

Chapter ONE  
Introduction to Real Estate

PERFORMANCE OBJECTIVES

After completing this chapter, you will be able to:

1. Trace the history of property ownership in California.
2. List the "bundle of rights" attached to real estate ownership.
3. Distinguish between real and personal property.
4. Identify and apply the "five tests of a fixture."
5. Identify and describe real estate trade associations.

I. CALIFORNIA REAL ESTATE HISTORY

- A. California's history is a dramatic panorama of settlement and conquest and is closely tied to California Real Estate history.
  1. The first people in California were the Native American Indians. They were governed by tribal rights to the use of the land they occupied.
  2. Spanish rule in California began in 1513, when \_\_\_\_\_ first sighted the land that is now California.
  3. The Spanish king made land grants to noblemen who had distinguished themselves, usually in military exploits.
  4. Under Spanish domination the Mother Church was granted 21 Missions up and down the coast of California.
  5. The *Russians* established Fort Ross in Northern California in 1812, and did not leave the area until 1840.
  6. Mexican rule began in \_\_\_\_\_ when New Spain (Mexico) won its independence from Spain.
    - a. Mexican land grants called \_\_\_\_\_ were given to private citizens.
    - b. American rebels raised the "Bear Flag" in 1846, beginning the war with Mexico.
    7. With the Treaty of \_\_\_\_\_, which ended the war with Mexico in 1848, California became a United States territory.
    8. The Gold Rush of 1849 brought many settlers to California.

- b. Statehood was granted in \_\_\_\_\_.
- c. A land ownership recording system was adopted and the Board of Land \_\_\_\_\_ was formed to settle claims to private land.
- d. The California legal system changed from the Spanish civil code to the English \_\_\_\_\_, although reminders of the Spanish system were retained.

B. Modern California

1. Most California residents live in \_\_\_\_\_ areas.
2. California's leading population centers are \_\_\_\_\_ Bay Area and the \_\_\_\_\_.

II. REAL PROPERTY VERSUS PERSONAL PROPERTY

When you own real property, you possess certain property rights called the "\_\_\_\_\_ of \_\_\_\_\_," including:

- \* the right to own,
  - \* the right to possess,
  - \* the right to \_\_\_\_\_,
  - \* the right to \_\_\_\_\_, and
  - \* the right to \_\_\_\_\_.
- \* the right to exclude those who do not share ownership

A. Real Property consists of:

1. Land, including—
  - a. the surface of the earth
  - b. A reasonable use of the airspace above the land
  - c. Minerals and substances beneath the surface, to the center of the earth.
  - d. Landowners are entitled to a reasonable use of underground waters known as underground water rights.
  - e. Owners of land bordering a river or stream are entitled to a reasonable use of surface waters by exercise of \_\_\_\_\_ rights.
2. That which is a fixture to the land, including—
  - a. things artificially and permanently affixed to the land, such as \_\_\_\_\_
  - b. things permanently attached to a permanent addition to land, such as siding attached to a building.
  - c. things naturally affixed to the land, (but not crops) such as \_\_\_\_\_.

## REAL ESTATE PRINCIPLES

- B. The California Association of Realtors® \_\_\_\_\_ is the state affiliated group and provides services for California members.
1. Unauthorized use of the term Realtor® constitutes a violation of the Department of Real Estate regulations.
- C. The Purposes of the associations are:
1. to unite its members
  2. to promote high \_\_\_\_\_
  3. to safeguard the land buying public
  4. to foster \_\_\_\_\_ for the benefit and protection of Real Estate
  5. to cooperate in the economic growth and development of the State
- D. Another National Real Estate organization is the National Association of Real Estate Brokers \_\_\_\_\_.
1. This group formed by a group of African American brokers was founded in 1947 and called the organization Realtists.
- E. The California Association of Real Estate Brokers (CAREB) is affiliated with NAREB and has several local boards throughout the state.

## IV. OTHER MAJOR PROFESSIONAL DESIGNATION ARE:

- A. AIREA- American Institute of Real Estate Appraisers. members may earn a designation known as MAI or "Member of \_\_\_\_\_ Institute".
- B. IREM- Institute of Real Estate Managers  
1. members may earn designation known as CPM, Certified Property Manager.
- V. Careers in Real Estate
- A. In addition to sales jobs, real estate licensees may expand into the following fields:
1. loan officer
  1. appraiser
  2. escrow officer
  3. title officer
- B. Opportunities are available in:
1. Local, state, and federal government
  2. Right of way agents
  3. Plant owners
  4. HUD housing staff

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3. That which is appurtenant to the land, something affixed or annexed to and transferable with the land, such as, a right of way over adjoining land or stock in a Mutual Water Co.
4. That which is immovable by law. (such as fire extinguisher in an apt)
- B. Personal property is every kind of property that is not \_\_\_\_\_ property.
1. Personal property is \_\_\_\_\_, while real property is immovable.
    - a. Personal property can be intangibles such as any paper work used in Real Estate such as leases, contracts, deeds, and promissory notes.
  2. Crops cultivated annually are called \_\_\_\_\_ and are personal property.
- C. The status of property can change. Real property can become personal property, and personal property can become real property. For example, trees are real property, but when cut down and made into boards they become personal property.
- D. Fixtures are items of personal property attached to land in such a way they become \_\_\_\_\_ property.
1. The five tests used in court to prove whether or not an item is a fixture.
    - a. \_\_\_\_\_ of attachment.
    - b. \_\_\_\_\_ between parties.
    - c. \_\_\_\_\_ of parties.
    - d. \_\_\_\_\_ of the parties.
    - e. \_\_\_\_\_ for the land's specific use (or lack of adaptability to other land)
  2. In a disagreement over fixtures, and in the absence of an agreement to the contrary, the law favors a \_\_\_\_\_ over a \_\_\_\_\_, and \_\_\_\_\_ who acts in good faith over a landlord.
  3. Trade fixtures are those items used to operate a business. They are generally considered \_\_\_\_\_ property and can be removed by the tenant, who must do so before the lease or possession terminates and repair any damage caused by the removal.
- III. REAL ESTATE TRADE ASSOCIATIONS
- A. The largest is the National Association of Realtors® (NAR) whose recognized designation is \_\_\_\_\_.

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12. The rights to minerals that lie beneath the surface of the land, unless otherwise specified:
  - (a) cannot be conveyed apart from the real estate surrounding the minerals
  - (b) are kept by the original owner
  - (c) are automatically transferred with the sale of real property
  - (d) cannot be leased
13. In addition to the land and those things that are affixed to the land, certain other things called appurtenances are considered to be real property. Which of the following is not real property?
  - (a) trade fixtures (b) a dwelling (c) a natural tree (d) a fence
14. When anything is fastened or attached to real property in such a manner as to ensure its permanence, it is usually considered to be:
  - (a) personal property (b) real property (c) private property (d) separate property
15. There was some question in the mind of the owner as to whether or not she had any riparian rights on her recently purchased property. She was informed that the riparian rights are:
  - (a) a matter of record (b) listed in the title policy (c) stated in the grant deed (d) not found in any of the above
16. Which of these items is classified as personal property?
  - (a) seasonal crops (b) fixtures (c) land (d) appurtenant easements
17. In the early history of California, what group of explorers and colonizers were responsible for the development of presidios and pueblos?
  - (a) early Native Americans (b) Mexicans (c) Spaniards (d) colonial Americans
18. The right to a reasonable use of the flowing surface waters upon which a property owner's land borders is called:
  - (a) riparian rights (b) the right of correlative user
  - (c) the right of appropriation (d) the right of emblements
19. Which of the following is considered personal property?
  - (a) a peach crop sold to the canning factory while still on the trees
  - (b) real property (c) airspace above the land
  - (d) fifteen acres of land
20. Which is the most important test for a fixture?
  - (a) price (b) intent of the parties (c) adaptability (d) appraised value

REAL ESTATE PRINCIPLES

CHAPTER ONE QUIZ

1. Real property can be most completely defined as:
  - (a) land, buildings (b) land, fixtures, minerals
  - (c) land, items affixed to land, immovable by law
  - (d) land, affixed to land, appurtenances, immovable by law
2. Under the treaty of Guadalupe Hidalgo in 1848, the United States acquired the territory of California from:
  - (a) Spain (b) Mexico (c) France (d) Native American Indians
3. Zoning laws have the greatest impact on which "right" in the bundle of rights?
  - (a) right to use (b) right to dispose of (c) right to possess (d) right to exclude
4. Property owners whose land borders a river have rights to a reasonable use of the water, known as:
  - (a) appropriation (b) riparian rights (c) seizure use rights (d) extraction rights
5. Airspace directly above a parcel of land is considered to be:
  - (a) personal property (b) fixture (c) a chattel (d) real property
6. A decided easement or right-of-way over the land of another is considered to be:
  - (a) personal property (b) an encroachment (c) an appurtenance (d) a lien
7. An investor leases a building to a tenant who then opens a retail store. The tenant installs a cash register. The (affixed) cash register is best described as:
  - (a) real estate (b) trade fixture (c) real property (d) leased property
8. Which of the following is considered to be personal property:
  - (a) easement (b) iron ore in the ground (c) mortgage contract
  - (d) stock in a mutual water company
9. In a legal sense, real property includes all of the following, except:
  - (a) a lumber pile (b) that which is immovable according to law
  - (c) the land beneath the surface of a lot (d) a garage
10. The rights of an owner are referred to as the "bundle of rights." Which of these is not one of these rights?
  - (a) The unrestricted right to the use of riparian waters (b) the right to possess
  - (c) the right to borrow against real property (d) the right to use
11. Courts frequently have to make a decision as to whether some item does or does not go with the real property when it is sold. In making their decision they use the "five tests of a fixture." Which of the following is not a test of a fixture?
  - (a) method by which property is attached
  - (b) whether the property is considered adaptable
  - (c) whether the property is being taxed
  - (d) relationship of parties involved

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- Imaginary lines called range lines run north and south parallel to a meridian at six-mile intervals. \_\_\_\_\_ lines run east and west parallel to the base line at six-mile intervals. The area enclosed by range and township lines is a township.
- Each township is six miles by six miles, or \_\_\_\_\_ square miles. Townships are located by two identifying numbers, depending upon the number of \_\_\_\_\_ north or south of the base line, and the number of ranges \_\_\_\_\_ or \_\_\_\_\_ of the meridian.
- There are 36 sections in a township and each section is one mile square.
- There are approximately 640 acres in each section and each acre contains 43,560 square feet.
- A half section contains \_\_\_\_\_ acres, while a quarter section contains \_\_\_\_\_ acres.

## F. ESTATES

- Estates in real property fall into two major categories, freehold and less-than-freehold estates.
- A. Freehold estates are estates of \_\_\_\_\_.
- Estates in fee simple
    - A fee simple \_\_\_\_\_ is the most ownership a person can have in a piece of property. There are no private conditions or limitations on the title.
    - A fee simple \_\_\_\_\_ is subject to private conditions or limitations.
  - A life estate title is a freehold estate held for the life of the holder of the estate or some other named person or persons.
    - For example: A deeds a life estate to B for B's life. When B dies, the title goes back to A. A holds a \_\_\_\_\_ in a life estate.
    - In another situation, A deeds a life estate to B. When B dies, the property passes to C. C has a \_\_\_\_\_ estate.
    - A lives on the property but deeds the title to B, with a provision that when A dies, C can move in the property. A has an estate in reservation.
- B. Less-than-freehold estates refer to a person's interest in property as a tenant.
- \_\_\_\_\_, has a fixed term.
  - The estate from \_\_\_\_\_ is renewed automatically and is known as a periodic tenancy, or rental agreement.
  - The estate at will is not used in California.
  - The estate at sufferance is created when the tenant remains on the property after the \_\_\_\_\_ of the lease.

## II. METHODS OF HOLDING TITLE

Title to real estate may be held individually or with others.

## REAL ESTATE PRINCIPLES

### Chapter TWO Legal Descriptions and Methods of Holding Title

#### PERFORMANCE OBJECTIVES

After completing this chapter you will be able to:

- List the three major methods used to legally describe and locate land.
- Find parcel of land using each of the three location methods and be able to calculate acreage.
- Determine the differences between freehold and less-than-freehold estates.
- Outline five methods of acquiring title to real estate.

#### I. LAND DESCRIPTIONS

- A. Every parcel of land is unique and separate from all other parcels. Land descriptions are used and are necessary in order to:
- Specifically identify and locate a particular parcel of real property ownership.
  - Avoid and minimize disputes between adjoining landowners.
- B. The three legal methods of land description are:
- Lot, block, and \_\_\_\_\_ system.
  - Metes and \_\_\_\_\_ system.
  - The U.S. Government \_\_\_\_\_ system or the section and township system.
- C. Lot, block, and tract system.
- A large parcel of land is subdivided into smaller parcels, as shown on a subdivision map, also called a plot map.
  - Upon approval, subdivision is filed with the local county recorder.
  - A parcel is described and referred to by the number of the lot, the block, and the tract \_\_\_\_\_ of \_\_\_\_\_.
- D. Metes and Bounds System
- Metes and bounds simply refers to measurements and \_\_\_\_\_.
  - To measure the boundaries of a parcel of property, you start at a designated point of beginning (p.o.b.) and follow a direction and distance from one point to the next, always returning to the p.o.b., closing boundary lines.
- E. U.S. Government Survey or Section and Township System
- A township (consisting of 36 sq miles) is described by its distance from an imaginary line running east and west called a \_\_\_\_\_ and an imaginary line running north and south called a meridian line.
  - Because of its unusual shape, the State of California has three principal base lines and meridians.
    - \_\_\_\_\_ base line and meridian is located in Northwestern California.
    - \_\_\_\_\_ base line and meridian in Central California.
    - \_\_\_\_\_ base line and meridian is in Southern California.

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4. Community property
  - a. Property acquired by a husband and wife after marriage that does not qualify as separate property is \_\_\_\_\_ property.
    - (1). All property owned by either spouse before marriage is \_\_\_\_\_ property.
    - (2). All property acquired by either spouse marriage by gift or inheritance is separate property.
    - (3). All proceeds and profits of separate property remain separate.
    - (4). If separate property is commingled with community property, it may become community property.
  - b. In the absence of an agreement for a right of survivorship, either spouse can will his or her half of community property.
  - c. Each spouse has equal \_\_\_\_\_ and control rights in community property.
5. Effective 7/1/01 husband and wife are allowed to hold title as "community property with right of survivorship"

	Tenancy in Common	Joint Tenancy	Community Property
Who can hold Title?	Any two or more including married couples	Any two or more including married couples	Husband and wife only
Ownership interest	Can be equal or unequal interest	All shares must be equal	Equal Shares
Upon Death	Probate usually required	No probate is required	Special probate right, or no probate if right of survivorship
Disposition of title	Other's permission not required to convey	Other's permission not required to convey	Need both signatures to convey

CHAPTER TWO QUIZ

1. Under the U.S. Government Survey System, which lines run parallel to the principal base line?
  - (a) township line
  - (b) meridian line
  - (c) range line
  - (d) survey line
2. How many square feet in an acre?
  - (a) 5,280
  - (b) 14,970
  - (c) 43,560
  - (d) 75,436
3. California has how many principal base and meridians?
  - (a) 1
  - (b) 2
  - (c) 3
  - (d) 4

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- A. When a person receives real property individually and retains title solely in his or her name, it is called ownership in \_\_\_\_\_. The owner "severs" his relationship with others.
- B. Concurrent ownership is co-ownership and includes the methods listed below.
  1. Joint tenancy
    - a. This form of tenancy carries the right of \_\_\_\_\_.
    - b. A joint tenant's interest cannot be transferred by \_\_\_\_\_.
    - c. Each joint tenant's interest in the property is undivided.
    - d. A decedent's interest goes to the surviving co-owner(s) by right of survivorship.
    - e. A \_\_\_\_\_ may sell or lease his or her interest without the approval of the other joint tenants. But in doing so the new co-owner remaining becomes a tenant in common with the joint tenant(s).
  - f. Surviving joint tenants acquire the interest of the deceased joint tenant (s) by the right of survivorship free of the \_\_\_\_\_ created individually by the deceased joint tenant (s).
  - g. A corporation is not allowed to hold title as joint tenancy.
  - h. A joint tenancy is created only if the four unities exist:
    1. unity of \_\_\_\_\_ all owners must have acquired their interest at the same time.
    2. unity of title, all owners must come into title through the same \_\_\_\_\_.
    3. unity of interest, all owners must own equal shares or interests—there can be no disproportional interests.
    4. unity of possession—all owners must have an equal right of \_\_\_\_\_.
2. Tenancy in common
  - a. There is no right of \_\_\_\_\_.
  - b. Property transferred at death normally involves probate.
  - c. There can be \_\_\_\_\_ ownership among tenants in common. If, for example, A, B, C, and D hold title as tenants in common.
    - A. could own a one-half interest
    - B. could own a one-fourth interest
    - C. could own a one-eighth interest, and
    - D. could own a one-eighth interest.
3. A tenancy in partnership is formed when two or more persons combine their interests and efforts in a common business venture, and hold title in the name of the partnership (not as individuals).
  - a. Each partner has \_\_\_\_\_ rights for partnership purposes.
  - b. In a general partnership, each partner is jointly and severally responsible for the debts of the partnership.
  - c. In a \_\_\_\_\_ partnership each member is only responsible for the debts up to his/her contribution to the partnership.

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15. A type of partnership where a person is only liable for the amount of his or her investment.
  - (a) tenancy in partnership
  - (b) tenancy in common
  - (c) community property
  - (d) limited partnership
16. Under the United States Government Survey system a property containing this description includes how many acres? "The S 1/2 of the SE 1/4 of Section 12 and the NE 1/4 of Section 23 and the SW 1/4 of the NW 1/4 of Section 21":
  - (a) 160 acres
  - (b) 200 acres
  - (c) 280 acres
  - (d) 220 acres
17. A, B, C and D own the NW \_ of Section 5, as tenants in common. D sells his or her interest to E
  - (a) A, B, C and E are joint tenants
  - (b) E owns 10 acres
  - (c) E owns a \_ interest in 40 acres
  - (d) upon A, B, C or E's death no probate will be required
18. A and B are husband and wife. A's parents died and left A real estate. The real estate is:
  - (a) automatically community property
  - (b) joint tenancy property
  - (c) separate property, if not commingled
  - (d) partnership property
19. A corporation is not allowed to hold title as:
  - (a) a general partnership
  - (b) tenants in common
  - (c) joint tenancy
  - (d) a limited partner
20. Effective 7/1/01 husband and wife are allowed to hold title as community property, with the right of survivorship. This means:
  - (a) each spouse can will the property to anyone they choose
  - (b) upon the death of one spouse, title must be probated
  - (c) upon the death of one spouse, title passes to the surviving spouse
  - (d) a higher income tax liability if the surviving spouse sells the property

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4. Legal descriptions that refer to specific parcels in a recorded subdivision map are called:
  - (a) metes and bounds system
  - (b) U.S. Government survey system
  - (c) lot, block, tract system
  - (d) map system
5. A township contains:
  - (a) 15 sections
  - (b) 24 sections
  - (c) 30 sections
  - (d) 36 sections
6. The highest form of ownership is:
  - (a) fee simple absolute
  - (b) fee simple defeasible
  - (c) less-than freehold estate
  - (d) estate for years
7. A month-to-month rental agreement is normally considered an estate:
  - (a) for years
  - (b) at will
  - (c) from period to period
  - (d) at sufferance
8. Gonzalez deeds to Nye for the life of Washington. Upon Washington's death title passes to Schmidt. This life estate is a:
  - (a) remainder
  - (b) reservation
  - (c) reversion
  - (d) reliction
9. Title is held as "Jane Doe, a married woman" Jane Doe holds title:
  - (a) as joint tenants
  - (b) in severalty
  - (c) illegally
  - (d) in co-ownership
10. A metes and bounds description requires:
  - (a) a point of beginning
  - (b) a distance and direction from one point to another
  - (c) a return to the point of beginning
  - (d) all of the above
11. Which of the following is not a unity of joint tenancy?
  - (a) interest
  - (b) unequal shares
  - (c) time
  - (d) title
12. Chinn and Williams hold title as joint tenants. Williams drafts a will leaving her share of the joint tenancy to Khan. Upon Williams death title is scheduled to pass to:
  - (a) Khan
  - (b) Chinn
  - (c) heirs of Williams
  - (d) none of the above
13. Which method of holding title normally requires a probate upon the death of one co-owner?
  - (a) joint tenancy
  - (b) tenancy in common
  - (c) community property with the right of survivorship
  - (d) title held as a corporation
14. If A, B and C hold title with unequal shares, their ownership cannot be as:
  - (a) joint tenants
  - (b) general partners
  - (c) limited partners
  - (d) tenants in common

## REAL ESTATE PRINCIPLES

- N. Seller and agents (sellers and buyers) must provide buyers of residential one-to-four residential units with a Transfer Disclosure Statements and obtain a signed receipt.
- O. Licensees must provide all parties to certain transactions with a prescribed agency disclosure form and obtain a signed receipt.
- P. Prior to all licensees renewing their licenses they must show that they have completed four, three hour courses, in agency, ethics, trust fund handling and fair housing.
- Q. Disclosures regarding lead hazard, seismic hazard zones, smoke alarm compliance, death on premises, flood hazards, environmental hazards, Megan's Law, Mello-Roos districts, military ordnance locations, fire hazard areas, water heater bracing. (Subdivided Lands Law & Subdivision Map Act where applicable) have become \_\_\_\_\_ in most sales transaction involving one-to-four residential units.

## II. THE SCOPE OF THE REAL ESTATE INDUSTRY

- A. Real estate brokerage encompasses many areas:
  - 1. Sales specialization, including:
    - a. Residential
    - b. Commercial
    - c. Industrial
    - d. Business Opportunities
    - e. Mortgage brokering
    - f. Agricultural
    - g. Other types of property
  - 2. Land use, including:
    - a. Land development
    - b. Urban planning
  - 3. Professional services paid on a fee basis, as opposed to a commission, including services such as:
    - a. Real estate counselor
    - b. Property manager
    - c. Syndicator
    - d. Investment analyst
    - e. Land development consultant
    - f. Appraiser
    - g. Real estate educator
- B. Careers in allied real estate businesses. Opportunities include positions such as:
  - 1. Loan officers or appraisers for lending institutions
  - 2. Officers for title companies
  - 3. Escrow agents
  - 4. Employees of real estate developers and contractors.
  - 5. Real Estate positions in local, state and federal government agencies
  - 6. Real estate educators and seminar presenters
  - 7. Authors
  - 8. Land acquisition or lease acquisition for corporations.

## 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. \_\_\_\_\_ v. \_\_\_\_\_ 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 Brokers licensing examination were increased to \_\_\_\_\_ and will be discussed more in the qualification for a real estate brokers just ahead.

## REAL ESTATE PRINCIPLES

4.
  - d. Mortgage Loan Brokering and Lending.
  - e. Real Estate Computer Applications.
5. 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.
  - c. Have a four-year degree from an accredited college or university.
6. 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.
7. Submit the required application, fingerprints and license fee.
8. 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 associations 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.

## REAL ESTATE PRINCIPLES

### 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 10 members 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 150 questions. Examinee must answer \_\_\_\_\_ % of the questions correctly to pass. Examinee is allotted three (3) hours and fifteen (15) 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.  
Their web site is: [www.dre.ca.gov](http://www.dre.ca.gov)
- B. 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.
- C. Plus any three of the following:
  - f. Real Estate Principles.
  - g. Property Law.
  - h. Business Management.
  - i. Real Estate Office Administration.
  - j. Escrows.
  - k. Advanced Legal Aspects of Real Estate.
  - l. Advanced Real Estate Appraisal.
  - m. Advanced Real Estate Finance.

REAL ESTATE PRINCIPLES

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 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 Real Estate Commission
  - (d) State legislature
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 finger 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

REAL ESTATE PRINCIPLES

1. AIREA – American Institute of Real Estate Appraisers. Members.
2. ASREC – American Society of Real Estate Counselors. Members.
3. CCIM – Certificate in Commercial Investment Marketing.
4. CRS – Certified Real Estate Specialist.
5. GRI – Graduate of the Real Estate Institute.
6. IREM – Institute of Real Estate Management. Grants to Certified Property Manager (CPM)
7. WCR – Women's Council of Realtors

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 second and 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) Ambrosini v. Commissioner
  - (c) Rumpf 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 Men
  - (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