

50 Real Estate Flashcards

 **Fit Small Business**

Can a property owner block an easement?

No. A property owner cannot block or restrict access to the property easement because these places are used by public utility companies and community organizations.

What is a mutual recognition agreement?

A mutual recognition agreement—sometimes called reciprocity—provides a real estate agent with the ability to represent buyers/sellers in two states. Both states recognize the licensing education credentials.

What are the physical characteristics of real estate?

The three physical characteristics of real estate include immobility, indestructibility, and uniqueness.

What does DUST stand for in real estate?

DUST is the acronym for the four economic characteristics in real estate. It stands for Demand, Utility, Scarcity, and Transferability.

Is an old department store converted into shopping space on the first floor and apartments on the second floor an example of non-conforming use?

Yes. When a space is approved by the zoning commission and used in a way that changes the zoning without a new application, it is an example of a non-conforming use.

**Does the percolation test prove the
quality of air for a community?**

No. The percolation test looks at the
water runoff in an area to see if it is fit for
a septic system for residential or commercial properties.

What does PETE stand for in real estate?

PETE stands for Police power, Eminent domain, Taxation, Escheat (dying without an heir). These are the rights of the government over the individual regarding property ownership.

What is a life estate?

A life estate is property only under the ownership of a person during their lifetime. After death, the property automatically reverts back to the original owner and is not a part of their estate. One example might be someone who gives their mother a home to live in for her life, but the home reverts to original ownership upon her death.

What is a period-to-period lease?

A period-to-period lease, or periodic tenancy, means that the lease on a property automatically renews for as long as the rent is paid and the owner does not change the lease contract.

What does estate at sufferance mean?

Estate at sufferance means that someone has failed to vacate a piece of property after the expiration of the lease or default on the mortgage. The person is living at a property without the consent of the owner.

What is Megan's Law?

Megan's Law deals with sexual predator disclosures in a location. If a buyer asks about sexual predators in a neighborhood, the agent should tell them to visit the Sex Offender Registry website to find out if there are known offenders in the neighborhood.

What level of government regulates the zoning laws for an area?

The local government has the power to regulate area zoning laws to meet the needs of their community. There are no national or statewide zoning ordinances allowed in real estate.

What are the two ways that the government can take privately held land or real estate?

Eminent domain and escheat. Eminent domain is the process of taking land for the use and good of the community, such as expanding a highway. Escheat happens when the government takes a property after the owner has died without heirs.

How does the Americans with Disabilities Act (ADA) impact housing?

The ADA requires physical access to housing for those with disabilities and requires equal opportunities for housing for those with disabilities or handicaps.

Does a property owner have the right to dispose of (sell) a property?

Yes. The property owner is the only person who can legally sell property.

**Can a property owner block off a stream
at the cost of other owners?**

Yes. The doctrine of prior appropriation says that the first person to divert water from a stream for their own use has the right to do so—even at the cost of other owners.

What is the Federal Fair Housing Act (1968)?

The Federal Fair Housing Act requires that all individuals be treated the same when buying or leasing property. The seller or agent cannot discriminate based on race, religion, sex, or origin.

How is an offer legally terminated?

An offer can be terminated by failure to meet the due date, rejection by the seller, withdrawal by the buyer, or ruling by law.

What does the statute of frauds require to be enforceable?

The statute of frauds requires that the contract is in writing—not verbal—to be legally enforceable in court.

What are subsurface rights for real estate?

Subsurface rights are any benefits from below land owned by an individual, like minerals, oil, gas, and water.

What is a Competitive Market Analysis (CMA)?

A full report that the real estate agent gives about the market to a potential buyer or seller indicating a property's value based on factors like community sales and quality of area homes. The agent must only represent the CMA as their educated opinion - not an appraisal.

What is Agreement of Purchase/Sale?

The sales price of a property agreed upon by the buyer and owner of the property.

What is ARV?

After-Repair Value – what the property is worth when all repairs are made by the seller.

What is a Balloon Mortgage?

Typically a short-term mortgage with no or interest-only payments, requiring the carrier of the loan to pay off the entire mortgage in full at the end of the agreed-upon term.

What is an Earnest Money Deposit?

The amount of money a buyer offers the seller to assure they have an interest in completing a purchase. This is separate from a downpayment, but is often folded into the downpayment when the sale is finalized.

What is a Contingency?

Contingency is a legal statement declaring that a certain number of requirements must be met by the buyer or seller before the sales contract can be finalized.

What is Real Property?

Real Property comprehensively refers to a physical property—including elements such as buildings, land, and property fixtures—as well as the rights of ownership.

What is a Fixture?

Anything permanently attached to a property like a well, patio, or shed on the land.

What is Hereditament?

Hereditament is the land and property that passes from family member to family member through inheritance.

What is Stigmatized Property?

A property where an unfavorable event—like a suicide or murder—happened.
This negatively affects the ability of the seller to find a buyer.

What is RESPA and what is its purpose in real estate?

RESPA - Real Estate Settlement Procedures Act - focuses on disclosing how much interest a mortgage will cost over time and what the total payback amount will be over the life of the loan.

Can one agent represent both the buyer and the seller?

No. However, one broker can represent the buyer and seller with different agents - or dual agents - in their office.

How do Veterans Affairs (VA) entitlements protect the lender?

VA entitlements are the protected amount of money promised to the lender if the person approved for the mortgage defaults on the loan.

How is Loan-to-Value (LTV) calculated for a property?

The loan amount is divided by the price of the sale or appraisal value (whichever is lower) to get the amount of the LTV.

Are closing costs included in the purchase price?

No. Closing costs are additional fees for services like deed recording and appraisal of the property necessary to make the sale legal.

What are points?

Points are the fees paid directly to a lender at closing in exchange for a reduced interest rate.

When is ad valorem collected?

Ad valorem is the sales tax due when the transaction or purchase of a home takes place.

Why is usury against the law?

Usury is the unfair practice of overcharging interest rates. If the average market interest rate is 14% and the lender is offering 30%, then this would be an example of usury.

What are REITs in real estate?

Real Estate Investment Trusts - or REITs - are joint property investments by individuals and groups. Each investing entity contributes a set amount then receives a proportional return when the property sells.

How do you calculate NOI?

Net Operating Income (NOI) includes all property revenue (from rentals, for example) after considering the total losses and expenditures required to fix or maintain the property.

True/False: Agents are prohibited by law from making a referral for companies that do home appraisals.

True. Home appraisal is independent of the agent and the agent cannot suggest a certain company be used for the process.

**True/False: The Ethics Code is based on the motto,
“Let the buyer beware.”**

False. All real estate ethics codes are based on the motto, "Let the public be served," meaning that the agent must do what serves the client first.

True/False: A real estate agent is free to take any client.

False. If your client is already signed or showing with another buyer/seller agent, then you cannot take the client or the listing until the contract is expired.

True/False: Virtually staging homes or editing pictures is acceptable as long as you disclose the edits openly.

True. Any time that images or videos are edited to include things that the client will not see upon visiting the property, the agent should disclose their edits to prospective buyers.

True/False: It is acceptable to steer a client toward a neighborhood or area that fits them best.

False. While in most states, this remains an ill-advised, unethical practice, it is actually illegal in California.

True/False: You can show a property to buyers even if there are offers on the table with the seller.

True. You can show these properties to potential buyers, but you should let the client know that the seller has offers and might complete a sale.

True/False: You should focus on showing high commission properties and not low commission properties to increase your income.

False. If you sign with a seller to show their property, then the ethical thing to do is to show their home regardless of commission structure.

True/False: Agents can represent family members as long as they disclose their relationship to the buyer/seller.

True. Article 5 of the NAR Code of Ethics states that real estate agents must disclose their connection to family members to any buyers/sellers.

True/False: You can keep all client money in one escrow as long as you keep the entries separate and clear.

False. According to Article 8 of the Ethics Code, every client should have their own escrow account separate of other clients.

True/False: You can share the reasons why a seller is putting a property on the market.

False. Clients have an expectation of privacy that should not be violated.