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 **This acronym list and other study aids are on above website**

**RCA IS** Zoning (districts)

**R**esidential

**C**ommercial

**A**gricultural

**I**ndustrial

**S**pecial 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)**

Test question will give 3 from one of these list and one from other

**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**

**D**emand

**U**tility

**S**carcity

**T**ransferability

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

**UPEED**

**U**se

**P**ossession

**E**xclusion

**E**ncumber

**D**isposition

Purpose of Real Estate Commission:

1. Protect Public

 B. Require license as proof of qualification

 C. Regulate Business

 Common test question will have above 3 plus a wrong answer like – D. enforce Fair Housing Law

**Legal test of fixture**

**MARIA** is attached

**M**ethod

**A**daptability

**R**elationship of parties

**I**ntention of parties

**A**greement of parties

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

It’s a **PITI** the payment is so high Front end # is total PITI (house payment) back end = total debt

**P**rinciple

**I**nterest

**T**axes

**I**nsurance

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

5% for 30 years = factor of $5 per $1000 financed, $100,000 loan will be $500 per month P&I

Simple finance rule - $1,000 loan requires $5 per month repayment over 30 years

 $100,000 loan will be $500 per month payment, requires about $500 weekly income

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)

**Special**ist 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)

Everyone is customer as Transaction Broker status until written agreement establishes Agency

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

**H**onest and Fair Dealing

**A**ccounting

**R**easonable Care

**D**isclosure of Material Facts

**?** Must answer questions truthfully and completely

Must also transmit all written offers immediately, prepare net sheet & disclose personal interest

Once Agency agreement is signed, either as listing or buyer agency agreements Agency is created

Agency Duties include above customer duties plus you must answer to the

**COL**onel

**C** Confidentiality

**O** Obedience

**L** Loyalty

Termination of Agency - Easy as **ABCDEF**

**A**greement

**B**reach

**C**ompletion

**D**eath of principle, **D**estruction of property

**E**xpiration

**F**law 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 **R**ipples Small lake, **R**iver - Non-Navigable – Own to center of water

**Littoral** water is effected by **L**unar – **L**arge **L**akes, 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**

**P**olice Power

**E**minent Domain **(Right to)**  Condemnation **(Process of)**

**T**axation

**E**scheat (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 *join*ed at the arm **PITT**

**P**ossession - undivided

**I**nterest – equal

**T**ime – at same time

**T**itle – 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**

**P**ossession

**A**dverse & Actual

**N**otorious

**C**ontinuous

**H**ostile

**O**pen

**T**axes

Contract Essentials  **COLA**

**C**onsideration something for something Valuable $ Good Love(family)

**O**ffer and Acceptance

**L**egal purpose, Legal age .of parties, Legal capacity (mental)

**A**greement 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)

**C**onsideration [good ($) or valuable (love)] valuable love is between family members

**E**xecution – signed by competent grantOR and two witnesses (or acknowledged – notarized)

**D**escription of property

**D**elivery and acceptance by grantEE during lifetime of grantOR

**I**nterest being conveyed

**N**ames of grantOR and grantEE

**G**ranting clause

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

**FRESH CORN**

**F**amillial (family status) = with children, including being pregnant

**R**ace

**E** Equal Opportunity for all

**S**ex

**H**andicap - Includes AIDS

**C**olor

**O** E&O insurance doesn’t cover violation

**R**eligion

**N**ational 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**

**A**void

**C**ontrol

**T**ransfer

**O**r

**R**etain (Insurance)

**Appraisals** *Opinion* of value based on supportable evidence

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

When **C**omparable is **I**nferior, **A**dd to its value (Not the subject’s value)

When **C**omparable is **B**etter, **S**ubtract 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** - **C**omparative **M**arket **A**nalysis - 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**Owe**r

Debt**O**r

Mortgag**O**r Mortgage company is MortgagEE gets fee, mortgagOR gets door

Trust**O**r

Pay**O**r

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

**B**uy

**A**uction

**R**ent

**N**egotiate

**S**ell

**A**id

**L**ist

**E**xchange

No license required – **my** property, help parent, child, spouse, **attorney** doing attorney duties, **authority** – executor, sheriff sale, **apartment manager**, **time share**, **cemetery** lots

**My** **Attorney** has **Authority** as **Apartment Manager** to sell **Time Share** **Cemetery** lots

**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** 208.71’ X 208.71’

Stop at the 7-11 store and ask how big an acre is 4+3, = 7 5+6 = 11 43,560

**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,

SW1/**4** of SW1/**4** of SW1/**4**  **4**X**4**X**4** = 64 divides into 640 to find this property has 10 acres OR;

640/ 4 = 160/ 4 = 40/ 4 = 10 acres

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** Numbers start in NE corner

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 adjustment

Listing Agreement must:

Be in writing

Have Expiration date

No automatic renewals

 **“T” Formula**

**\_\_\_\_\_\_\_\_Results\_\_\_\_\_\_\_\_ $10,000 Commission Paid**

 **Base Rate $100,000 Sales Price .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



**?**

Commission

Rate

Sale

Price

Commission

Check

Commission

Check





Sale

Price



Commission

Rate

**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:

**GI** $100,000 **G**ross **I**ncome: 100 apartments renting for $1000 per month

**V** - $5,000 **V**acancy is 5% (of Gross Income) Test may give #

**E** - $30,000 **E**xpenses are 30% (of Gross Income) Test may give #

**N** = $65,000 **N**et 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**

**H**ealth & Safety – Known defect – no duty to discover

**A**ssumption of Duty - Buyer’s Agent has duty to disclose everything known

**N**ew Construction - Expectation that everything works as advertised – builder’s warranty

**D**irect 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** **R**eal **E**state **C**onsumer **A**gency **D**isclosure 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 R**eal **E**state **S**ettlement **P**rocedure **A**ct 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 Actual**ly drive by house and will see someone in possession

**Deed is not proof of ownership** shows transfer

**Alabama is “title state” gives title to mortgagee** Owner (mortgag**or**) 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 when county sells a certificate for the tax owed on property

 May be redeemed within 3 years. Clear title 7 years