

**REAL ESTATE PRINCIPLES
PROJECT #2 (50 POINTS)**

Directions:

You will not receive a grade for Real Estate Principles (RE11) without completing the real estate project.

FORMAT: Do not put in a binder, or a plastic slipcover. Staple all pages together in the upper left-hand corner. The answers must be keyboarded, but legible pen corrections on your typed work are acceptable. Use letter sized paper, not legal. Note: Some answers require a (\$) dollar or (%) percent sign, and will be marked incorrect if missing. All pages must be numbered and your name, class section number, day our class meets and morning (AM) or evening (PM). (I.E J. Doe, RE11, #3760, Tues/Thur, AM.) put on the bottom of each page. Each answer must be put in number order with the question number before each answer. Answers must be in table, or chart column format; as shown.

CONTENT: Realistic working conditions include having honest expectations as to educational requirements necessary to do the job, hours, income and work duties. *You must interview three persons* that hold any type of real estate OR appraisal license. On the last page of this project, attach one business card for each of the persons you interviewed. Interviewees are not asked specific questions, unless indicated, but may assist you in answering any part of your total project. You are responsible for giving only one correct answer for each question.

Writing skills are necessary for real estate communications skills, including proper spelling and showing the ability to follow directions. Do not reword the question in your answer. One-line answers are acceptable. Answering only "yes" or only "no" is incorrect. Use concise, short answers that are very specific to the question. **5 points will be deducted if directions are not followed.**

Cover Sheet:

- a. Your full name and student ID number
- b. Your mailing address, including zip code.
- c. Your telephone number including area code.
- d. Your email address.
- e. Course name, section number, instructor name, semester and year

1. – 4.	Scenario: If 1 transaction = \$10,000 net commission to agent for a 45-day escrow period: 1. How many escrows does an agent need to close to make \$50,000 the first year in the real estate business? 2. The amount earned on a per day basis would be \$_____? 3. During the second year in the real estate business the agent earns \$70,000. How many escrows did the agent closed? 4. For the third year in the business the agent closes 1 ½ escrows per month. How much money would he earn? What is the average sales price per transaction in your office? What is the average commission the broker/office receives?
5.	Cite the name of one of the licensees and the name of their firm/employing broker, you interviewed to answer: "How much could I expect to make in your office in my first year, if I worked for <u>your</u> firm?" \$_____
6.	After 3 years as a (*), what would your receive as an average expected income: \$_____
7. – 8. 2pts	Using your first choice answer from question 1, how much would the average person in this field make using written citations, at least one state cite and one federal cite. How much money does the average (*) make in their first year. (<u>Attach</u> a copy of a written source, such as website, government or library written source: Occupational handbook; employment office; Dept. of Labor; IRS; (salary.com); California EDD (www.calmis.ca.gov/); (www.realestatejobstore.com/ejobs_cfmfiles/salary/); (www.bls.gov/); (http://salaryexpert.com); (http://www.bls.gov/oco/ocos120.htm); (www.realestatetemps.com).) You may <u>not</u> cite yourself, class lecturer, nor your instructor. Do not use verbal, interviewee name. You must show the web address.

9. – 11. The N ½ of the W ½ of the SE ¼ of section 12, and the N ½ of the S ½ of section 20, and the NE ¼ of the NE ¼ of the NE ¼ of section 17.

9. How many total acres are contained in these sections?

10. Which is the largest section?

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11. If the property sold for \$5,000 per acre, what would be the total cost for the land?
12. A buyer and seller use the standard CAR Purchase Agreement and both parties signed the liquidated damages clause. The seller and buyer agreed on a purchase price of \$700,000 utilizing the liquidated damages clause. The buyer's initial deposit was 1% of the purchase price; the buyer agreed to the seller's counter offer increasing the deposit to 10%; the buyer countered for 5% deposit; the seller agreed. Four weeks later, the buyer backs out and wants their deposit back. The seller wants the maximum amount of deposit they may keep according to the contract. What can the seller expect to receive according to the terms of the contract?
- \$7,000
 - \$21,000
 - \$35,000
 - \$70,000

13. – 17. The rent is \$900 per month, due on the first day of the month, paid in advance. The escrow closes on the tenth day of the month. Calculate:

- | | |
|---|----------|
| 13. The amount of rent per day is | \$ _____ |
| 14. The buyer will receive a (Debit) or (Credit) | _____ |
| 15. The seller will receive a (Debit) or (Credit) | _____ |
| 16. The dollar amount for the buyer | \$ _____ |
| 17. The dollar amount for the seller | \$ _____ |

18. What is most nearly the shortest time required to foreclose on a trust deed default?
- one month
 - three months
 - four months
 - twelve months (1 year)
19. Loan expenses on a \$30,000 second trust deed loan that is due and payable in 3 years are:
Appraisal fee \$300, Recording fee \$15, Credit report fee \$35
What is the maximum loan charges the broker may charge for this loan?
- \$1,500
 - \$3,000
 - \$4,500
 - None of the above.

20. – 24. You determine that a bedroom is valued at \$15,000 and a bath at \$10,000 for:

Appraisal	Subject	Comp #1	Comp #2
Value	?	\$400,000	\$350,000
Bedrooms	3	4	2
Bathrooms	2	3	1
Indicated Value	20. \$ _____	21. \$ _____	
Adjustment	22. _____%	23. _____%	

All other features are same or similar to subject. **Show your math calculation**

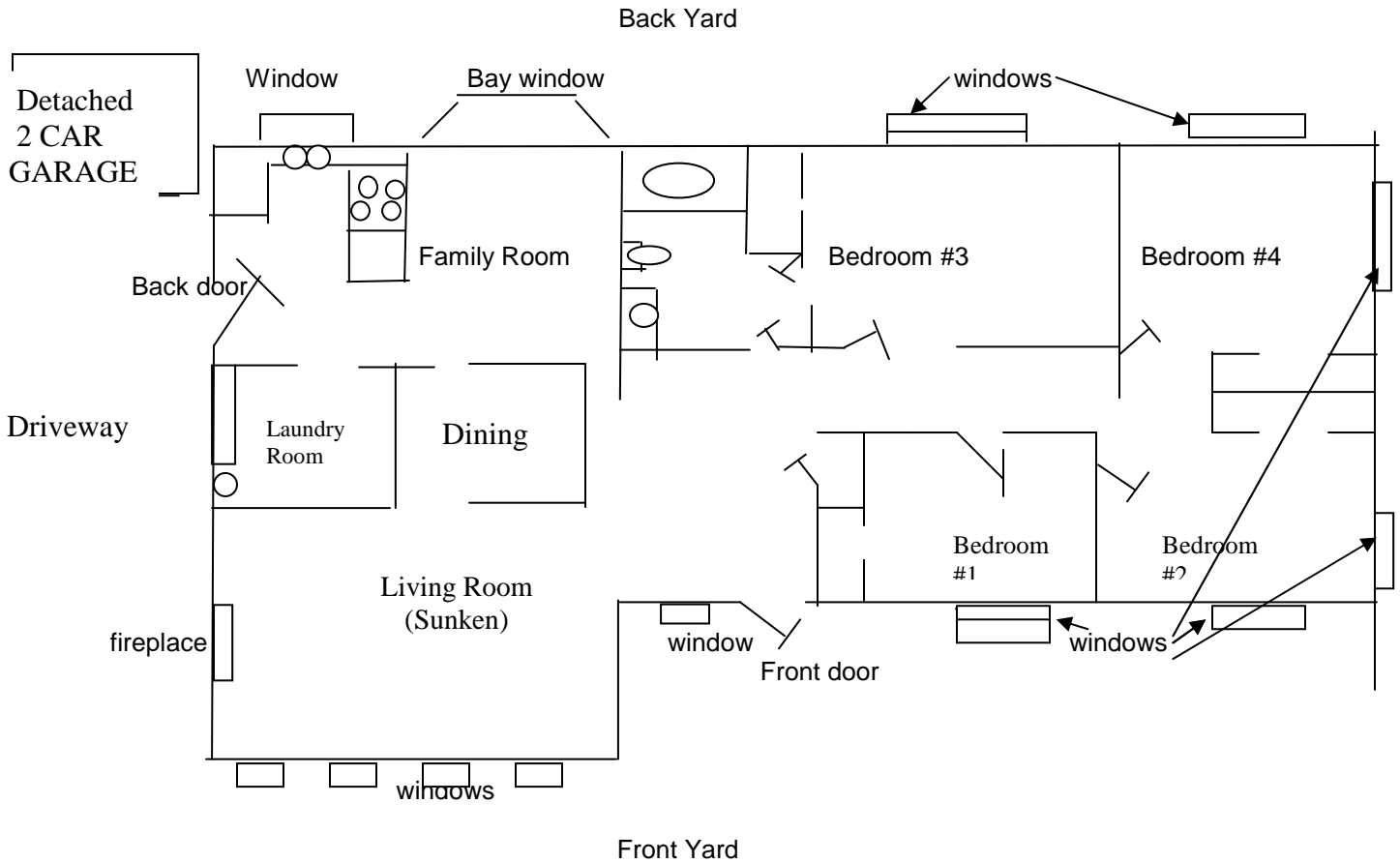
24. What is the indicated value for subject property? \$ _____

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25. – 26. Go to the El Camino College library reference room, and obtain a copy of the “Marshall & Swift” real estate appraisal publication (limit 2 hour check out period).
Make a copy of two (2) pages from the publication that you would use for the floor plan remodel and indicate/mark the appropriate data you would use.
27. Elm Street and will obtain a new 80% LTV conventional loan and a 5% LTV second trust deed, how much cash (excluding closing costs) will the buyer need to close escrow on a \$500,000 sales price?
- a. \$ 25,000
 - b. \$ 50,000
 - c. \$ 75,000
 - d. \$100,000
28. Which of the following loans do not require mortgage insurance?
- a. FHA
 - b. 80% conventional LTV
 - c. 90% conventional LTV
 - d. 95% conventional LTV

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Floor Plan Remodel



The above is an example a floor plan that does not fit today's home buyers. It is a 4 bedroom, one bathroom with sunken living room with fireplace on the driveway side, a small formal dining room, a utility/laundry room off the kitchen side, a large formal entry and a detached two-car garage on the rear of the lot.

Look at the information found in the appraisal chapter(s) to determine:

29. Is this floor plan curable or incurable? (circle one) **1pt**

30. – 34. Draw on the above floor plan to correct the problems for today's buyer that are not cost-prohibitive according to the answer obtained from questions 36-50. Attached a copy of this page with your remodel drawing on this page. You may not go outside the existing roof (cannot build a second story), and You may not go outside the existing floor pad (cannot enlarge the footprint). **5 pts**

35. Circle the name of the appraisal term used to describe this floor plan: Physical deterioration; functional obsolescence; economic obsolescence. **1pt**

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List the changes you recommend from your drawing to fix the floor plan. In the first column write the room or area to be changed & briefly describe. In column two use the cost figures you found at the web site described in 119-120; and write the approximate amount of the cost for that item. For the last two columns, mark one or the other with a check mark to indicate if the costs vs. benefit is low enough so that it is curable to fix the problem; or, mark incurable if the cost is too expensive to fix for the benefit received. **(15pts).**

36 – 50	Name the room/area & describe change	Appx.Cost to Cure	Curable	Incurable
	36.	37. \$	38.	38.
	39.	40. \$	41.	41.
	42.	43. \$	44.	44.
	45.	46. \$	47.	47.
	48	49. \$	50.	50.