

Chapter 1 – Real Estate as a Career

a. **Overview**

Real estate is a truly dynamic industry with numerous opportunities and professional specialties for the practitioner. “Under all is the land,” says the preamble to the REALTOR® code of ethics. It’s easy for real estate professionals to forget that they deal in what is seen by most people as one of the most valuable commodities on earth - land upon which all else is built. Real estate professionals are privileged to help people realize the true American dream of home ownership on a daily basis.

The opportunities in real estate are endless and the future looks bright. Not only does Florida have a booming population to work with, but people from all over the world come to Florida daily to buy and sell real estate. As licensed real estate professionals, we are in an enviable position to benefit directly from this dynamic real estate market. Everyone needs to live somewhere, work somewhere, and shop somewhere. The potential for success in Florida real estate is truly unlimited.

This chapter will provide information about the vast array of specializations available in this field, discuss the role that education and technology play in a real estate career, and offer tips for planning your real estate career.

b. **Objectives**

After completing this chapter, you should be able to do all of the following:

- Identify various specializations available to real estate professionals
- Know the definition for a residential sales transaction
- Identify types of professional organizations available to real estate licensees
- Know the purpose of the NAR Code of Ethics
- Explain the skills necessary for a successful real estate career
- Know the key technological tools for a successful business
- Identify important elements in planning your business

c. **Outline**

(Section 1) Specialization within the Real Estate Profession

Residential Sales or Rentals
Commercial Sales or Leasing
Industrial Sales or Leasing
Timeshare/Vacation Ownership Sales
Agricultural Sales
Property Management
Business Brokerage
Appraising
Counseling

(Section 2) Professional Organizations & Code of

National Association of REALTORS (NAR)

Florida Association of REALTORS (FAR)
Local Association of REALTORS
Code of Ethics – Duty to Clients and Customers
Code of Ethics – Duty to the Public
Code of Ethics – Duty to other Real Estate Licensees

(Section 3) Professional Designations and Certifications

Learning
Courses
Designations

(Section 4) Required Skills for the Real Estate Professional

Required Expert Knowledge (Valuation, Marketing, and Property transfer)
Marketing Skills
Product Knowledge

(Section 5) Technology

Technology Introduction
Multiple Listing Service (MLS) System
Forms Programs
Word Processing
Contact Management Software
The Internet
E-mail
Cell phone
Digital Camera
Accessibility

(Section 6) Planning Your Business

Selecting an Employer
Creating a Mission Statement
Setting Goals
 Short-term Goals
 Intermediate Goals
 Long-term Goals
Daily Activities
Weekly Activities
Time Management
Project Your Income and Expenses
 Business Income
 Operating Expenses
Make Use of Marketing Resources

Chapter 2 – Real Estate Laws and Rules

a. Overview

Holding a real estate license in the State of Florida is considered a privilege, not a right. This privilege was earned through hard work, dedication, and hours of studying. The license is key to earning a living in the real estate business. In your pre-license course, you may recall hearing that the purpose of the Florida Real Estate Commission (FREC) is to protect the public. Obviously, they protect the public by ensuring that those who enter the profession are honest, trustworthy, and have demonstrated minimal competency on an exam. Keep in mind that FREC's job is also to protect the public from real estate licensees.

FREC protects the public through the rules, which it oversees, and the disciplinary process, which it administers. Attaining your real estate license was hard work. Don't lose it due to negligence, poor service, or bad decision-making.

This chapter covers the highlights of the Florida Administrative Code Chapter 61J2 (F.A.C. 61J2) and Florida Statute 475 (F.S. 475). To read the complete rule (F.A.C. 61J2) or statute (F.S. 475), visit the Department of Business Professional and Regulation (DBPR) website at www.myfloridalicense.com/dbpr/re/statutes.html.

Please keep in mind that the rules and statutes will change from time-to-time. The rules and statutes referenced in this chapter were correct at the time of this publication. Always consult the website for the most current versions.

b. Objectives

After completing this chapter, you should be able to do all of the following:

- Know where to locate the key real estate license laws and rules
- Know the requirements for license renewal
- Understand the requirements for notifying the Department of changes
- Explain the rule for delivering a deposit to the broker
- Identify the duties associated with different brokerage relationships
- Understand the relationships between sales associate, broker, and principal
- Know the range of penalties for violations of real estate license laws

c. Outline

(Section 1) Knowing the Real Estate License Law

F.S. 455 (Business and Professional Regulation: General Provisions)

F.S. 475 (Real Estate Brokers, Sales Associates, Schools, and Appraisers)

F.S. 61J2

Other Applicable Statutes

Federal Laws

Code of Ethics

(Section 2) Discipline

Disciplinary Authority of the Commission
Range of Penalties

(Section 3) License Renewal

Post-License Requirements
 Post-License Education
 Sales associate first renewal
 Broker first renewal
 End-of-Course Exam
Continuing Education Requirements
 License Renewal
 Continuing Education Hours
 Completion Requirements
 Classroom Requirements
 Distance Education Requirements
 Exemptions
Inactive Renewals
License Reactivation
Members of the Armed Forces and Spouses
Exemption of Spouses of Members of the Armed Forces from Licensure Renewal
 Temporary License – Spouses of Service Members

(Section 4) Notification of Changes

Change of Name
Change of Employer
Change of Mailing Address
Change in Residency
Reporting Criminal Convictions

(Section 5) Business Operations

Advertising
Use of Association Names
Kickbacks or Rebates
 Exceptions
Handling Deposits
Rental Information
Timeshare Listing Agreements
Timeshare Purchase and Sale Agreements

(Section 6) Employment and Brokerage Relationships

Employment by More than One Entity
License Status of Officers and Directors
Brokerage Relationship Duties
Brokerage Relationship Disclosures

Disclosure Exemptions
Illegal Dual Agency
Consent to Transition to Transaction Broker

(Section 7) Property Management Violations

Licensee acting in the capacity of an investor
Licensee acting beyond the scope of a sales associate

Chapter 3 – Evaluating and Pricing Property

a. **Overview**

The question of what a property is worth is a key factor in real estate property decisions. Sellers want to know what their property is worth. Buyers want to know how a potential purchase compares to other properties on the market. Lenders are concerned with the value of a property as security for a loan. Others involved in real estate, such as tax assessors and insurance agents need information about a property's value to assess taxes and insurance needs.

Accurately estimating a property's value requires an understanding of numerous factors that affect value. Real estate licensees should have a solid understanding of the process appraisers use to arrive at a property's value. You should also have a solid background in the principles of researching and completing a comparative market analysis (CMA) of a parcel of real property.

This chapter provides information about the different types of property value, three methods that appraisers use to estimate the value of a property, and the steps you must take to complete a CMA.

b. **Objectives**

After completing this chapter, you should be able to do all of the following:

- Know when an appraisal is required
- Distinguish between an appraisal, a comparative market analysis (CMA), and a broker's price opinion (BPO)
- Identify the different types of value
- Identify the different appraisal principles
- Discuss the steps in the appraisal process
- Describe the three approaches to estimating value used by appraisers
- Know the steps for performing a CMA
- Identify the specific information needed when performing a CMA

c. **Outline**

(Section 1) Appraisal Regulation

Appraisal Regulation

(Section 2) Appraisals vs. CMAs

Appraisal Regulation

(Section 3) Valuation

Types of Value

- Assessed Value
- Investment Value
- Insured Value
- Liquidation Value
- Market Value
- Use Value
 - Income, Appreciation, Use, Tax Benefits

Price of Value

Appraisal Principles

- Principle of Anticipation
- Principle of Change
- Principle of Competition
- Principle of Conformity
- Principle of Contribution
- Principle of Progression
- Principle of Regression
- Principle of Substitution

Appraisal Purpose and Intended Use

(Section 4) The Appraisal Process

- Problem Identification
- Scope of Work
- Data Collection and Analysis
 - General Data
 - Specific Data
 - Highest and Best Use Analysis
- Apply the Three Approaches to Value
- Reconciliation of the Value Indications and Final Opinion of Value
- Report the Defined Value
 - Form Reports
 - Narrative Reports
 - Oral Reports

(Section 5) Approaches to Estimating Value

- Cost-Depreciation Approach
 - Replacement Cost
 - Reproduction Cost
- Income Approach
 - Direct Capitalization
 - Gross Multiplier Technique
- Comparable Sales Approach

(Section 6) The Comparative Market Analysis (CAM)

- Preparing the CMA
- Comparative Market Analysis Steps

- Gather Information about the Property
 - Neighborhood Aspects
 - Home Site Aspects
 - Property Features and Improvements
- Select the Comparable Properties
 - Recently Sold
 - Pending Sales
 - Active Listings
 - Expired Listings
 - Sample CMA Form
- Adjust the Comparables
 - Matched Pair (or Paired) Sales Technique
 - Square Footage Technique
 - Amenities
 - Other Adjustments
 - Adjust the Comparables Scenarios
 - Scenario 1
 - Scenario 2
 - Determine a Realistic Selling Price (Step 4)

(S7) Short Sales, REOs, and CMA

- Example
- Broker Price Opinion (BPO)

Chapter 4 – Working with Sellers

a. **Overview**

Listings are the lifeblood of every real estate office. To be successful, you must list properties and find buyers for properties. Finding sellers and buyers is critical to earning a commission; therefore, it is crucial to a successful real estate career. A common saying referring to listings is, “List to last.”

Learning prospecting techniques, preparing and conducting a listing presentation, and filling out a listing contract are tasks that you must know how to do correctly. Once you have obtained your listings, you’ll need to know how to service them effectively to ensure that you have happy and satisfied clients.

b. **Objectives**

After completing this chapter, you should be able to do all of the following:

- Explain prospecting and the various prospecting methods
- Discuss what you should include in a listing presentation
- Describe ways to make your listing presentation a success
- Identify the common types of listing contracts
- Explain the important parts of the Exclusive Right of Sale listing contract
- Describe the various aspects of servicing a listing

- Identify the specific information needed when performing a CMA

c. **Outline**

(Section 1) Prospecting

Prospecting

- Number of Contacts
- Consistency of Contacts
- System for tracking Contacts

Your Database

- Sphere of Influence
- Expired Listings
- For Sale by Owner (FSBO)
- Geographic Farm
- Past Clients

Prospecting for Sellers

- Sphere of Influence
- Expired Listings
- For Sale by Owner (FSBO)
- Geographic Farm Area
- Past Clients

Prospecting through Marketing

- Push Marketing
- Pull Marketing

Tombstone Advertising vs. Direct Response

- Using Color in Prospecting and Marketing
- Red, Blue, Yellow, Green

Prospecting Tips for Success

(Section 2) The Listing Presentation

- Things to Bring to the Listing Presentation

(Section 3) The Listing Presentation Manual

- Listing Introduction
- Professional Profile
- Personal Profile
- Comparative Market Analysis (CMA)
 - One-Step Listing Appointment
 - Two-Step Listing Appointment
- Marketing Plan
- Brokerage Comparison Chart
- Client Testimonials
- Support Materials
- Home Preparation and Staging Tips (Large List)
- Moving Preparation Checklist

(Section 4) Making Your Presentation A Success

- Be on Time
- Appropriate Dress
- Keys to a Successful Listing Presentation
 - Take Control
 - Qualify the Seller
 - Sell Yourself
 - Discuss the Listing Price
 - Close the Listing
- Things to Tell the Seller at Time of Listing

(Section 5) Listing Contracts

- Introduction
- Types of Listing Contracts
- Preparing Contracts
- How to Complete the Exclusive Right of Sale Listing Agreement

(Section 6) Servicing the Listing

- Communication
- Weekly Activity Report

(Section 7) Advertising Plan

- Flyers
- Classified Ads
- Multiple Listing Service (MLS)
- Your Website
- Home Tours
- Showings
- Open Houses

Chapter 5 – Financing Programs

a. **Overview**

To help buyers choose the best available method of financing, today's real estate professional needs to have a thorough understanding of the financing process and options. The size of a loan that a buyer can obtain certainly depends on that buyer's personal financial circumstances. It also depends on the features and structure of the loan. These are the important questions to ask. How long is the repayment period? How much of a down payment will the lender want? Does the loan carry a fixed or adjustable interest rate?

The types of loans that lenders make at any point in time vary in order to accommodate the changing conditions in the mortgage finance market. Lenders are interested in giving loans to qualified buyers, but they must structure those loans to control the risk of a buyer's default and to protect their own investments.

As a real estate professional, you can help your buyers obtain the needed financing by keeping up with the kinds of loans that are currently available in your market. Oftentimes, lenders will send out information about their latest loan programs. In addition, you can stay up-to-date by doing frequent internet searches for the newest developments.

b. Objectives

After completing this chapter, you should be able to do all of the following:

- Identify types of lenders in the primary mortgage market
- Explain the function of the primary and secondary mortgage markets
- Identify key lenders in the secondary mortgage market
- Describe the basic features of a mortgage loan
- Explain the key differences between conventional, FHA, and VA loans
- Describe amortization of loan payments in conventional loans
- Identify conventional loan options
- Describe the ratios used by lenders to qualify borrowers
- Identify buyer protections put in place by the Truth in Lending Act
- Describe the loan application process
- Identify the specific information needed when performing a CMA

c. Outline

(Section 1) Lenders in the Mortgage Market

Institutional vs. Noninstitutional Lenders

(Section 2) Sources of Financing

The Primary Mortgage Market

Introduction

Commercial Banks

Savings Associations

Life Insurance Companies

Private Parties (Individuals)

Real Estate Investment Trusts

Syndications

Private Loan Companies

Pension Funds

Endowment Funds

Credit Unions

Mortgage Loan Originators

Mortgage Bankers

Selling and Packaging of Loans

Lenders can Sell loans to one another

One institution can sell a part interest in a block of loans to another

Grouping loans into mortgage-backed securities (MBS)

Seller Financing

Seller Financing Advantages

Types of Seller Financing

(Section 3) The Secondary Mortgage Market

Ginnie Mae (Government National Mortgage Association or GNMA)

Fannie Mae (Federal National Mortgage Association or FNMA)

Freddie Mac (Federal Home Loan Mortgage Corporation or FHLMC)

(Section 4) Loan Features

Loan Fees
Loan-to-Value Ratios (LTV)
Repayment Period
Amortization
Loan Repayment Plans

(Section 5) Types of Mortgages

Conventional Loans
 Introduction
 Private Mortgage Insurance (PMI)
 Obtaining a Conventional Loan
 Conventional Qualifying Ratios (Debt Ratios)
 Amortizing Loan Payments
 Loan Options
FHA Loans
 FHA Introduction
 FHA Loan Facts
 FHA Loan Programs
 FHA Qualifying Ratios (Debt Ratios)
 FHA Qualifying Documents
 FHA Loan Limits
DVA Loans
 VA Requirements
 VA Appraisals
 VA Qualifying Ratios (Debt Ratios)

(Section 6) Financial Risk, Rules, and Regulations

Truth in Lending (*Regulation*)
The Loan Application Process (*Risk*)
 Pre-Qualifying Your Buyer
 The Mortgage Process
 The Loan Application
 Uniform Residential Loan Application
 Qualifying the Property
 Qualifying the Borrower (Applicant)
 Income
 Debt
 Net Worth
 Credit History®
Mortgage Fraud (*Rules*)
 Types
 Foreclosure Schemes
 Mortgage Fraud Resources

Chapter 6 – Working with Buyers

a. **Overview**

Listings produce buyers. A steady source of buyers is important, but you also need qualified buyers who are ready, willing, and able to buy. Spending time with unqualified buyers is a waste of your time. Preparation and planning is key to making sure that your first contact with a prospective buyer leaves the buyer with a good impression of you and helps you determine the motivation and intent of the buyer. Once you have qualified buyers, you need to set up plans for showing them the homes that most interest them. When your buyers find a home they want and decide to make an offer, you need to know how to walk them through the process of filling out a purchase and sale agreement and then help them to handle the seller's response to their offer.

b. **Objectives**

After completing this chapter, you should be able to do all of the following:

- Discuss where to find and how to qualify buyers
- Describe the various aspects of working with your qualified buyers, including showing homes, overcoming objections, putting together offers, handling negotiations, and keeping a pending file
- Identify the essential elements of a contract and reasons for termination
- Describe the characteristics of an option contract
- Identify various sections of a purchase and sale agreement

c. **Outline**

(Section 1) Buyer Prospect Sources

Where to Look

Other Sources

(Section 2) The Changing Buyer Market

Diversity is Good Business

Suburbs versus Cities

(Section 3) Preparing the Buyer

Qualifying the Buyer

Introduction

Concepts and Questions

Protecting Your Interest with Buyers

Interviewing the Buyer

Introduction

The Buyer's Interview of You

Questions from an Educated Buyer

(Section 4) Buyer Statistics

Characteristics of Home Buyers

Characteristics of Homes Purchased
The Home Search Process
Home Buying and Real Estate Professionals
Financing the Home Purchase

(Section 5) Preparing for the Sale

Buyer Agreements
 Showing Agreement
 Exclusive Buyer Brokerage Agreement
Showing Property
 Your Role
 Disclosures
Making an Offer
 Introduction
 Buyer Objections
 Objections about Price
 Overcoming the Reluctant Buyer
 Offer Contract

(Section 6) Contracts

Contract Components
 Statute of Frauds [F.S. 725.01]
 Statute of Limitations
 Essential Elements of a Contract
Florida Real Estate Forms
 Purchase and Sale Contracts
 Forms Programs
 “Florida Contracts” (Residential Contract for Sale and Purchase)
 How to Complete the Residential Contract for Sale and Purchase
 “AS IS” Residential Contract for Sale and Purchase
 Contract for Residential Sale and Purchase
Option Contract
Contract Negotiation
Contract Termination

(Section 7) The Pending File

Pending File Essentials
Success When Working with Buyers

Chapter 7 – Basic Residential Product Knowledge

a. **Overview**

Real estate licensees need to have a basic understanding of the various systems and components of residential products. This product knowledge is key for the preparation of accurate property descriptions for listing profile sheets and advertising. The knowledge is also

required in order to assist customers with material defect disclosures and inspection reports. If you provide inaccurate or misleading information to your buyers, they may make inappropriate and costly decisions. Therefore, it is wise for you, the real estate professional, to have a basic knowledge of the residential products you sell.

This chapter provides you with an overview of residential property components, such as lot configurations, roof types, insulation, and heating, ventilation, and air-conditioning systems (HVAC). It also provides a brief synopsis of the construction industry regulations including building codes and zoning ordinances.

b. **Objectives**

After completing this chapter, you should be able to do all of the following:

- Distinguish among different types of lots
- Describe basic substructure and superstructure elements of a building
- Distinguish among different types of roof styles, door, and window types
- Discuss insulation rating and the various types of insulation
- Describe the plumbing, HVAC, and electrical systems of a residence
- Understand how building codes regulate residential construction

c. **Outline**

(Section 1) Introduction and Lot Configuration

Introduction to Product Knowledge

Lot Configuration

(Section 2) Structure and Components

Substructure and Superstructure

Substructure

Superstructure

Types of Roofs

Doors and Windows

Doors

Windows

Insulation

Introduction

Types of Insulation

Asbestos-Containing Materials (ACMs)

Foam-in-Place Insulation

(Section 3) Home Mechanics – Plumbing

Water Supply

Plumbing System

Supply and Disposal Lines

Plumbing Fixtures

Hot Water Heaters

(Section 4) Home Mechanics – HVAC

Heating, Ventilation, and Air-Conditioning Systems (HVAC)

British Thermal Units (BTUs)

Heating Systems

Ventilation

Air-Conditioning Systems

Systems that Provide Heating and Cooling

Heat Pumps

Geothermal Systems

(Section 5) Home Mechanics – Electrical

Electrical System

Introduction

Conductors

Circuits

Electrical Terminology

Circuit Protection

(Section 6) Regulation of the Construction Industry

Federal Regulation

Introduction

Federal Regulation

State Regulation

Local Regulation

Chapter 8 – Fair Housing Laws

a. **Overview**

Real estate professionals have an ethical responsibility to all of their clients and customers. When it comes to fair housing laws, the responsibility is also a legal one. Civil rights laws in the real estate industry are designed to generate circumstances in which persons with similar financial means have similar choices when attempting to buy, lease, rent, or finance property. The laws are also designed to allow every person an opportunity to live in the place of their choice by creating an open and unbiased market.

Fair housing laws on the federal, state, and local levels affect every aspect of a real estate transaction. In this chapter, we will take a historical look at the fair housing laws, see which classes of individuals are protected, learn the exemptions to the laws, and find out how the laws are enforced. We will also look at your responsibilities as a real estate professional for following these laws as well as for seeing that both your sellers and buyers follow them, too.

b. **Objectives**

After completing this chapter, you should be able to do all of the following:

- List the protected classes that are covered by the fair housing laws
- Identify prohibited activities and violations

- Explain the exemptions to the fair housing laws
- Identify the civil rights protections provided under the Americans with Disabilities Act (ADA)
- Describe how the federal fair housing laws are enforced
- Explain key aspects of the Florida fair housing laws
- Discuss how to avoid discrimination when working with buyers and sellers and in advertising

c. **Outline**

(Section 1) Federal Fair Housing Laws – A Historical Perspective

Civil Rights Act of 1866
Federal Fair Housing Act
1988 Fair Housing Amendment
Summary of Protected Classes (table)
Fair Housing Poster (HUD Poster)
Exemptions
American with Disabilities Act (ADA)
 New Construction and Renovation

(Section 2) Penalties & Enforcement of Federal Laws

Summary of Prohibited Acts
Specific Violations
Enforcement of Federal Fair Housing Laws

(Section 3) Florida Fair Housing Laws

Florida Fair Housing Act
S5 and Older Housing
Administrative Penalty
Stigmatized Properties

(Section 4) Working with Clients

Tips on Working with Clients
Compliance When Listing
Handling Difficult Questions

(Section 5) Advertising

Introduction
Writing Advertising Copy
Fair Housing Advertising Word and Phrase List
Newspaper Advertising
Tips to Avoid Discrimination in Advertising

Chapter 9 – Closing Real Estate Transactions

a. **Overview**

Once a seller accepts your buyer's offer on a property, you move into the next phase of the transaction. The buyers will apply for financing, order inspections, and get a preliminary title report. The seller will pay off any liens against the property, arrange for any repairs, and execute the deed. These activities are all part of the closing process that leads up to and includes the final settlement of the transaction.

A good part of your job as a real estate professional is to help your buyer and seller through the closing process. For the most part, your client will be unaware of how the process works and will have numerous questions. They will want to know how long it takes to close the sale, what their responsibilities are, and how much money they will need to complete the sale. The seller will want to know how much cash they will receive on the day of closing.

Once the day of closing approaches, you will need to walk them through the charges that appear on the settlement statement and help them through the stresses of signing all the documents. In this chapter, we will cover all the things you need to do from contract to closing date in order to help your buyer successfully navigate this process.

b. **Objectives**

After completing this chapter, you should be able to do all of the following:

- Describe your responsibilities during the pre-closing phase
- Discuss working with closers, home inspectors, and appraisers
- Describe the different types of insurance the buyer will need
- Explain the charges found on the HUD-1 Settlement Statement
- Identify and calculate items that are typically prorated or prepaid between the buyer and seller
- Calculate state transfer taxes
- Discuss the final steps in the closing process

c. **Outline**

(Section 1) The Closing Process

Preparing to Close

Introduction

Using Checklists

Closing Responsibilities Checklist

MLS and Signs

Inspections

Working with Home Inspectors

Choosing a Home Inspector

The Home Inspection Contract

The Home Inspection

Pre-Closing (Walk-through) Inspections

Financing Preparation

Working with Appraisers

- Loan Application
- Earnest Money and Additional Deposits
- Choosing the Escrow Agent

Insurance

- Advising Your Buyer About Insurance
- Property Insurance
- Flood Insurance
- Title Insurance

Additional Documentation

- Wrapping Things Up
- Additional Closing Documentation
- Home Warranties

(Section 2) Settlement Procedures

- RESPA Requirements
- Settlement Statement (Closing Disclosure)
- Review the Closing Disclosure

(Section 3) The Closing

Settlement Overview

- Introduction
- Closing Settlement Statement

Proration

- Closing Disclosure Proration and Prepayment Computations
- Property Tax Proration
- Community Association Monthly Fee Proration
- Rent Proration
- Existing Mortgage Interest Proration

Prepayment

- Prepayment of Mortgage Interest Computations
- Prepayment of Escrow Item

Taxes

- State Transfer Taxes
- State Documentary Stamp Tax on Deed
- Intangible Tax on New Mortgage Liens
- Documentary Stamp Tax on New Mortgage Notes

Closing Day

- Closing Day
- Post-closing Activities

Chapter 10 – Foreclosures, Short Sales, and Auctions

a. **Overview**

Lenders take certain risks when they issue mortgage loans to borrowers. One of the

most important risks in making a mortgage loan is that the borrower will default on the note in some way. When this happens, the lender may not receive the expected mortgage payments.

A mortgage default can result from any breach of the mortgage contract. The most common default is the failure to meet an installment payment of the interest and principal on the note. Default can also occur if a homeowner fails to pay taxes when they are due or neglects to pay hazard insurance premiums.

Most loan agreements stipulate the penalties that will occur if the borrower defaults. The most common penalty is the foreclosure of the property by the lender. Many lenders, however, prefer to avoid foreclosure if possible, so they will consider options. In this chapter, we discuss the foreclosure process, as well as the alternative a lender might consider to avoid foreclosure.

b. **Objectives**

After completing this chapter, you should be able to do all of the following:

- List and define several alternatives to foreclosure
- Discuss the deed in lieu of foreclosure
- Explain how to handle a short sale transaction
- Describe the foreclosure process
- Discuss the three types of auctions and common auction terms

c. **Outline**

(Section 1) Foreclosure Alternatives

Forbearance or Moratorium

Restructure the Mortgage Loan

Recasting

Extension Agreements

Transfer the Mortgage to a New Owner

Deed in Lieu of Foreclosure

Introduction

Requirements

Benefits of a Deed in Lieu of Foreclosure

Legal Advice

Tax Consequences

Short Sale Transactions

Introduction

Requirements

Benefits of a Short Sale

Establishing Financial Hardship

Short Sale Documentation

Short Sale Package

Short Sale Transaction Guidelines

(Section 2) Foreclosure Process

Introduction
Equitable Right of Redemption
Deficiency Judgment

(Section 3) Auctions

Auction Systems
 Courthouse Auctions
 Government Auctions
 Private Auctions
Auction Industry Terms

Chapter 11 – Condos, Coops, and Timeshares

a. **Overview**

Residential homeownership consists of an assortment of single- and multiple-family dwellings. As a real estate professional, should understand the particulars of the sale and purchase of these types of homes. However, along with the familiar types of single-family residences, you will also deal with the more complex types of residential dwellings, particularly condominiums (condos), cooperatives (co-ops), and timeshares.

In addition to the issues that surround the purchase of a more typical residence, those who buy condos, co-ops, and timeshares also must deal with such concepts as condominium documents, homeowners' associations, common and limited-common elements, maintenance assessments, and special assessments. In addition, they will have to deal with complex financing and taxation issues.

Essentially, when a buyer purchases a condo, co-op, or timeshare unit, they will be living with other owners who made a similar purchase in the same building. Neighbors are separated by walls, floors, and ceilings. They are not on a physically separate piece of land in a physically separate building. Owners will share common elements, such as elevators, hallways, parking areas, and recreational facilities. These areas belong not to just one resident, but to all residents who own property in that building. Common elements are governed by rules and regulations to which all residents are bound. This is the nature of this type of living.

b. **Objectives**

After completing this chapter, you should be able to do all of the following:

- Distinguish between the various types of community associations based on their characteristics
- Describe the laws, documents, and purchasing process associated with condominium ownership
- Describe the purchasing process, financial statements, and documents associated with cooperative ownership
- Describe the types of timeshare ownership and the disclosures required by Florida law
- Discuss the purpose and required disclosures for Homeowners' Associations (HOAs)

- Know when a Community Association Management (CAM) license is required and discuss the duties of a CAM

c. **Outline**

(Section 1) Condominiums (F.S. 718)

Florida Condominium Law
Condominium Characteristics
Condominium Documents
Purchasing a Condominium
 The Offering Plan
 The Letter of Intent

(Section 2) Cooperatives (F.S. 719) & Timeshares (F.S. 721)

Cooperative Characteristics
Purchasing a Cooperative Unit
 Introduction
 Understanding the Financial Statements
 Board Meeting Minutes
 Cooperative Documents
 Purchase Documents
Timeshares
 Timeshare Characteristics
 Types of Ownership
 Timeshare Disclosure Requirements

(Section 3) HOA and CAM License

Homeowners' Association
 Introduction
 Required HOA Disclosures
Community Association Management (CAM) License
 Introduction
 Who Doesn't Need a CAM License?
 CAM Licensing Requirements

Chapter 12 – Real Estate Investing and Taxation

a. **Overview**

While saving means accumulating money, investing means using money to earn more money. A basic goal of investing is to generate more income and create wealth. Unlike stock market investments, when investing in real estate the control remains in the hands of the investor. The investor makes their own decisions that affect the future of the investment. In addition, the investor can structure purchase and sales according to their particular needs.

An investor can realize profits from real estate in several ways, such as positive cash flow, tax benefits, and appreciation that are realized at the time of sale or are realized by borrowing on the equity. Property can also serve as a hedge against inflation. In addition,

property investments are considered long-term and low-risk, as compared to some other types of investments.

However, as with any investment, an investor can also lose money. With property investments, this usually happens as negative cash flow or loss realized when the property is sold.

Real estate investing is a complex process. In this chapter, we will discuss some of the characteristics of investing, the different types of investment properties, the steps to investing in real estate, and the types of analysis an investor should perform when considering an investment.

b. Objectives

After completing this chapter, you should be able to do all of the following:

- Describe the characteristics of real property investment
- Identify and discuss the types of real estate investment properties
- Discuss the steps in real estate investment
- Explain financial analysis, including deriving net operating income, before and after tax cash flow
- Explain real estate taxation, including capital gains and losses, and depreciation
- Discuss tax shelters and property exchanges

c. Outline

(Section 1) Real Estate Investment

Introduction

Characteristics of Real Property Investment

Advantages and Disadvantages of Real Estate Investment

Working with Investment Property

(Section 2) Types of Real Estate Investment

Unimproved Land

Office Buildings

Residential Property

Reasons for Investment

Types of Residential Investments

Mixed-Use Property

Commercial/Retail Properties

Industrial Properties

(Section 3) Real Estate Investment Steps

Introduction

The Market Analysis

The Property Analysis

The Financial Analysis

Net Operating Income (NOI)

Calculating the Net Operating Income

Before-Tax Cash Flow (BTCF)
After-Tax Cash Flow (ATCF)

(Section 4) Real Estate Taxation

Introduction
Income Taxes in the U.S.
Real Estate Deductions and Exemptions
Basis of Property
Capital Gains and Losses
 Capital Gains
 Capital Losses
Gains and Losses on Investment Property
Depreciation
Tax Shelter
Property Exchange
 Taxable Gain on an Exchange

Chapter 13 – Becoming a Broker or Manager

a. **Overview**

Becoming a licensed real estate broker who works for a brokerage company is one thing. Owning and managing a real estate firm is something altogether different. Making the decision to start your own brokerage firm is a big step and one that needs careful consideration and planning. A broker has several responsibilities. They must be an effective salesperson, a business manager, a financial analyst, a marketer, a personnel manager, and a leader. In addition, to being able to run a successful business, they must be very knowledgeable of the real estate law.

Many times, successful sales people want to become managing brokers and have their own brokerage business, only to discover how truly difficult it is. For that reason, in this chapter, we cover some of the topics that a prospective brokerage company owner must face when going into business.

b. **Objectives**

After completing this chapter, you should be able to do all of the following:

- Identify the various real estate specialties and forms of organization
- Discuss a number of business models from which a broker can choose
- Explain the important aspects to consider in a good business plan
- Discuss recruiting practices and the training of associates
- Know the qualities to look for and the traits to avoid in an office manager

c. **Outline**

(Section 1) Business Planning

Introduction
Specialties

Forms of Organization
Sole Proprietorship
Partnership
Corporation
Franchise vs. Independent

(Section 2) The Business Model

Traditional/Full-Service Model
Reduced Service/Higher Commission Model
High or 100% Commission Model
Broker Sells/No Associates Model
Virtual Office Website (VOW)

(Section 3) The Business Plan

Introduction
Define Your Role
Define Your Market
Plan Your Office Space (Facility)
Determine Start-Up Costs
Prepare Your Operating Budget
Compose a Policy and Procedures Manual
Establish Your Brand

(Section 4) Training

Introduction
Writing and Understanding Contracts
Prospecting and Farming for Listing
Building and Presenting an Effective Listing Presentation
Advertising, Marketing, and Selling a Listings
Working with Buyers
Ongoing Training

(Section 5) Building Your Future

Recruiting
Becoming an Office Manager