REAL ESTATE PRINCIPLES

Chapter FIFTEEN
The Real Estate Industry

PERFORMANCE OBJECTIVES

After completing this unit, you will be able to:

1. Trace the development of the California Real Estate industry.
2. Describe the organization of the California Department of Real Estate.
3. List the requirements for obtaining a Real Estate Salesperson’s or Real Estate Broker’s license.
4. Discuss real estate trade associations on a local, state and national level.

I. IMPORTANT EVENTS IN CALIFORNIA REAL ESTATE HISTORY

The history of California, as you have learned, is reflected in the ownership, use and regulation of its Real Estate. In the twentieth and the twenty-first century, the need for regulation and disclosure has been given top priority.

A. The trade name ______ was adopted by the National Association of Realtors.

B. California enacted a licensing law requiring Real Estate agents to register with the state. The law was initially declared unconstitutional, then later approved by the courts.

C. Written examination became mandatory for obtaining a Real Estate license.

D. A predominantly African American group of real estate brokers formed the National Association of Real Estate Brokers and established the trade name ______.

E. California raised license fees to create an education and research fund.

F. A claim recovery feature was added, establishing the Real Estate Education, Research and Recovery Fund.

G. Proof of completion of courses in Legal Aspects of Real Estate and Real Estate Practice were required to be eligible to take the Real Estate Broker’s examination.

H. Proof of completion of courses in Real Estate Finance and Real Estate Appraisal were added as requirements for being eligible to take the Real Estate Broker’s examination.

I. The number of courses required to be eligible to take the Real Estate Broker’s examination was raised to six.

J. All real estate licensees were required to complete 45 hours of approved continuing education courses prior to renewing their licenses.

K. All California real estate licensees became bound by the California Real Estate Commissioner’s Code of Ethics. This was later repealed.

L. ______ prompted the courts, then the legislature, to identify a seller’s and real estate broker’s duty of disclosure to third persons by doing a physical inspection upon the sale of a 1-4 unit residential property.

M. Education requirements at all levels increased. Everyone wanting to become a licensee in California had to take the course California Real Estate Principles and pass it to become eligible to take the California Real Estate licensing examination. Upon passing the state examination that individual was eligible to participate in the business of real estate by going to work for a real estate broker. The courses to become eligible to take the California Real Estate Broker’s licensing examination were increased to ______ and will be discussed more in the qualification for a real estate brokers just ahead.
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n. Mortgage Loan Brokering and Lending.
o. Real Estate Computer Applications.

4. Meet one of the following experience requirements:
   a. Have been actively engaged as a real estate salesperson for ________ of the last five years or
      have equivalent experience in an allied field, or
   b. Have had one year active experience as a real estate salesperson (or in an allied field)
      within the past five years and an associate degree from an accredited college or university, or
   c. Have a four-year degree from an accredited college or university.

5. Pass a broker examination of ________ multiple-choice questions. Examinee must answer
   ________% of the questions correctly. Examinee is allotted five (5) hours to complete the
   examination.

6. Submit the required application, fingerprints and license fee.

D. License Renewal
   Except for the first renewal of a real estate salesperson license, all renewal applicants must
   satisfactorily complete a total of ________clock-hours of approved offerings within the four-
   year period immediately preceding license renewal.
   1. Upon the first renewal, a licensee must take three (3) hour courses each in agency,
      ethics, trust fund handling and fair housing are to be provided at all license renewals.
   2. Upon the second, and subsequent renewals, a licensee must take a six hour combined
      course on updated changes in fair housing, agency, ethics and trust fund handling. This
      sixth course must be included in the required 45 hours of continuing education.

IV REAL ESTATE TRADE ASSOCIATION

A. The largest trade association is the National Association of REALTORS®
   (NAR). A member may use the designation ________.
B. In this state the California Association of REALTORS® (CAR) is affiliated with NAR. The
   objectives and purposes of CAR are to:
   1. Unite members.
   2. Promote high standards.
   3. Safeguard the real estate buying public.
   4. Foster unity for the benefit and protection of the real estate industry.
   5. Assist in the economic growth and development of the state.
C. At the local level are real estate associations and boards. The association's purpose is to
   distribute information and assist members on a local level. Local association sponsor:
   1. Seminars.
   2. Conferences.
   3. Training sessions.
   4. Newsletters.
D. The National Association of Real Estate Brokers (NAREB) was founded by black brokers in
   1947. Its members are called ________, NAREB consists of state and local organizations
   that assist members.
E. Other major professional designations. Most certified designations are available through
   NAR, its affiliates and other groups.

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III. ORGANIZATION AND PURPOSE OF THE CALIFORNIA DEPARTMENT OF REAL
      ESTATE

The California Department of Real Estate (DRE) was the first regulatory body of its kind in the
United States. It is financed through subdivision, license and other fees and is charged with
enforcing Real Estate Law enacted by the legislature.

A. The Governor appoints a Real Estate Commissioner who is the chief executive of the DRE
   and is responsible for the functions listed below.
   1. Administers the testing and licensing program.
   2. Disciplines licensees who violate laws and regulations.
   3. Regulates subdivision activities.
   4. Issues rules and regulations that have the force and effect of law.
   5. Initiates Real Estate education and research.
   6. Uses various advisory committees for guidance regarding policy.
   7. The Commissioner selects a Real Estate Advisory consisting of ________ members

B. Licensing requirements for Real Estate Salespersons. The applicant must:
   1. Be at least ________ years old and a legal U.S. resident.
   2. Be honest and truthful.
   3. Complete a college-level course in Real Estate Principles.
   4. Prior to or within ________ months after issuance of license, complete two (2)
      approved real estate courses.
   5. Pass a licensing examination of ________ questions. Examinee must answer ________
      % of the questions correctly to pass. Examinee is allotted ________ hours and ________
      minutes to complete the examination.
   6. Submit the required application, fingerprints and license fee. For further information
      concerning current fees and instructions, write to the DRE Information Section, P.O.
      Box 187000, Sacramento, CA 95818-7000.

C. Licensing requirements for Real Estate Broker. The applicant must:
   1. Be at least ________ years of age and a legal U.S. resident.
   2. Be honest and truthful.
   3. Complete ________ real estate courses. The first five (5) listed here are mandatory. Any
      three (3) courses from the list of courses listed here are also required.
      Mandatory:
      a. Real Estate Practice.
      b. Legal Aspects of Real Estate.
      c. Real Estate Finance.
      d. Real Estate Appraisal.
      e. Real Estate Economics. ________ Accounting.
      Plus any three of the following:
      f. Real Estate Principles.
      g. Business Law.
      h. Property Management.
      i. Real Estate Office Administration.
      j. Escrow.
      k. Advanced Legal Aspects of Real Estate.
      l. Advanced Real Estate Appraisal.
      m. Advanced Real Estate Finance.
9. Which of the following is not the responsibility of the Real Estate Commissioner?
   (a) approval of real estate license applicants
   (b) regulation of subdivisions
   (c) discipline of licensees
   (d) approving real estate commission rates

10. The Real Estate Commissioner has the right to make rules and regulations. These:
    (a) must be approved by the California Association of REALTORS®
    (b) are approved by the real estate licensees
    (c) have the force and effect of law
    (d) must be approved by local real estate boards

11. Which of these is not a requirement for a salesperson’s license?
    (a) Must be 18 years or older
    (b) Must pass a license examination
    (c) Must be a California resident
    (d) Must pay the license fee

12. Misuse of the term REALTOR® makes the real estate federal licensee guilty of:
    (a) California real estate law
    (b) Federal law
    (c) the Statute of Frauds
    (d) a felony offense

13. On residential 1-4 unit sales all of the following are mandatory disclosures except:
    (a) Megan’s Law
    (b) Mello-Roos Issues
    (c) seller’s net worth
    (d) water heater bracing

14. Which of the following must have a real estate license to handle a real estate sale?
    (a) an attorney at law acting incidental to representing a client
    (b) a person brokering a business opportunity
    (c) a trustee in a foreclosure sale
    (d) an escrow officer

15. A real estate licensee cannot handle the sale of a:
    (a) business opportunity
    (b) stock
    (c) trust deed
    (d) condominium

16. The Real Estate Advisory commission consists of how many members?
    (a) 3
    (b) 7
    (c) 10
    (d) 12

17. According to California Real Estate Law, who is authorized to revoke a real estate license?
    (a) State licensing commission
    (b) Real Estate Commissioner
    (c) State legislature
    (d) State Real Estate Commission

18. Which of the following is not required of a real estate license applicant?
    (a) pass the state examination
    (b) be 21 years of age or older
    (c) be a legal resident
    (d) submit set of fingerprint prints

19. A real estate broker can receive a commission from both the buyer and seller in a transaction if:
    (a) the broker receives approval from the Real Estate Commissioner
    (b) both pay an equal amount
    (c) the fact is disclosed and approved by both
    (d) approved by the local Association of REALTORS®

20. The funds to support Real Estate Education and Research Fund are provided by:
    (a) the legislature
    (b) real estate license fees
    (c) community colleges
    (d) a real estate transfer tax

CHAPTER FIFTEEN QUIZ

1. What group of brokers became Realtists in 1947?
   (a) California Association of REALTORS®
   (b) National Association of Real Estate Brokers®
   (c) National Association of REALTORS®
   (d) Real Estate Association of the USA

2. All of the following courses are required to be a real estate broker, except:
   (a) Real Estate Practice
   (b) Real Estate Finance
   (c) Real Estate Mathematics
   (d) Legal Aspects of Real Estate

3. How many hours of continuing education are required for the subsequent license renewals for licensees?
   (a) 18 hours
   (b) 21 hours
   (c) 24 hours
   (d) 45 hours

4. When a residential 1-4 property is sold, what law requires a real estate agent to conduct a physical inspection?
   (a) Jones v. Mayer
   (b) Ambrosius v. Commissioner
   (c) Rumford v. Garcia
   (d) Easton v. Strassburger

5. The letters MAI refer to:
   (a) Member, Appraisal Institute
   (b) Member of Art Institute
   (c) Member of Association of Investors
   (d) Member, Architectural Institute

6. The designation of IREM refers to what professional group?
   (a) Institute of Real Estate Executives
   (b) Institute of Real Estate Members
   (c) Institute of Real Estate Management
   (d) Institute of Real Estate Mathematics

7. Which of the following is usually a commission based occupation?
   (a) title officer for a title company
   (b) real estate broker employed by a seller
   (c) escrow agent
   (d) loan officer for a lending institution

8. The Real Estate Commissioner is:
   (a) an elected office
   (b) appointed by the DRE
   (c) appointed by local boards
   (d) appointed by the Governor

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