

RCA IS Zoning (districts)

Residential

Commercial

Agricultural

Industrial

Special Purpose

Supply Factors

Construction worker driving **gold nail** through **White House** into **Federal Reserve**

Labor Force

Construction cost

Government policies (Tax)

FED Financial policies (Monetary)

Demand Factors

Three people holding hands

1 Young – **growing population**

1 Old – **Demographics of population**

1 Unemployed – **Employment Rates**

Demand falls, Supply same, Prices fall

Supply falls, Demand same, Prices rise

There are lots ways to ask about supply and demand, be familiar with concept

Real Estate Characteristics

DUST

Demand

Utility

Scarcity

Transferability

Real Property **Bundle of Rights** -- Fee Simple Absolute has full bundle -- Freehold

UPEED

Use

Possession

Exclusion

Encumber

Disposition

Legal test of fixture

MARIA is attached

Method

Adaptability

Relationship of parties

Intention of parties

Agreement of parties

Total payment Conventional qualifying ratios 28/36 FHA 29/41 VA 41

It's a **PITI** the payment is so high

Principle

Interest

Taxes

Insurance

Finance factor (look up on table by Rate% and time in years) times mortgage = principle and interest

6% for 30 years = factor of 6 per \$1000 financed , \$100,000 loan will be \$600 per month P&I

Types of Agency Relationships (Fiduciary)

Mr. **Universe** --King of the world – can perform duties under power of attorney as an attorney at fact

General in Army – can do things Mr. Universe delegates (Property Manager)

Specialist in Army – can do things general allows (Real Estate Agent)

Fiduciary Agency Responsibilities Work For - Advise

Can only be created by written agreement (Relationship starts as Transaction Broker – No Relationship)

Drive Clients in **OLD CAR**

Obedience

Loyalty

Disclosure -everything you know, good or bad

Confidentiality

Accounting

Reasonable Care

Customers (non client) Answer the **HARD ?** Work With - Assist

Honest and Fair Dealing

Accounting

Reasonable Care

Disclosure of Material Facts

? Must answer questions truthfully and completely

Termination of Agency - Easy as **ABCDEF**

Agreement

Breach

Completion

Death of principle, **D**estruction of property

Expiration

Flaw Law (Bankruptcy)

Easement in Gross Utility line easements are “gross looking”

Appurtenant Easement runs with the land

Personal Easement does not run with the land

Water Rights

Riparian water rights have **Ripples** Small lake, **River** - Non-Navigable – Own to center of water

Littoral water is effected by **Lunar** – **Large Lakes, Ocean** – Navigable - Own to high water mark

Anti-Trust Violations _ Sherman Act

Price fixing

Group Boycotting

Market Allocation

Tie-in-agreements

Customer allocation

Government Powers **PETE** works for the government So does his sister **Ginnie Mae**

Police Power

Eminent Domain (Right to) **Condemnation (Process of)**

Taxation

Escheat (No Heirs)

Joint Tenancy (With right of Survivorship) Title passes to other owner at death

Normally Husband and wife (doesn't have to be husband and wife) are *joined* at the arm **PITT**

Possession - undivided

Interest – equal

Time – at same time

Title – one title

Tenants in Common – Swimming with the **common** people at **condominium** pool

100 unit condo each owner has 1% ownership in common areas

May sell their interest without effecting others. At death ownership passes to heirs

Adverse Possession 20 years

PANCHO must pay taxes

Possession

Adverse & Actual

Notorious

Continuous

Hostile

Open

Taxes

Contract Essentials **COLA**

Consideration something for something Valuable \$ Good Love(family)

Offer and Acceptance

Legal purpose, Legal age .of parties, Legal capacity (mental)

Agreement between two or more people to do or not to do something

If contract transfers interest in real estate, it must be in writing to be enforceable

Lease

1 year or less, need not be in writing / 20 years must be in writing / 99 year maximum

Elements of a deed **CEDDING (Cede means to transfer title)**

Consideration [good (\$) or valuable (love)] valuable love is between family members

Execution – signed by competent grantOR and two witnesses (or acknowledged – notarized)

Description of property

Delivery and acceptance by grantEE during lifetime of grantOR

Interest being conveyed

Names of grantOR and grantEE

Granting clause

Fair Housing – protected classes Civil Rights act of 1866 first to protect race

FRESH CORN

Famillial (family status) = with children, including being pregnant

Race

E Equal Opportunity for all

Sex

Handicap - Includes AIDS

Color

O E&O insurance doesn't cover violation

Religion

National Origin

Equal Credit = Most of FRESH CORN + Age. Marital Status, Public assistance

A 99 year old divorced person on social security can get a 30 year loan if credit qualified

Risk Management Get monkey off your back

“I’m not an attorney, accountant, home inspector, or insurance agent, nor have I ever played one on TV”

ACTOR

Avoid

Control

Transfer

Or

Retain (Insurance)

Appraisals *Opinion* of value based on supportable evidence

CIA doesn’t want **CBS** watching them

When **Comparable** is **Inferior**, **Add** to its value (Not the subject’s value)

When **Comparable** is **Better**, **Subtract** from its value (Not the subject’s value)

e.g. Home next door has extra bedroom worth \$10,000 - Subtract from **its** selling price to get subject’s value

Appraisers use three methods, below, and reconcile differences

Appraiser is a **CSI** Investigator

Cost Approach Special Purpose Structures

What it cost to rebuild - Best for new construction

Sales Comparison Approach CIA & CBS Best for residential

What other comparable properties have **sold** for recently

Income Income producing properties – apartments

Based on income and required return on investment **Capitalization**

CMA - **Comparative Market Analysis** - Based on Sales Comparison Approach – How you will determine price

Is not an appraisal, can not be called one, but is about what an appraiser does as one part of appraisal

Market Value = Opinion of Value May not have any relationship to cost to build or past sales price

Market Price = Actual sales price No relationship to cost

Cost = total of materials + land + labor + profit Renovations may not return cost (swimming pool)

Mortgage - Death Note 2 parts **Promise to pay + Security Instrument**

Borr**O**wer

Debt**O**r

Mortgag**O**r Don’t confuse this one Mortgage company is Mortgagee

Trust**O**r

Pay**O**r

Real estate license required if you have a **BARN SALE** for someone besides parent, child or spouse

Not required for sheriff or attorney performing their duties

Buy

Auction

Rent

Negotiate

Sell

Aid

List

Exchange

Metes(meters) & Bounds Pilgrims crashed into Plymouth Rock (first monument) became Point of Beginning
Rectangular or Government Survey (squares) Sections and Townships must state meridian referenced
Lot & Block (plat) subdivisions approved by and recorded in county

Acre = 43,560 square feet Stop at the 7-11 store and ask how big an acre is 208.71' X 208.71'

Mile = 5,280 feet Oak Mountain is 5 miles down Highway **280**

Lot dimensions – Front foot is first number – Multiply front foot X depth to = square footage

Square footage of structure is Width X Depth– Home is 60' across front & 40' deep = 2400 square feet

Only heated and cooled areas are included, don't count garage or porch

Section = 640 acres = 1 mile X 1mile Quarter Sections = 160 acres, Numbers start in NE corner
SW1/4 of SW1/4 of SW1/4 4X4X4 = 64 divides into 640 to find this property has 10 acres OR;
640/ 4 = 160/ 4 = 40/ 4 = 10 acres this property would be in the very bottom on left corner of section
To locate parcel, locate last part of description first and work backwards

<<<<<<<<**Township Lines**>>>>>>> & **Base** Lines (Run East and West) Tier every 6 miles

Range Lines run North & South every 6 miles intersecting with Township lines to form **Townships**

Township = 6 miles X 6 miles – Contains 36 sections

Birmingham is about T19S R4W Huntsville Meridian 19 township tiers south of Meridian & 4 ranges west

Must list meridian in legal description

Government Check corrects for curvature of earth - 4 townships X 4 townships, 24 miles square

Government Lots are the small parcels resulting from the government check adjustments

"T" Formula

Results	\$10,000 Commission Paid
Base	\$100,000 Sales Price
Rate	.10 (or 10%) Commission Rate

Rate must be expressed as a decimal

Multiply bottom #s or divide top # by bottom # **Base X Rate** or **Results / Base** or **Results / Rate**

Results / Base = Rate 10,000 / 100,000 = .10

Results / Rate = Base 10,000 / .10 = 100,000

Results = Base X Rate 10,000 = 100,000 X .10

Capitalization Rate = Return on investment use "T" Formula

Investor demands a **10% Return**, could be 15% or any number

Use this as the Rate in the "T" Formula - Must change to .10 **Rate** always goes on **bottom right**

You may not get the net income, but be given the numbers to calculate it

The way to calculate net income is **GIVEN** The test question may say:

- | | | | |
|----------|------------|---|---|
| G | \$100,000 | Gross Income: | 100 apartments renting for \$1000 per month |
| V | - \$5,000 | Vacancy is 5% (of Gross Income) Test may give # | |
| E | - \$30,000 | Expenses are 30% (of Gross Income) Test may give # | |
| N | = \$65,000 | Net Income (Before Taxes) | |

These numbers are **for one month**, so multiply by 12 to get annual income = \$780,000

\$780,000 is the Result,(top #) you know the Rate (bottom right #) is .10 so now you need the Base (bottom left)

Divide the Net Income of \$780,000 by the Rate of .10

\$780,000	
\$7,800,000	.10 = Capitalization Rate in the example is 10%

This apartment has a market value of \$7,800,000 at a capitalization Rate of 10%

What if it sold for \$5,000,000?

This means that the market (investors) require a higher rate of return of 15.6% Calculator said 0.156

With the "T" Formula, if you get an answer that look wrong, swap the **Base #** with the **Result #** and recalculate

7,800,000 / 780,000 would give a rate of return of 1000% and you would know that is wrong

Remember to move the decimal point two places to the right to get the % .10 = 10%

Alabama Law This is a third of the test. Spend time learning law

Know 31 Violations (34-27-36) subsections 1-31 These are on law handout

Also available on AREC.gov under law tab

Caveat Emptor “let the buyer beware” Alabama is last state

No law to affirmative (voluntary) disclose – **Exceptions** are written on your hand

HAND

Health & Safety – Known defect – no duty to discover

Assumption of Duty - Buyer’s Agent has duty to disclose everything known

New Construction - Expectation that everything works as advertised – builder’s warranty

Direct Question - Does the roof leak? If so, you must answer truthfully

Any used property sold “as is” is sold “as is, period” This precludes all fraud claims unless:

1. There was a material defect which **adversely affects health or safety**;
2. The **seller or seller’s agent knew** of the defects before the sale;
3. The defect was such that it **could not be discovered by due diligence**; and
4. The house **was not bought “as is”**

Advertising (all), including web

1. Do not publish any false or misleading advertisement;
2. Do identify yourself as a licensed broker or salesperson;
3. If you are a salesperson or associate broker and your name appears in an ad, then the ad must prominently contain the name of the qualifying broker or company name.

RECAD Real Estate Consumer Agency Disclosure Alabama law

Must be presented as soon as reasonably possible, your copy must be retained for 3 years

Before any confidential information is disclosed to another

RESPA Real Estate Settlement Procedure Act Federal law

Protects consumers from being overcharged for settlement services (NO Kickbacks)

Constructive Notice is Recorded in county where property is located Liens on public display

Actual Notice Actually drive by house and will see someone in possession

Deed is not proof of ownership

Alabama is “title state” gives title to mortgagee Owner (mortgagor) gets equitable title

Equitable right of redemption is before the **foreclosure** sale

Statutory right of redemption is for 12 months after **foreclosure** sale

First mortgage is second in line to collect money, right after property taxes in **foreclosure** sale

If there is no money left over, all junior liens are extinguished and buyer get clear title

Tax Certificate is where county sells a certificate for the tax owed on property