosure – Commission Rule A.0104, especially application of the provisions of the rule concerning disclosure of agency status by seller’s agent to buyer*
2. *Prohibition against blind ads – Commission rule A.0105 (a). Transactions subject to this regulation. Facts required to be conspicuously indicated.*
3. *Delivery of Instruments – Commission Rule A.0106(a). Meaning of the term instrument. Instruments subject to the rule.*

4. *The N.C. Time Share Act – specifically, examples of what constitutes a “time share” (NCGS 93A-41(9) and the requirements to provide a public offering statement.*

REAL ESTATE FINANCE

1. *Characteristics of constructions loans.*
2. *Adjustable rate loans – terms subject to periodic change by the lender.*
3. *Basic differences and comparative advantages among conventional, FHA and VA loans.*
4. *FHA-Insured Loans – purpose of the insurance; protected parties.*

REAL ESTATE VALUATION (APPRAISAL)

1. *Use of the various approaches to value when appraising different types of property.*
2. *Concept of “arm’s length transaction” with regard to selecting comparable properties.*
3. *Concept of “effective gross income”.*

REAL ESTATE MATH

1. *Finance Calculations*
 - **Principal and Interest Calculations – remaining principal balance after PITI payment.**
 - **Calculation of lender’s effective yield on a mortgage loan with discount points using general “rule of thumb”.**
2. *Miscellaneous Calculations*
 - **Percentage increase in equity over time based upon a stated annual rate of appreciation.**
 - **Percentage of profit on a sale.**
 - **Calculating the area of a rectangular lot, to the nearest square foot, with length and width (or frontage and depth) provided in terms of feet and inches.**
 - **Income Tax Calculations related to sale of home, more specifically, calculation of adjusted basis for tax purposes at time of sale and calculation of taxable gain on sale.**
3. *Closing Statement Prorations/Calculations*
 - **Mini closing statement problem. Net amount of cash owed by buyer at closing.**