

DAY 2

BOOTCAMP

PSI EXAM

PSI 6

CANDIDATE INFORMATION BULLETIN PSI 6 (NA) AND 5 AND 6 (MA)

National

- VI. **Property disclosures (Salesperson 6%; Broker 7%)**
 - A. **Property condition**
 - 1. **Property condition that may warrant inspections and surveys**
 - 2. **Proposed uses or changes in uses that should trigger inquiry about public or private land use controls**
 - B. **Environmental issues requiring disclosure**
 - C. **Government disclosure requirements (LEAD)**
 - D. **Material facts and defect disclosure**

Massachusetts

- V. **CONSUMER PROTECTION LAWS (10-12%) (SALESPERSONS: 5 ITEMS; BROKERS: 4 ITEMS)**
 - A. **Property disclosures**
 - B. **Misrepresentation**
 - C. **Privacy**
 - D. **Sanctions and enforcements**
- VI. **ENVIRONMENTAL ISSUES AND HAZARDOUS MATERIALS (10%) (SALESPERSONS: 4 ITEMS; BROKERS: 4 ITEMS)**
 - A. **Lead**
 - B. **Private sewage disposal**
 - C. **Smoke and carbon monoxide detection**
 - D. **Wetlands and rivers protection**

VI. PROPERTY DISCLOSURES (SALESPERSON 6%; BROKER 7%)

A. Property condition

1. Property condition that may warrant inspections and surveys



UNIT 21

ENVIRONMENTAL ISSUES AND THE REAL ESTATE TRANSACTION

Environmental issues and health issues based on environmental hazards have become real estate issues.



Although real estate professionals are not expected to have the technical expertise necessary to determine whether a hazardous substance is present, they should be familiar with state and federal environmental laws and the regulatory agencies that enforce them.



KEY TERMS TO DEFINE AND RECORD

☐ Asbestos





KEY TERMS TO DEFINE AND RECORD

❑ Asbestos

- ❑ A mineral once used in insulation and other materials that can cause respiratory diseases.



KEY TERMS TO DEFINE AND RECORD

Brownfields





KEY TERMS TO DEFINE AND RECORD

❑ Brownfields

- ❑ Defunct, derelict, or abandoned commercial or industrial sites; many have toxic wastes.





KEY TERMS TO DEFINE AND RECORD

- ❑ Building-related illness (BRI)





KEY TERMS TO DEFINE AND RECORD

- ❑ **Building-related illness (BRI)**
 - ❑ An illness due to air quality problems, typically toxic, substances or pathogens; a clinically diagnosed condition. Symptoms include asthma, allergies, and hypersensitivity.

KEY TERMS TO DEFINE AND RECORD

 Capping



KEY TERMS TO DEFINE AND RECORD

❑ Capping

- ❑ The process of laying two to four feet of soil over the top of a landfill site and then planting grass on it to enhance the aesthetic value and prevent erosion.





KEY TERMS TO DEFINE AND RECORD

- ❑ Carbon Monoxide (CO)





KEY TERMS TO DEFINE AND RECORD

- ❑ **Carbon Monoxide (CO)**
 - ❑ A colorless, odorless gas that occurs as a by-product of fuel combustion that may result in death in poorly ventilated areas.



KEY TERMS TO DEFINE AND RECORD

❑ Chlorofluorocarbons (CFCs)



KEY TERMS TO DEFINE AND RECORD

- ❑ **Chlorofluorocarbons (CFCs)**
 - ❑ Nontoxic, nonflammable chemicals containing atoms of carbon, chlorine, and fluorine, such as air conditioners and refrigerators. CFCs are safe in application but cause ozone depletion.



KEY TERMS TO DEFINE AND RECORD

- ❑ Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA)





KEY TERMS TO DEFINE AND RECORD

- ❑ **Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA)**



- ❑ A federal law administered by the Environmental Protection Agency that establishes a process for identifying parties responsible for creating hazardous waste sites, forcing liable parties to clean up toxic sites, bringing legal action against responsible parties, and funding the abatement of toxic sites. See also Superfund.



KEY TERMS TO DEFINE AND RECORD

❏ Encapsulation



KEY TERMS TO DEFINE AND RECORD

❑ Encapsulation

- ❑ A method of controlling environmental contamination by sealing off a dangerous substance, such as asbestos.



VI. PROPERTY DISCLOSURES (SALESPERSON 6%; BROKER 7%)

2. Proposed uses or changes in uses that should trigger inquiry about public or private land use controls



KEY TERMS TO DEFINE AND RECORD

- ❑ Environmental Impact Statement (EIS)



KEY TERMS TO DEFINE AND RECORD

- ❑ **Environmental Impact Statement (EIS)**
 - ❑ A statement that details the impact a project will have on the environment.





KEY TERMS TO DEFINE AND RECORD

- ❑ Environmental Site Assessment (ESA)





KEY TERMS TO DEFINE AND RECORD

❑ Environmental Site Assessment (ESA)

- ❑ An evaluation of property to show that due care was exercised in the determination of environmental impairments.





KEY TERMS TO DEFINE AND RECORD

- ❑ Federal Emergency Management Agency (FEMA)





KEY TERMS TO DEFINE AND RECORD

- ❑ **Federal Emergency Management Agency (FEMA)**
 - ❑ A federal agency that is responsible for assisting the nation in preparing for, protecting against, responding to, and recovering from hazards.





KEY TERMS TO DEFINE AND RECORD

☐ Formaldehyde





KEY TERMS TO DEFINE AND RECORD

❑ Formaldehyde

- ❑ An air pollutant that is a colorless chemical used to manufacture building materials and many household products, such as particleboard, hardwood plywood paneling, and urea-formaldehyde foam insulation.



KEY TERMS TO DEFINE AND RECORD

☐ Groundwater

KEY TERMS TO DEFINE AND RECORD

❑ Groundwater

- ❑ Water that exists under the earth's surface within the tiny spaces or crevices in geological formations.



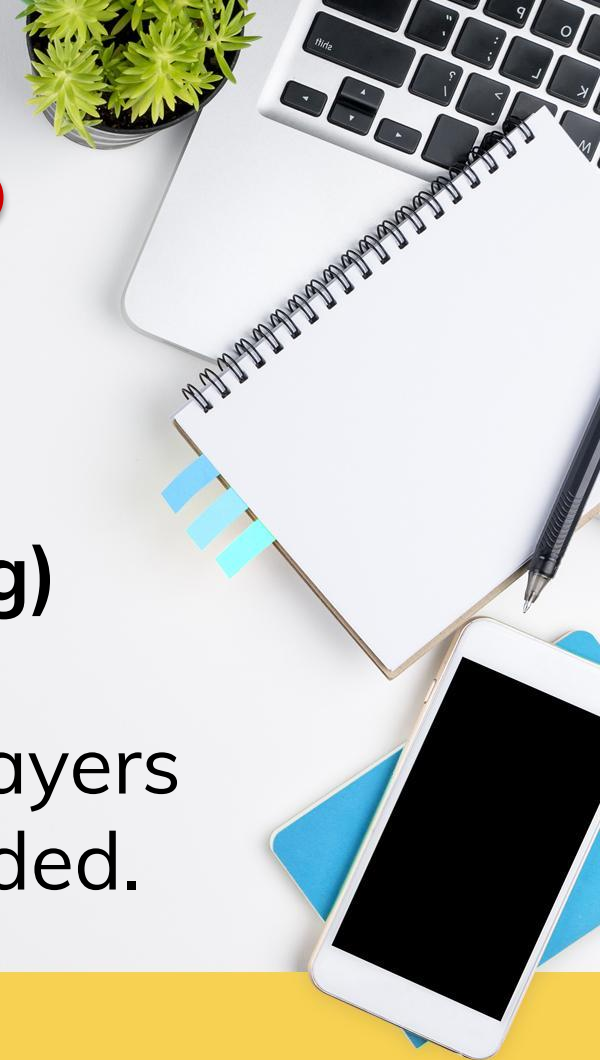
KEY TERMS TO DEFINE AND RECORD

- ❑ Hydraulic Fracturing (fracking)



KEY TERMS TO DEFINE AND RECORD

- ❑ **Hydraulic Fracturing (fracking)**
 - ❑ The process used to extract natural gas from the deep layers of rock in which it is embedded.



C. Government disclosure requirements (LEAD)



KEY TERMS TO DEFINE AND RECORD

☐ Lead





KEY TERMS TO DEFINE AND RECORD

❑ Lead

- ❑ Used as a pigment and drying agent in alkyd oil-based paint in about 75% of housing built before 1978. An elevated level of lead in the body can cause serious damage to the brain, kidneys, nervous system, and red blood cells. Children younger than six are most vulnerable.





KEY TERMS TO DEFINE AND RECORD

- ❑ Lead-Based Paint Hazard Reduction Act (LBPHRA)





KEY TERMS TO DEFINE AND RECORD

❑ Lead-Based Paint Hazard Reduction Act (LBPHRA)

- ❑ Federal legislation requiring disclosure of the presence of any known lead-based paint hazards to potential buyers or renters. The law does not require that anyone test for the presence of lead-based paint, however.



KEY TERMS TO DEFINE AND RECORD

☐ Mold



KEY TERMS TO DEFINE AND RECORD

❑ Mold

- ❑ A form of fungus that can be found almost anywhere and can grow on almost any organic substance, so long as moisture and oxygen are present. Mold growth can gradually destroy what it is growing on, as well as cause serious health problems.



KEY TERMS TO DEFINE AND RECORD

❑ Percolation Test



KEY TERMS TO DEFINE AND RECORD

❑ Percolation Test

- ❑ A test of the soil to determine whether it will absorb and drain water adequately to use a septic system for sewage disposal.





KEY TERMS TO DEFINE AND RECORD

- ❑ Polychlorinated Biphenyls (PCBs)



KEY TERMS TO DEFINE AND RECORD

- ❑ **Polychlorinated Biphenyls (PCBs)**
 - ❑ Used as an insulating material in dielectric oil. It can linger in the environment for long periods of time and can cause health problems.



KEY TERMS TO DEFINE AND RECORD

☐ Radon





KEY TERMS TO DEFINE AND RECORD

❑ Radon

- ❑ A naturally occurring gas that is suspected of causing lung cancer.



KEY TERMS TO DEFINE AND RECORD

- ❑ Safe Drinking Water Act





KEY TERMS TO DEFINE AND RECORD

❑ Safe Drinking Water Act

- ❑ An act to protect public health by authorizing the EPA to set national health-based standards for drinking water.





KEY TERMS TO DEFINE AND RECORD

- ❑ Sick Building Syndrome (SBS)





KEY TERMS TO DEFINE AND RECORD

- ❑ **Sick Building Syndrome (SBS)**
 - ❑ An illness caused by poor air quality, typically in large commercial buildings. Symptoms include fatigue, nausea, headache, and sensitivity to odors.





KEY TERMS TO DEFINE AND RECORD

- ❑ Small Business Liability Relief and Brownfields Revitalization Act





KEY TERMS TO DEFINE AND RECORD

- ❑ **Small Business Liability Relief and Brownfields Revitalization Act**



- ❑ Law that provides funds to assess and clean up brownfields, clarifies liability protections, and provides tax incentives toward enhancing state and tribal response programs (also known as Brownfields Law).



KEY TERMS TO DEFINE AND RECORD

❏ Superfund





KEY TERMS TO DEFINE AND RECORD

❑ Superfund

- ❑ Popular name of the hazardous-waste cleanup fund established by the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA).





KEY TERMS TO DEFINE AND RECORD

- ❑ Superfund Amendments and Reauthorization Act (SARA)



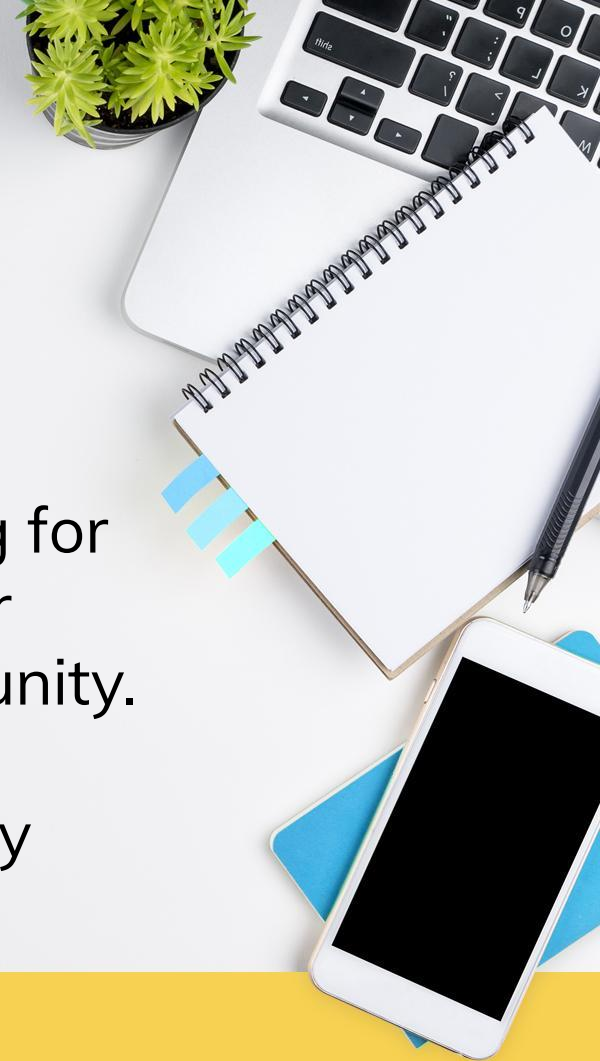


KEY TERMS TO DEFINE AND RECORD

- ❑ **Superfund Amendments and Reauthorization Act (SARA)**



- ❑ An amendatory statute that contains stronger cleanup standard for contaminated sites, increased funding for Superfund, and clarifications of lender liability and innocent landowner immunity. See Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA).





KEY TERMS TO DEFINE AND RECORD

- ❑ Underground Storage Tanks (USTs)





KEY TERMS TO DEFINE AND RECORD

- ❑ **Underground Storage Tanks (USTs)**



- ❑ Commonly found on sites where petroleum products are used or where gas stations and auto repair shops are located, and subject to federal and state regulations. In residential areas, tanks are used to store heating oil. Over time, neglected tanks may leak hazardous substances into the environment.





KEY TERMS TO DEFINE AND RECORD

- ❑ Urea-formaldehyde foam insulation (UFFI)





KEY TERMS TO DEFINE AND RECORD

- ❑ Urea-formaldehyde foam insulation (UFFI)

- ❑ Insulating foam that can release harmful formaldehyde gases. Formaldehyde causes some individuals to suffer respiratory problems, as well as eye and skin irritations.



KEY TERMS TO DEFINE AND RECORD

❑ Water Table



KEY TERMS TO DEFINE AND RECORD

❑ Water Table

- ❑ The natural level at which the ground is saturated. The water table may be several hundred feet underground or near the surface.

VI. PROPERTY DISCLOSURES (SALESPERSON 6%; BROKER 7%)

B. Environmental issues requiring disclosure



GROUNDWATER PROTECTION

- ❑ Groundwater Protection
 - ❑ The Safe Drinking Water Act
 - ❑ Underground Storage Tanks (USTs)
 - ❑ Waste Disposal Sites and Brownfields
 - ❑ The Brownfields Law





ENVIRONMENTAL LEGISLATION

- ❑ Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA)
- ❑ Superfund
- ❑ Superfund Amendments and Reauthorization Act (SARA)



D. Material facts and defect disclosure



LIABILITY OF REAL ESTATE PROFESSIONALS

- ❑ Discovery of Environmental Hazards
- ❑ Environmental Site Assessments
- ❑ Environmental Impact Statements
- ❑ Disclosure of Environmental Hazards



MASS

V. CONSUMER PROTECTION LAWS 10-12%

SALESPERSONS 5 ITEMS BROKERS 4 ITEMS

- A. Property disclosures
- B. Misrepresentation
- C. Privacy
- D. Sanctions and enforcements

CHAPTER 2

MASSACHUSETTS

CONSUMER PROTECTION

ENVIRONMENTAL LAWS

AND REGULATIONS





WHO?

93A is directed to **all persons** engaged in **business** and **regulates** their actions and practices in dealing with consumers.





- ❑ Real Estate brokers and salespersons required to disclose to the buyer anything that might affect the buyer's decision to purchase the property.
- ❑ Legally responsible to disclose known defects to the buyer



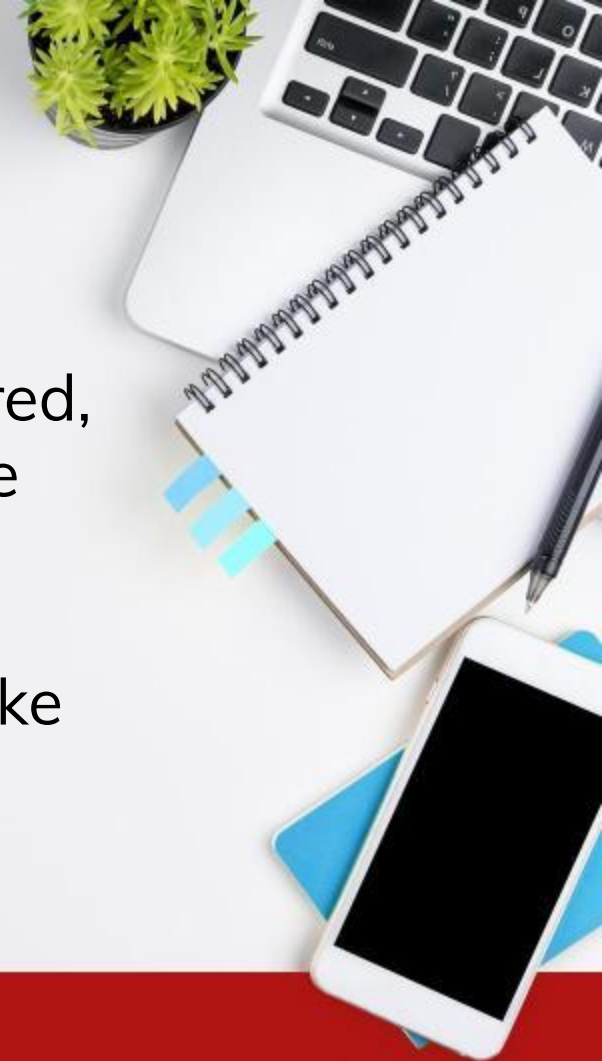


DEMAND LETTER

- ❑ 93A calls for a 30-day demand letter to be sent to the individual against whom the action is taken.
- ❑ Must be sent 30 days prior to court actions



DEMAND LETTER



- ❑ Outline specifics of the complaint, parties involved and damages incurred, and the requested relief including the amount of money being sought.
- ❑ 30 days to respond and possibly make an offer of settlement.

DEMAND LETTER

- ❑ If settlement offer rejected, and later found to be reasonable, the damages may be limited to that offered amount.





CONSEQUENCES

If broker wrongfully fails to respond to claim letter, the court may find basis for awarding treble damages.

- ❑ Treble damages, is a term that indicates that a statute permits a court to triple the amount of the actual/compensatory damages to be awarded to a prevailing plaintiff.
- ❑ Treble damages are a multiple of, and not an addition to, actual damages in some instances.





CONSEQUENCES

Review:

- 1- As a Professional- Full disclosure of everything you know
- 2- 30 day demand letter
- 3- Up to triple damages, plus attorney's fees and costs if found to be willful and knowledgeable.





UNDERWOOD VS. RISMAN

- ❑ 1993- SJC reversed a decision known as “The Underwood Case”
- ❑ 2 family house in Medford- with Lead Paint deleaded illegally.
- ❑ Lower Court said that the REALTOR should have known.





UNDERWOOD VS. RISMAN

- ❑ SJC said that REALTORS have duty to disclose what they know, not what they should have known.
- ❑ Opens door to what “had reason to know”





URMAN VS SOUTH BOSTON SAVINGS

- ❑ Neighborhood school closed from ground contamination
- ❑ Judge dismissed claim because Urman had not shown they had illnesses caused by contamination
- ❑ Significance: Judge ruled that a complainant must show objective damages not subjective distress alone



VI. ENVIRONMENTAL ISSUES AND HAZARDOUS MATERIALS 10%

(SALESPERSONS: 4 ITEMS; BROKERS: 4 ITEMS)

A. Lead



MASS LEAD PAINT LAW

MGL C 111

- ❑ Lead paint law requires that any property, where a child is under six resides, must be deleaded. When the property transfers, the new owner assumes responsibility.
- ❑ First law 1971. Amended 1987.
- ❑ Removal or covering of all lead paint up to a height of five feet.





MASS LEAD PAINT LAW MGL C 111

- ❑ (Height raised from four to five feet in 1987).
- ❑ Prior deleading grandfathered.
- ❑ Applies to “chewable, accessible surfaces”.





1987 Amendment also included:

Lead Paint Licenses- As of July 1, 1990, only licensed persons authorized to inspect and delead.

Financing- No lending institution may discriminate in approving a mortgage due to the presence of lead paint. Banks are also exempt from liability, if lead paint is present.





Fair Housing/Discrimination- A seller or property owner may not discriminate in the sale or rental of property because of children under six, and the presence of lead paint or the need to delead.

Tax credit- \$1500 tax credit per dwelling is allowed to delead with a 5 year tax carry forward provision.

Lead Paint Disclosure Requirements- Places responsibility on those in the real estate profession.





MGL C 111- 1994 AMENDMENT

Major changes:

- ❑ **Grandfathering**- honored
- ❑ **Exemptions**- exempts rooming houses providing no child under 6 lives there, soil or water and limits to property built prior to 1978





MGL C 111- 1994 AMENDMENT

- ❑ **Letter of interim control**- one year to delead with a possible second year under certain circumstances
- ❑ **Short term rentals**- exempt 30 days or less
- ❑ **Encapsulation**- covering lead paint





MGL C 111- 1994 AMENDMENT

- ❑ **Owner deleading**-includes windows, doors as long as no scraping
- ❑ **Tenant Disclosure**- lead paint information package





MGL C 111- 1994 AMENDMENT

- ❑ **90 day window**- after purchase 90 days for “Letter of Compliance” or letter of Interim Control
- ❑ **Tax Credit**- \$1,000-\$1500 per unit up to first \$4500 cost of lead paint work, including window replacement.



FEDERAL LEAD PAINT LAW TITLE X (SECT 1018)

Sellers and lessors of most residential properties built before 1978

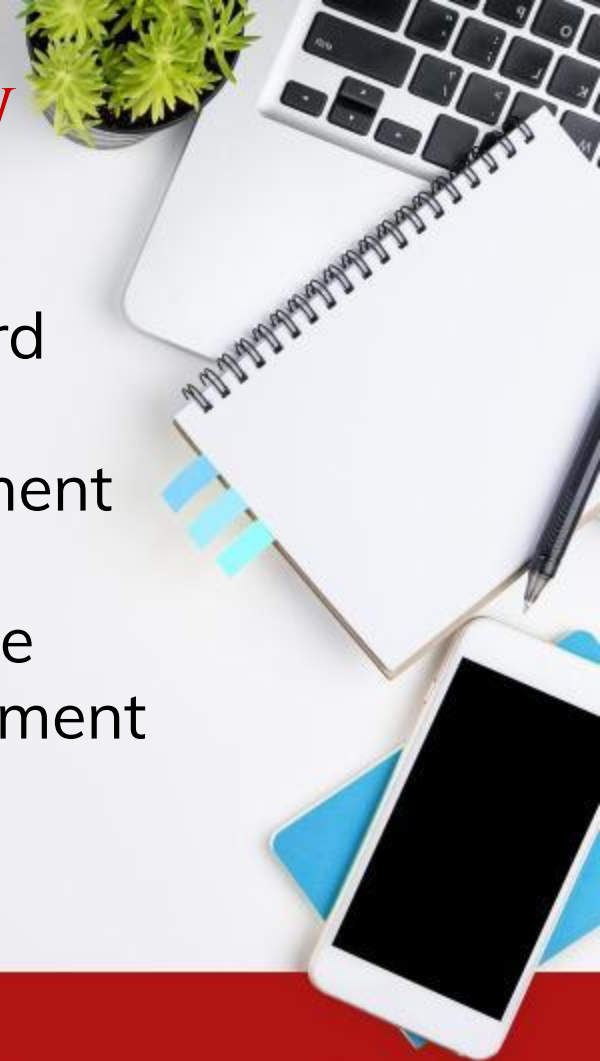
- ❑ must disclose presence of lead paint
- ❑ provide copies of available records or reports pertaining to presence of lead paint





FEDERAL LEAD PAINT LAW TITLE X (SECT 1018)

- ❑ provide federally approved lead hazard information pamphlets
- ❑ 10 day period to conduct risk assessment or inspection
- ❑ Sales and lease contracts must include specific disclosures and acknowledgement language



B. Private sewage disposal



TITLE 5

MASS ENVIRONMENTAL CODE

(310 CMR 15.00 AND 314 CMR 5.00)

Sewage disposal systems and inspection and upgrade of existing systems

Systems must be inspected:

- ☐ At the time of transfer of title (Sale of property)
- ☐ At time of expansion of, or change in use of system
- ☐ Every 3 years in condominiums, if a shared system





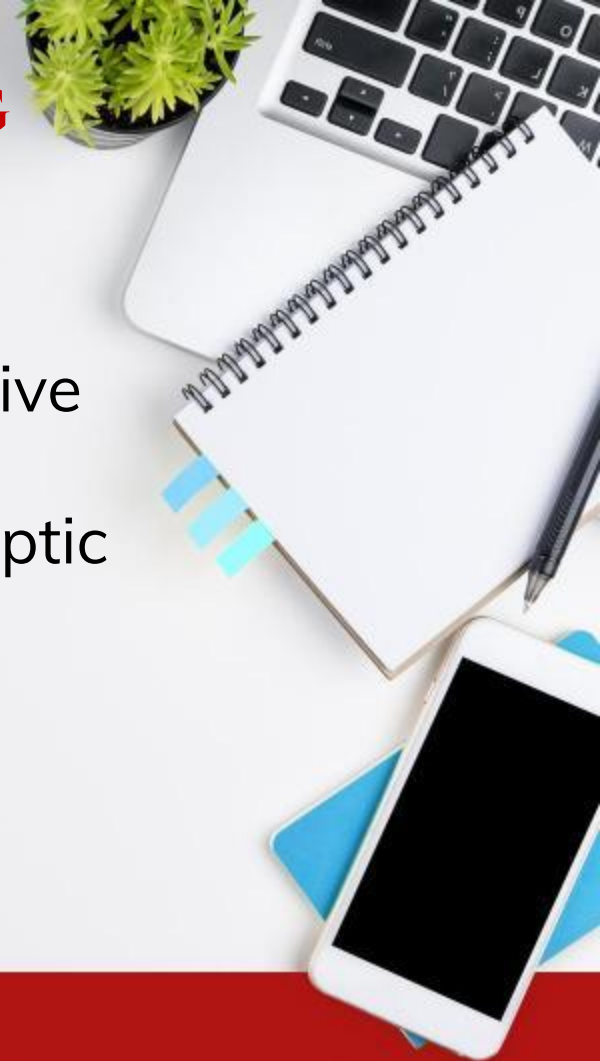
TITLE 5 OF MASS ENVIRONMENTAL CODE (310 CMR 15.00 AND 314 CMR 5.00)

- ❑ At time of division of ownership, combining of systems
- ❑ By July 1, 1996 for larger systems (10,000 gallons per day outflow or larger)- repeat once every 3 years
- ❑ At any time, if ordered by Board of Health



NEW SYSTEM SITING

- ❑ The siting of new systems more restrictive
- ❑ Standards for minimum setbacks for septic tank or soil absorption systems,



NEW SYSTEM SITING

- ❑ From surface water supplies and their tributaries,
- ❑ private wells and elevation of systems and leaching fields above high groundwater levels.





TITLE 5 AND TRANSFERS

Inspection for Transfer of Ownership

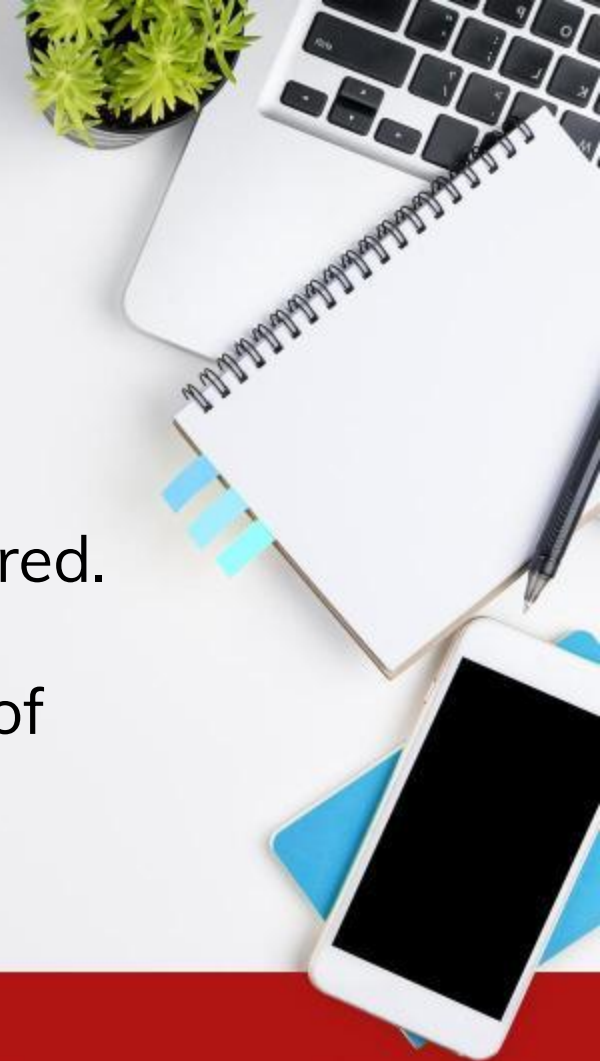
- ❑ Must be inspected within two years prior to the transfer of ownership-
- ❑ Three years if pumped annually



TITLE 5 AND TRANSFERS

Inspection for Transfer of Ownership

- ❑ If too old, have to be updated or repaired.
- ❑ If weather does not permit; holdback of funds 1 ½ times at closing.



C. Smoke and carbon monoxide detection

RADON

- ❑ Radon can be reduced by sealing foundation cracks and a system of venting air showing high radon readings.
- ❑ 4 pCi/l is considered high.
- ❑ Testing not mandatory.





UNDERGROUND STORAGE TANKS (UST)

UST used for storing heating oil.

- ❑ As tanks age, they often corrode and develop leaks.
- ❑ Cost can be high.

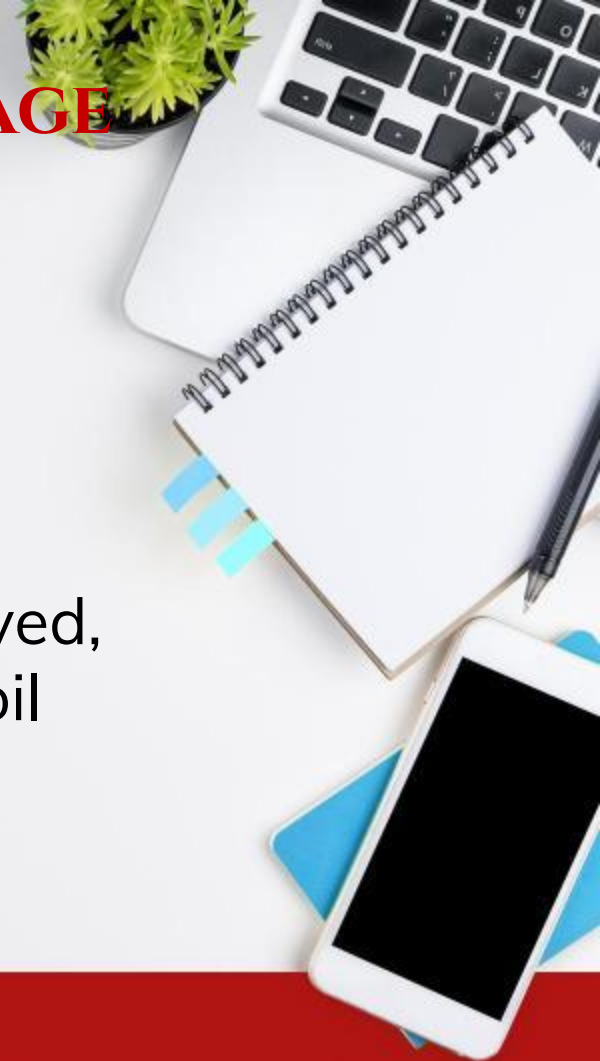




UNDERGROUND STORAGE TANKS (UST)

- ❑ In many instances, liability may include prior owners in chain of title.
- ❑ Best course of action is to have it removed, whether leaking or not, and have the soil tested.

“Eliminate doubt... Take it Out!”





MGL CHAPTER 21E

- ❑ State Superfund Law- Enacted in 1983 and rewritten in 1993 to expand the private sector's role in cleanup activities.



MGL CHAPTER 21E

- ❑ Chapter 21E gives DEP the task of permanent cleanup of oil and hazardous material releases
- ❑ LSP= Licensed Site Professional is an environmental expert, licensed by independent Board of Registration.





MASSACHUSETTS SMOKE DETECTOR LAW

- ❑ Mass Law requires a smoke detector certificate to be present at every closing of residential real estate.
- ❑ Before transfer of residential property, local city or town fire department inspect the property, tests smoke detectors to verify they are correct type, in good working order and in proper location.





MASSACHUSETTS SMOKE DETECTOR LAW

- ❑ Certificate MUST be brought to closing.
- ❑ March 1998 changes to the state building code have created new requirements for smoke detectors.
- ❑ Local inspectors interpret laws differently,





CARBON MONOXIDE

- ❑ Effective 2006, Mass law it is required to have Carbon Monoxide detectors installed in all residential units containing fossil fuel burning equipment. (wood, gas, oil, propane, etc.)
- ❑ A carbon monoxide installation inspection is required at the time of closing and will be done by local fire dept at the time of the smoke detector inspection.

D. Wetlands and rivers protection



WETLANDS PROTECTION ACT

MGL C131 S 40

IMPLEMENTED BY 310 CMR

Sets forth a public review and decision making process certain designated environmentally sensitive areas are to be regulated by local conservation comm and Mass Dept of Environ Protection into ensure max environ protection for environmentally sensitive areas

- ☐ bank
- ☐ freshwater wetland
- ☐ coastal wetland
- ☐ beach
- ☐ dune
- ☐ flat
- ☐ marsh
- ☐ swamp that borders on ocean
- ☐ estuary
- ☐ creek
- ☐ river
- ☐ stream
- ☐ pond or lake



8 INTERESTS IN WPA

1. Protection of public and private water supply
2. protection of groundwater supply
3. flood control
4. storm damage protection



8 INTERESTS IN WPA

1. prevention of pollution
2. protection of land containing shellfish
3. protection of fisheries
4. protection of wildlife habitat





8 INTERESTS IN WPA

There will be:
Issue Order of Conditions





RIVERS PROTECTION ACT

- ❑ Massachusetts Rivers Protection Act - August 1996
- ❑ Expansion of the WPA to address rivers





RIVERS PROTECTION ACT

- ❑ Expansion of the WPA to address rivers
- ❑ Buffer zone of up to 100 feet from resource area
- ❑ Rivers Act added new resource area called the “riverfront area”





RIVERS PROTECTION ACT

- ❑ Extends 200 feet (25 feet in municipalities) on each side of perennial rivers and streams throughout MA
- ❑ Rivers Act any naturally flowing body of water that empties into any ocean, lake or other river which flows throughout the year





HOME INSPECTORS

- ❑ Board of Registration of Home Inspectors charged with “insuring that licensed Home Inspectors have proper training and experience through an educational program and meet minimum inspection requirements in each inspection performed.”





HOME INSPECTORS

- ❑ Must present buyer with a “Fact Sheet”
- ❑ List of approved home inspectors is available from the Board of Registration of Home Inspectors and can be obtained
- ❑ Buyers agents can recommend an individual or group of home inspectors



PSI-7

Contracts

VII. CONTRACTS 17%/18%

- A. General knowledge of contract law
 - 1. Requirements for validity
 - 2. Factors affecting enforceability of contracts
 - 3. Void, voidable, unenforceable contracts
 - 4. Rights and obligations of parties to a contract
 - 5. Executory and executed contracts

6. Notice, delivery and acceptance of contracts

7. Breach of contract and remedies for Breach

8. Termination, rescission and cancellation of contracts

9. Electronic signature and paperless transactions

10. Bilateral vs. unilateral contracts (option agreements)

UNIT 11

Real Estate Contracts





UNIT 11: REAL ESTATE CONTRACTS

The real estate market is driven by contracts. A real estate professional must know not only what a contract means but also how one is created, what is required of the parties to the contract, and how the contract is concluded.



B. Contract Clauses, including amendments
and addenda



KEY TERMS TO DEFINE AND RECORD

❏ Addendum



KEY TERMS TO DEFINE AND RECORD

❑ Addendum

- ❑ Any provision added to an existing contract without altering the content of the original. Must be signed by all parties.



KEY TERMS TO DEFINE AND RECORD

❏ Amendment





KEY TERMS TO DEFINE AND RECORD

❑ Amendment

- ❑ A change to the existing content of a contract (i.e., if words or provisions are added to or deleted from the body of the contract). Must be initialed by all parties.





KEY TERMS TO DEFINE AND RECORD

□ Assignment



KEY TERMS TO DEFINE AND RECORD

❑ Assignment

- ❑ The transfer in writing of interest in a bond, mortgage, lease, or other instrument.



KEY TERMS TO DEFINE AND RECORD

❏ Binder





KEY TERMS TO DEFINE AND RECORD

❑ Binder

- ❑ An agreement that may accompany an earnest money deposit for the purchase of real property as evidence of the purchaser's good faith and intent to complete the transaction.



KEY TERMS TO DEFINE AND RECORD

Breach of Contract





KEY TERMS TO DEFINE AND RECORD

❑ Breach of Contract

- ❑ Violation of any terms or conditions in a contract without legal excuses; for example, failure to make a payment when it is due.





KEY TERMS TO DEFINE AND RECORD

❏ Broker Protection Clause





KEY TERMS TO DEFINE AND RECORD

❑ Broker Protection Clause

- ❑ Clause in a contract that protects a broker from losing a commission in the event a transaction is not completed or is intentionally delayed until after the listing expires.

KEY TERMS TO DEFINE AND RECORD

❏ Competent Party



KEY TERMS TO DEFINE AND RECORD

❑ **Competent Party**

- ❑ A person who has the capacity to be engaged in a legal contract; being of sound mind and body.





KEY TERMS TO DEFINE AND RECORD

☐ Consideration



KEY TERMS TO DEFINE AND RECORD

❑ Consideration

- ❑ (1) That received by the grantor in exchange for the deed. (2) Something of value that induces a person to enter into a contract.



KEY TERMS TO DEFINE AND RECORD

Contingencies





KEY TERMS TO DEFINE AND RECORD

❑ Contingencies

- ❑ Provisions in a contract that require a certain act to be done or a certain event to occur before the contract becomes binding.



KEY TERMS TO DEFINE AND RECORD

 Contract





KEY TERMS TO DEFINE AND RECORD

❑ Contract

- ❑ A legally enforceable promise or set of promises that must be performed and for which, if a breach of the promise occurs, the law provides a remedy. A contract may be either unilateral, by which only one party is bound to act, or bilateral, by which all parties to the instrument are legally bound to act as prescribed.





KEY TERMS TO DEFINE AND RECORD

❏ Counteroffer



KEY TERMS TO DEFINE AND RECORD

❑ Counteroffer

- ❑ A new offer made in response to an offer received. It has the effect of rejecting the original offer, which cannot be accepted thereafter unless received by the offeror.





KEY TERMS TO DEFINE AND RECORD

☐ Covenant





KEY TERMS TO DEFINE AND RECORD

❑ Covenant

- ❑ A written agreement between two or more parties in which a party or parties pledge to perform or not perform specified acts with regard to property; usually found in such real estate documents as deeds, mortgages, leases, and contracts for deed.



KEY TERMS TO DEFINE AND RECORD

❏ Default



KEY TERMS TO DEFINE AND RECORD

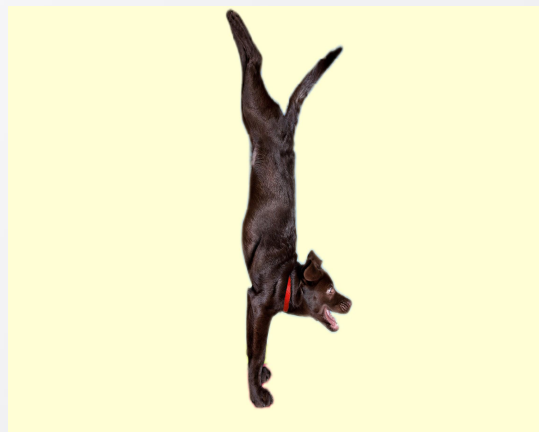
❑ Default

- ❑ The nonperformance of a duty, whether arising under a contract or otherwise; failure to meet an obligation when due.



KEY TERMS TO DEFINE AND RECORD

❏ Discharge





KEY TERMS TO DEFINE AND RECORD

❑ Discharge

- ❑ The act of terminating a contract or agreement; this may be done when it has been completely performed for by another party's breach or default.





KEY TERMS TO DEFINE AND RECORD

❏ Disclosure



KEY TERMS TO DEFINE AND RECORD

❑ Disclosure

- ❑ Relevant information or facts that are known or should have been known.



KEY TERMS TO DEFINE AND RECORD

❏ Duress





KEY TERMS TO DEFINE AND RECORD



❑ Duress

- ❑ Unlawful constraint or action exercised upon a person whereby the person is forced to perform an act against her will. A contract entered into under duress is voidable.



KEY TERMS TO DEFINE AND RECORD

❏ Earnest Money





KEY TERMS TO DEFINE AND RECORD

❑ Earnest Money

- ❑ Money deposited by a buyer under the terms of a contract, to be forfeited if the buyer defaults but to be applied to the purchase price if the sale is closed.



KEY TERMS TO DEFINE AND RECORD

❑ Enforceable Contract





KEY TERMS TO DEFINE AND RECORD

❑ Enforceable Contract

- ❑ A contract that meets all the elements of a valid contract, including compliance with any applicable statute of frauds or other law that requires it to be in writing and signed by the parties.



KEY TERMS TO DEFINE AND RECORD

❑ Equitable Title



KEY TERMS TO DEFINE AND RECORD

❑ Equitable Title

- ❑ The interest held by a vendee (buyer) under a contract for deed or an installment contract in which title is not immediately transferred; the equitable right to obtain absolute ownership to property when legal title is held in another's name.



KEY TERMS TO DEFINE AND RECORD

❏ Executed Contract



KEY TERMS TO DEFINE AND RECORD

❑ Executed Contract

- ❑ A contract in which all parties have fulfilled their promises and thus performed the contract.





KEY TERMS TO DEFINE AND RECORD

❏ Executory Contract



KEY TERMS TO DEFINE AND RECORD

- ❑ **Executory Contract**
 - ❑ A contract under which something remains to be done by one or more of the parties.



KEY TERMS TO DEFINE AND RECORD

Express Agreement



KEY TERMS TO DEFINE AND RECORD

- ❑ **Express Agreement**
 - ❑ An oral or written contract in which the parties state the contract's terms and express their intentions in words.





KEY TERMS TO DEFINE AND RECORD

❑ Implied Agreement





KEY TERMS TO DEFINE AND RECORD

- ❑ **Implied Agreement**
 - ❑ A contract under which the agreement of the parties is demonstrated by their acts and conduct.





KEY TERMS TO DEFINE AND RECORD


❏ Installment Sale

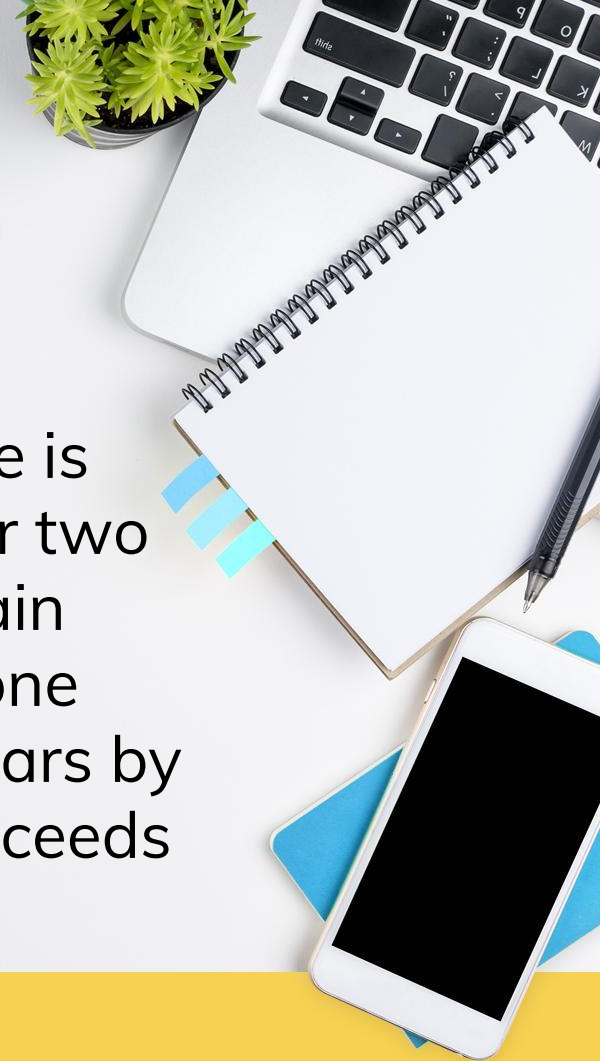




KEY TERMS TO DEFINE AND RECORD

Installment Sale

-  A transaction in which the sales price is paid in two or more installments over two or more years. If the sale meets certain requirements, a taxpayer can postpone reporting such income until future years by paying tax each year only on the proceeds received that year.





KEY TERMS TO DEFINE AND RECORD

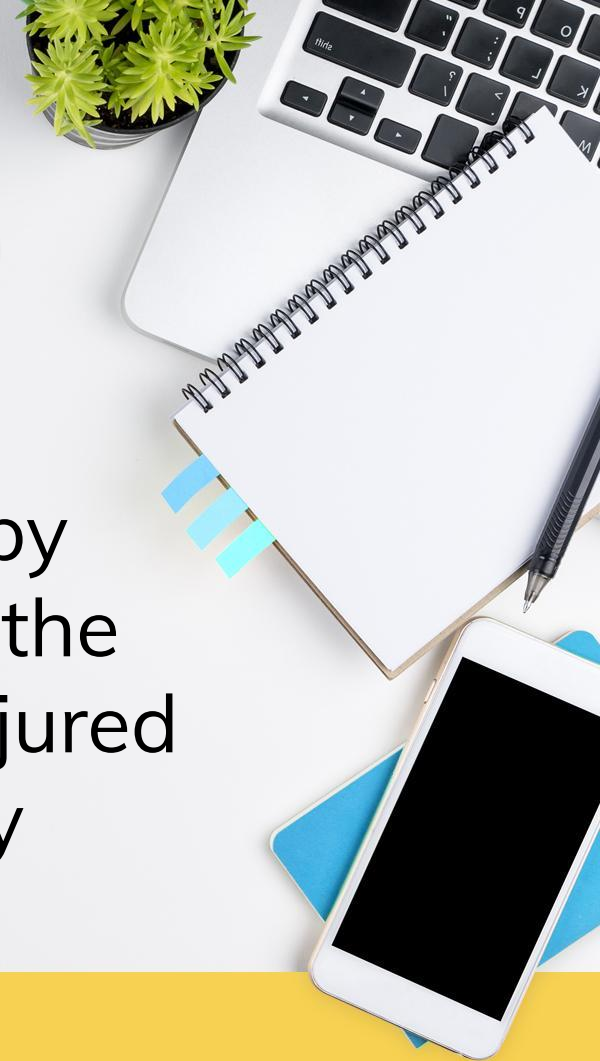
❑ Liquidated Damages



KEY TERMS TO DEFINE AND RECORD

❑ Liquidated Damages

- ❑ An amount predetermined by the parties to a contract as the total compensation to an injured party should the other party breach the contract.





KEY TERMS TO DEFINE AND RECORD

❏ Mutual Assent





KEY TERMS TO DEFINE AND RECORD

❑ Mutual Assent

- ❑ Requirement that there must be complete agreement between the parties about the purpose and terms of a contract.





KEY TERMS TO DEFINE AND RECORD

❏ Novation



KEY TERMS TO DEFINE AND RECORD

❑ Novation

- ❑ Substituting a new obligation for an old one or substituting new parties to an existing obligation.



KEY TERMS TO DEFINE AND RECORD

Offer and Acceptance





KEY TERMS TO DEFINE AND RECORD

❑ Offer and Acceptance

- ❑ Two essential components of a valid contract; a “meeting of the minds.” An offer is a promise made by the offeror, requesting something in exchange for that promise. Acceptance is a promise by the offeree to be bound by the exact terms proposed by the offeror.



KEY TERMS TO DEFINE AND RECORD

❏ Option





KEY TERMS TO DEFINE AND RECORD



❑ Option

- ❑ An agreement to keep open for a set period an offer to sell or purchase property.



KEY TERMS TO DEFINE AND RECORD

❏ Owner Financing





KEY TERMS TO DEFINE AND RECORD

❑ Owner Financing

- ❑ The seller is the primary lender, securing the property by means of a deed, note and mortgage, deed of trust, or contract for deed.



In its traditional form, the buyer takes possession of the property and the seller retains legal title until paid in full, but some states have softened this outcome to provide that the buyer is entitled to legal title after a specified period of successful loan payments.





KEY TERMS TO DEFINE AND RECORD

❑ Purchase Money Mortgage

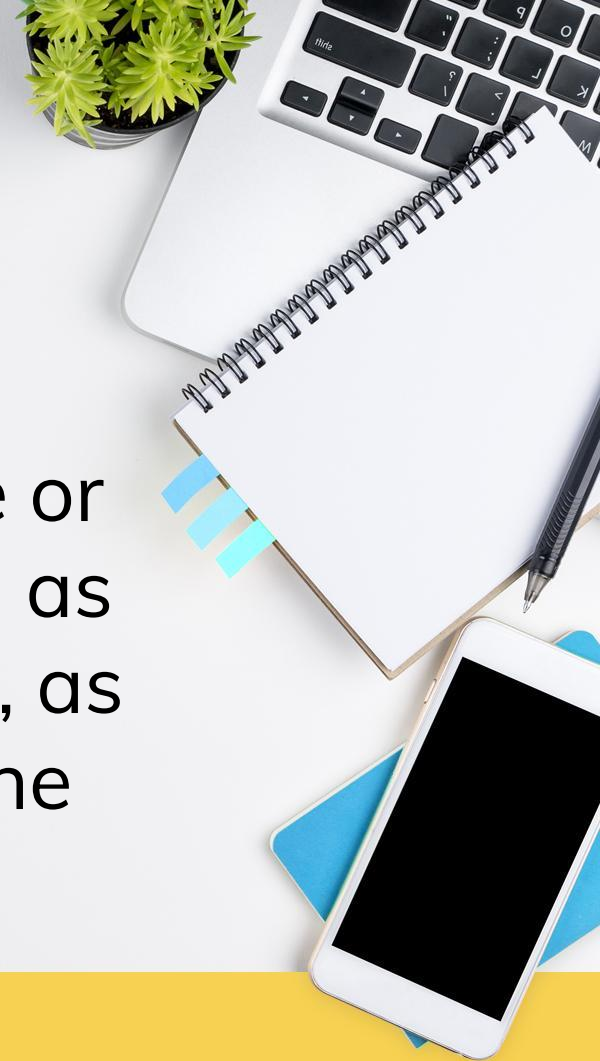




KEY TERMS TO DEFINE AND RECORD

❑ Purchase Money Mortgage

- ❑ A note secured by a mortgage or deed of trust given by a buyer, as borrower, to a seller, as lender, as part of the purchase price of the real estate.





KEY TERMS TO DEFINE AND RECORD

❑ Rescission





KEY TERMS TO DEFINE AND RECORD

❑ Rescission

- ❑ The practice of one party canceling or terminating a contract, which has the effect of returning the parties to their original positions before the contract was made.





KEY TERMS TO DEFINE AND RECORD

❏ Specific Performance





KEY TERMS TO DEFINE AND RECORD

- ❑ **Specific Performance**
 - ❑ A legal action to compel a party to carry out the terms of a contract.





KEY TERMS TO DEFINE AND RECORD

❏ Statute of Frauds





KEY TERMS TO DEFINE AND RECORD

❑ Statute of Frauds

- ❑ That part of a state law that requires certain instruments, such as deeds, real estate sales contracts, and certain leases, to be in writing to be legally enforceable.





KEY TERMS TO DEFINE AND RECORD

☐ Statute of Limitations



KEY TERMS TO DEFINE AND RECORD

❑ Statute of Limitations

- ❑ That law pertaining to the period of time within which certain actions must be brought to court.



KEY TERMS TO DEFINE AND RECORD

❏ “Time is of the essence”





KEY TERMS TO DEFINE AND RECORD

- ❑ **“Time is of the essence”**
 - ❑ A phrase in a contract that requires the performance of a certain act within a stated period of time.





KEY TERMS TO DEFINE AND RECORD

- ❏ Unenforceable Contract





KEY TERMS TO DEFINE AND RECORD

❑ Unenforceable Contract

- ❑ A contract that has all the elements of a valid contract, yet neither party can sue the other to force performance of it. For example, an unsigned contract is generally unenforceable.



KEY TERMS TO DEFINE AND RECORD

❑ Unilateral Contract





KEY TERMS TO DEFINE AND RECORD

❑ Unilateral Contract

- ❑ A one-sided contract wherein one party makes a promise so as to induce a second party to do something. The second party is not legally bound to perform; however, if the second party does comply, the first party is obligated to keep the promise.





KEY TERMS TO DEFINE AND RECORD

❏ Valid Contract





KEY TERMS TO DEFINE AND RECORD

❑ Valid Contract

- ❑ A contract that complies with all the essentials of a contract and is binding and enforceable on all parties to it.



KEY TERMS TO DEFINE AND RECORD

❏ Vendee





KEY TERMS TO DEFINE AND RECORD

- ❑ **Vendee**
 - ❑ A buyer usually under the terms of a land contract.





KEY TERMS TO DEFINE AND RECORD

❏ Vendor





KEY TERMS TO DEFINE AND RECORD

- ❑ **Vendor**
 - ❑ A seller, usually under the terms of a land contract.





KEY TERMS TO DEFINE AND RECORD

❑ Void Contract





KEY TERMS TO DEFINE AND RECORD

❑ Void Contract

- ❑ A contract that has no legal force or effect because it does not meet the essential elements of a contract.



KEY TERMS TO DEFINE AND RECORD

❏ Voidable Contract





KEY TERMS TO DEFINE AND RECORD

❑ Voidable Contract

- ❑ A contract that seems to be valid on the surface but may be rejected or disaffirmed by one or both of the parties.



CONTRACT LAW

- ❑ Contracts must be:
- ❑ Voluntary
- ❑ Agreement or Promise
- ❑ Made by Legally Competent Parties
- ❑ Supported by Lawful Consideration
- ❑ For a Legal Act





TYPES OF CONTRACTS

- ☐ Express Contract
- ☐ Implied Contract
- ☐ Statute of frauds
- ☐ Bilateral Contract
- ☐ Unilateral Contract
- ☐ Executed Contract
- ☐ Executory Contract



PSI OUTLINE

C. Offers/purchase agreements

1. General requirements
2. When offer becomes binding
3. Contingencies
4. Time is of the essence



CREATION OF A VALID CONTRACT

- ❑ Offer and acceptance
- ❑ Consideration
- ❑ Legally competent parties
- ❑ Consent
- ❑ Legal purpose





VALIDITY OF A CONTRACT

- ❑ **Valid**—has all legal elements
- ❑ **Void**—lacks one or more elements and has no legal force or effect
- ❑ **Voidable**—has all legal elements on its face, but it may be rescinded or disaffirmed
- ❑ **Unenforceable**—appears to have all legal elements but cannot be enforced in court





DISCHARGE OF CONTRACTS

- ❑ Performance
- ❑ Assignment
- ❑ Novation
- ❑ Breach of Contract
- ❑ Other Reasons



D. Counteroffers/multiple offers

1. Counteroffers
2. Multiple offers



CONTRACTS USED IN THE REAL ESTATE BUSINESS

- ☐ Client representation agreements
- ☐ Real estate sales contracts
- ☐ Options
- ☐ Escrow agreements





- ❑ Property management agreements
- ❑ Leases
- ❑ Owner financing contracts, such as land contracts or contracts for deed





SALES CONTRACTS

- ☐ Offer
- ☐ Counteroffer
- ☐ Acceptance
- ☐ Binder
- ☐ Earnest Money Deposits
- ☐ Equitable Title
- ☐ Destruction of Premises
- ☐ Liquidated Damages





SALES CONTRACTS

- ❑ Provisions of a Sales Contract
- ❑ Contingencies
- ❑ Amendments and Addendums
 - ❑ Disclosures
- ❑ Options
- ❑ Owner Financing
 - ❑ Land contracts



MASS IV CONTRACTS~2 ITEMS

- A. Offer to Purchase (Contract to Purchase)
- B. Purchase and Sale agreement
- C. Leases
- D. Listing and Buyer Agreements

CHAPTER 8

REAL ESTATE CONTRACTS



CONTRACT LAW

- ❑ A contract is an exchange of promises that is enforceable by law.





CONTRACT LAW

- ❑ Massachusetts allows both written and oral contracts.
- ❑ However, in Massachusetts, the sale of real estate requires a written contract to be enforceable.





CONTRACT LAW

The statute of frauds requires a written memorandum to include:

- ❑ the identity of the parties





CONTRACT LAW



The statute of frauds requires a written memorandum to include:

- ❑ a description of the property;



CONTRACT LAW

The statute of frauds requires a written memorandum to include:

- ❑ a recital of the consideration





CONTRACT LAW



The statute of frauds requires a written memorandum to include:

- ❑ the date of the agreement



CONTRACT LAW

The statute of frauds requires a written memorandum to include:

- ❑ the signatures of the parties.



CONTRACT LAW

- ❑ The signatures of both parties always should be obtained, because a party cannot be sued for any breach of a contract, unless the contract has been signed.





CONTRACT LAW

- ❑ Oral contracts for the sale of real estate are legal but not enforceable, in a court of law.



ELEMENTS OF A CONTRACT

- ❑ Legally Competent Parties



ELEMENTS OF A CONTRACT

- ❑ Mutual Consent - Also called “meeting of the minds,”





ELEMENTS OF A CONTRACT

❑ Consideration





ELEMENTS OF A CONTRACT

- ❑ Offer and Acceptance





BROKER'S AUTHORITY TO PREPARE DOCUMENTS

In Massachusetts, a broker may only fill in the blanks on preprinted forms, such as contract-to-purchase agreements and purchase-and-sale agreements, which are available from your company, The National and Massachusetts Association of REALTORS®, and regional real estate boards/associations





BROKER'S AUTHORITY TO PREPARE DOCUMENTS

☐ Sales Contracts





BROKER'S AUTHORITY TO PREPARE DOCUMENTS

☐ Offer to Purchase



BINDING

- ❑ Earnest Money Deposits



❏ Equitable Title





BROKER'S AUTHORITY TO PREPARE DOCUMENTS

- ❑ Liquidated Damages



ELECTRONIC SIGNATURES

- ❑ Massachusetts Uniform Electronic Transactions Act (MUETA) became effective February 18, 2004 (Codified at M.G.L. c. 100G Chapter 133, Acts of 2003).



ELECTRONIC SIGNATURES

- ❑ It applies to any electronic record or electronic signature created, generated, sent, communicated, received, or stored on or after MUETA's effective date.



ELECTRONIC SIGNATURES

- ❑ Electronic signatures cannot be denied legal effect or enforceability solely because it is electronic.



INSTALLMENT CONTRACTS

- ❑ Under an installment contract, the seller retains legal title to the property until the entire purchase price is paid, usually over a term of many years.



INSTALLMENT CONTRACTS

- ❑ The seller often finances the purchase, and the buyer sends the seller monthly checks, until the entire amount, including interest, is paid.



A. Offer to Purchase

B. Purchase and Sale agreement

D. Listing and Buyer Agreements

VIII. LEASING AND PROPERTY MANAGEMENT 3%/5%

From CANDIDATE INFORMATION BULLETIN

- A. Basic concepts/duties of property management
- B. Lease Agreements
 - 1. Types of leases, e.g., percentage, gross, net, ground
 - 2. Key elements and provisions of lease agreements
- C. Landlord and tenant rights and obligations
- D. Property manager's fiduciary responsibilities
- E. ADA and Fair Housing compliance in property management
- F. Setting rents and lease rates (BROKER ONLY)

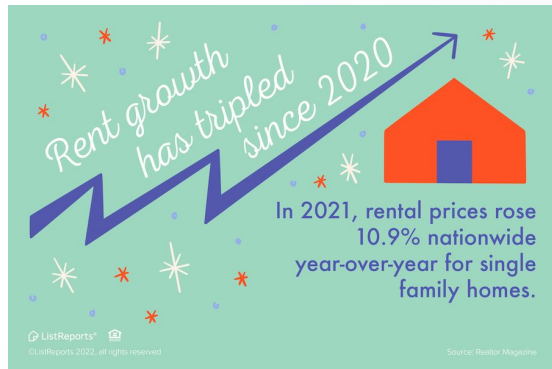


National (yellow)

- VIII. **Leasing and Property Management**
(Salesperson 3%; Broker 5%)
- A. Basic concepts/duties of property management
 - B. Lease Agreements
 - 1. Types of leases, e.g., percentage, gross, net, ground
 - 2. Key elements and provisions of lease agreements
 - C. Landlord and tenant rights and obligations
 - D. Property manager's fiduciary responsibilities
 - E. ADA and Fair Housing compliance in property management
 - F. Setting rents and lease rates (*BROKER ONLY*)

Massachusetts (red)

- VIII. **LANDLORD TENANT LAW (10%)**
(SALESPERSONS: 4 ITEMS; BROKERS: 4 ITEMS)
- A. Rental deposits, Receipts and Statement of Condition
 - B. State Sanitary Code
 - C. Short-term Vacation or Recreational Rentals



UNIT 17

Leases





UNIT 17: LEASES

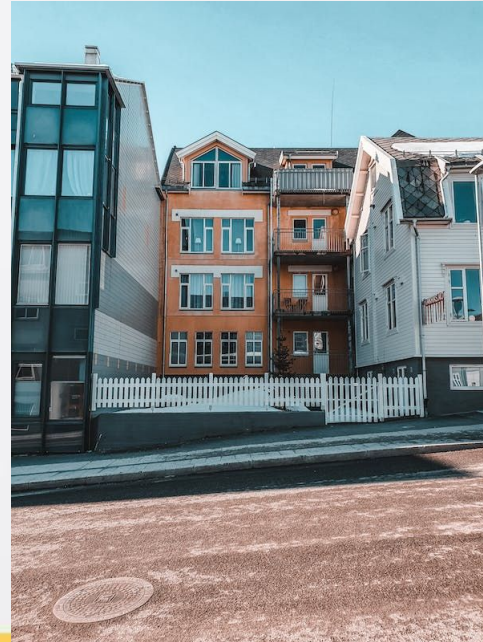
Anyone with an interest in rental property should be aware of the basic provisions of leases and management agreements, and other landlord-tenant issues. Real estate professionals should be knowledgeable about the local rental market to better assist prospective buyers or investor-buyers, or to manage their own portfolios.





KEY TERMS TO DEFINE AND RECORD

❏ Actual Eviction





KEY TERMS TO DEFINE AND RECORD

Actual Eviction

- ❑ The legal **process** that results in a tenant's being **physically removed** from leased premises.





KEY TERMS TO DEFINE AND RECORD

❏ Assignment





KEY TERMS TO DEFINE AND RECORD

Assignment

- ❑ The **transfer** in **writing** of **interest** in a bond, mortgage, lease, or other **instrument**.





KEY TERMS TO DEFINE AND RECORD

❏ Constructive Eviction





KEY TERMS TO DEFINE AND RECORD

Constructive Eviction

- ❑ Actions of a landlord that so materially **disturb** or **impair** a tenant's **enjoyment** of the leased premises that the **tenant** is effectively **forced** to move out and **terminate** the lease **without liability** for any further rent.



KEY TERMS TO DEFINE AND RECORD

- ❑ Estate (tenancy) at Sufferance





KEY TERMS TO DEFINE AND RECORD

Estate (tenancy) at Sufferance

- ❑ The tenancy of a lessee who lawfully comes into possession of a landlord's real estate but who **continues** to occupy the premises **improperly** after the lease rights have **expired**.





KEY TERMS TO DEFINE AND RECORD

- ❑ Estate (tenancy) at will





KEY TERMS TO DEFINE AND RECORD

Estate (tenancy) at will

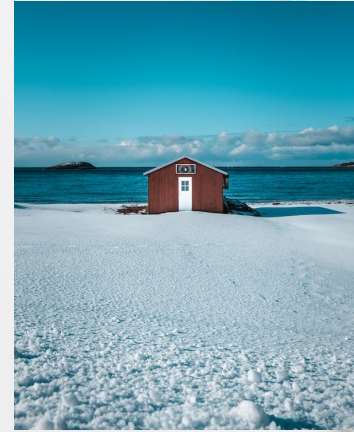
- ❑ An estate that gives the right to **possession** until the estate is **terminated** by either party; the term of this estate is **indefinite**.





KEY TERMS TO DEFINE AND RECORD

- ❑ Estate (tenancy) for years





KEY TERMS TO DEFINE AND RECORD

Estate (tenancy) for years

- ❑ An interest for a certain, **exact period of time** in property leased for a specified consideration.





KEY TERMS TO DEFINE AND RECORD

- ❑ Estate (tenancy) from Period to Period





KEY TERMS TO DEFINE AND RECORD

Estate (tenancy) from Period to Period

- ❑ An **interest** in leased property that continues from **period** to **period**--**week to week**, **month to month**, or **year to year**.





KEY TERMS TO DEFINE AND RECORD

❏ Eviction





KEY TERMS TO DEFINE AND RECORD

Eviction

- ❑ A legal process to oust a person from possession of real estate.





KEY TERMS TO DEFINE AND RECORD

- ❑ Forcible Detainer





KEY TERMS TO DEFINE AND RECORD

Forcible Detainer

- ❑ Removal of a tenant from a rental property by the landlord if the tenant has **breached** one of the terms of the **lease** agreement, in compliance with **statutory** law.



KEY TERMS TO DEFINE AND RECORD

❑ Gross Lease





KEY TERMS TO DEFINE AND RECORD

Gross Lease

- ❑ A lease of property according to which a landlord pays **all** property charges regularly incurred through ownership, such as **repairs**, **taxes**, **insurance**, and **operating** expenses.



KEY TERMS TO DEFINE AND RECORD

❏ Ground Lease





KEY TERMS TO DEFINE AND RECORD

Ground Lease

- ❑ A lease of **land** only, on which the tenant usually owns a building or is required to build as specified in the lease. Such leases are usually **long-term net** leases; the **tenant's** rights and obligations continue until the lease expires or is terminated through **default**.





KEY TERMS TO DEFINE AND RECORD

- ❏ Holdover Tenancy

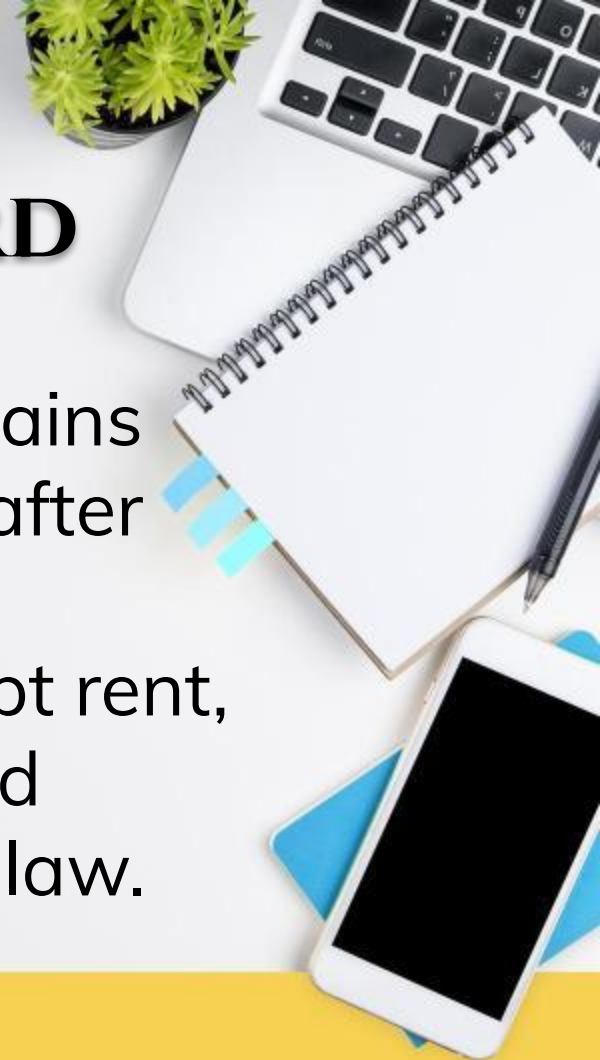




KEY TERMS TO DEFINE AND RECORD

❑ Holdover Tenancy

- ❑ A tenancy in which a lessee retains possession of leased property after the lease has expired and the landlord, by continuing to accept rent, agrees to the tenant's continued occupancy as defined by state law.





KEY TERMS TO DEFINE AND RECORD

- ❑ Implied Warranty of Habitability





KEY TERMS TO DEFINE AND RECORD

Implied Warranty of Habitability

- ❑ A theory in landlord/tenant law in which the landlord renting residential property implies that the property is **habitable** and fit for its intended use.





KEY TERMS TO DEFINE AND RECORD

❏ Lease





KEY TERMS TO DEFINE AND RECORD

Lease

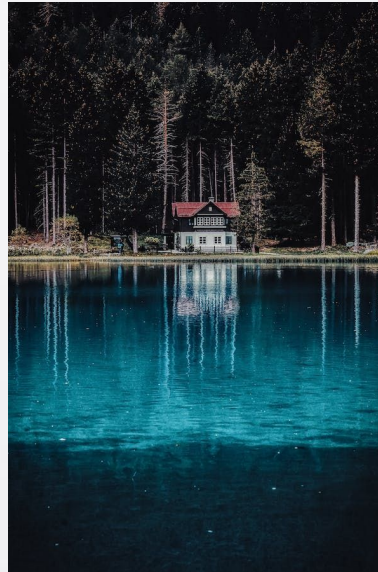
- ❑ A written or oral contract between a landlord (the lessor) and a tenant (the lessee) that transfers the right to exclusive **possession** and use of the landlord's real property to the lessee for a **specified** period of time and for a **stated** consideration (rent). By state law, leases for **longer** than a certain period of time (generally one year) must be in **writing** to be **enforceable**.





KEY TERMS TO DEFINE AND RECORD

❏ Lease Option





KEY TERMS TO DEFINE AND RECORD

Lease Option

- ❑ A lease under which the tenant has the right to **purchase** the property at an agreed-upon price either during the lease term or at its end.





KEY TERMS TO DEFINE AND RECORD

❑ Lease Purchase



KEY TERMS TO DEFINE AND RECORD

❑ Lease Purchase

- ❑ The purchase of real property, the consummation of which is preceded by a lease, usually long term, that is typically done for tax or financing purposes.





KEY TERMS TO DEFINE AND RECORD

❑ Leasehold Estate





KEY TERMS TO DEFINE AND RECORD

Leasehold Estate

- ❑ A tenant's right to occupy real estate during the term of a lease, generally considered a personal property interest, although a long-term lease may be eligible for treatment as real property for financing purposes.



KEY TERMS TO DEFINE AND RECORD

- ❑ Month-to-Month Tenancy





KEY TERMS TO DEFINE AND RECORD

Month-to-Month Tenancy

- ❑ A periodic tenancy under which the tenant rents for one month at a time. In the absence of a rental agreement (oral or written), a tenancy is generally considered to be month to month.





KEY TERMS TO DEFINE AND RECORD

❑ Net Lease





KEY TERMS TO DEFINE AND RECORD

Net Lease

- ❑ A lease requiring the tenant to pay not only rent but also costs incurred in maintaining the property, including taxes, insurance, utilities, and repairs.



KEY TERMS TO DEFINE AND RECORD

- ❑ Nondisturbance Clause

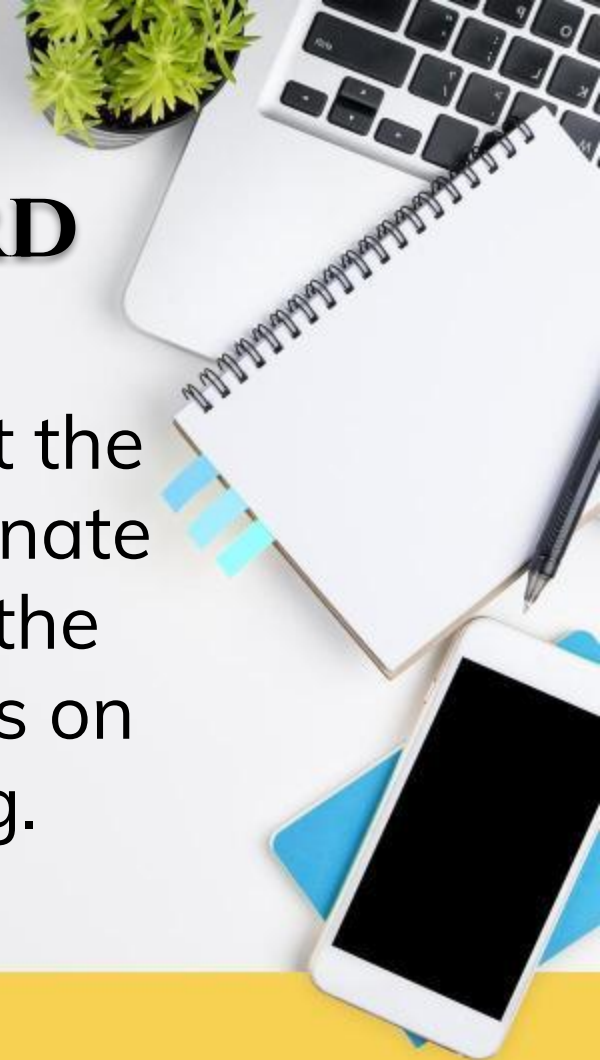




KEY TERMS TO DEFINE AND RECORD

Nondisturbance Clause

- ❑ A mortgage clause stating that the mortgagee agrees **not** to terminate the tenancies of the lessees in the event the mortgagee forecloses on the mortgagor-lessor's building.





KEY TERMS TO DEFINE AND RECORD

❑ Percentage Lease





KEY TERMS TO DEFINE AND RECORD

Percentage Lease

- ❑ A lease, commonly used for commercial property, whose rental is based on the tenant's gross sales at the premises; it usually stipulates a base monthly rental **plus** a **percentage** of any gross sales **above** a certain amount.





KEY TERMS TO DEFINE AND RECORD

❑ Proprietary Lease





KEY TERMS TO DEFINE AND RECORD

Proprietary Lease

- ❑ A lease given by the corporation that owns a **cooperative** apartment building to a **shareholder** who has the right as a tenant to an individual unit.



KEY TERMS TO DEFINE AND RECORD

❑ Purchase Option





KEY TERMS TO DEFINE AND RECORD

Purchase Option

- ❑ The right given by a lessee to the tenant to purchase the property at a predetermined price within a certain period, possibly the lease term.*(unilateral)*





KEY TERMS TO DEFINE AND RECORD

❑ Renewal Option





KEY TERMS TO DEFINE AND RECORD

Renewal Option

- ❑ A clause in a lease that grants the lessee the privilege of renewing the lease.



KEY TERMS TO DEFINE AND RECORD

☐ Rent





KEY TERMS TO DEFINE AND RECORD

Rent

- ❑ A **fixed**, **periodic** **payment** by a **tenant** of a property to the **owner** for **possession** and **use**, usually by prior agreement of the parties.





KEY TERMS TO DEFINE AND RECORD

☐ Rent Schedule



KEY TERMS TO DEFINE AND RECORD

Rent Schedule

- ❑ A statement of **proposed** rental **rates**, determined by the **owner** or the property **man**ager or both, based on a building's **estimated** **expenses**, **market** **supply** and **demand**, and the **owner's** long-range **goals** for the property.

KEY TERMS TO DEFINE AND RECORD

❑ Reversionary Right





KEY TERMS TO DEFINE AND RECORD

Reversionary Right

- ❑ The **return** of the **rights** of **possession** and **quiet enjoyment** to the **lessor** at the **expiration** of a lease.





KEY TERMS TO DEFINE AND RECORD

- ❑ Right of First Refusal



KEY TERMS TO DEFINE AND RECORD

Right of First Refusal

- ❑ A clause allowing the tenant the opportunity to buy the property before the owner accepts an offer from another party.





KEY TERMS TO DEFINE AND RECORD

☐ Sale-and-Leaseback





KEY TERMS TO DEFINE AND RECORD

Sale-and-Leaseback

- ❑ A transaction in which the owner sells improved property and, as part of the **same** transaction, signs a **long-term lease** to remain in **possession** of the premises.



KEY TERMS TO DEFINE AND RECORD

- ❑ Security Deposit





KEY TERMS TO DEFINE AND RECORD

Security Deposit

- ❑ A payment by a tenant, held by the landlord during the lease term, and kept (wholly or partially) on default or on destruction of the premises by the tenant.





KEY TERMS TO DEFINE AND RECORD

❑ Subletting

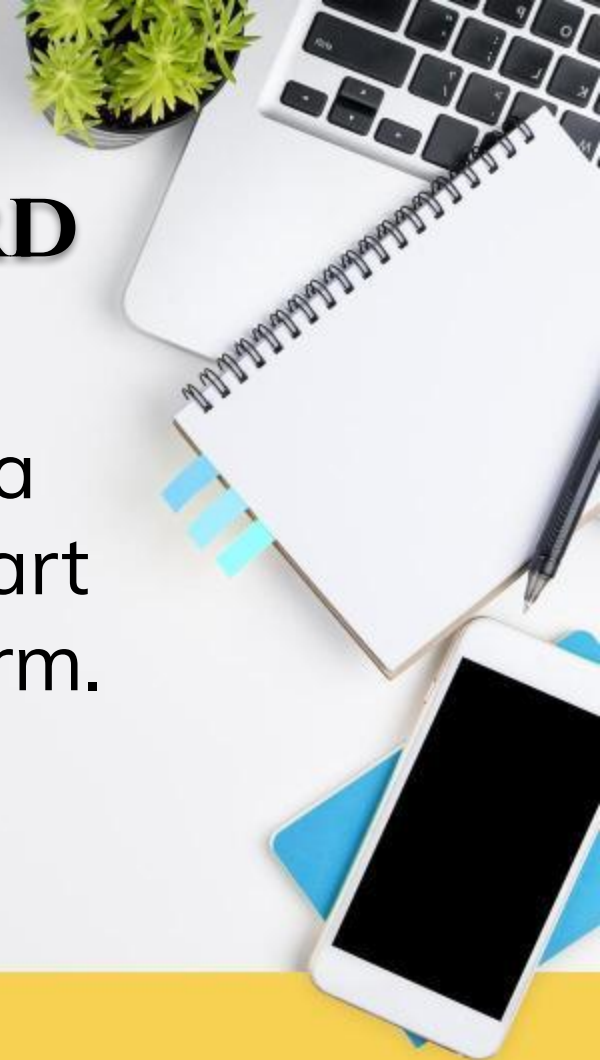




KEY TERMS TO DEFINE AND RECORD

Subletting

- ❑ The leasing of premises by a lessee to a third party for part of the lessee's remaining term. See also assignment.





KEY TERMS TO DEFINE AND RECORD

- ❑ Suit for Possession





KEY TERMS TO DEFINE AND RECORD

Suit for Possession

- ❑ A court suit initiated by a landlord to evict a tenant from leased premises after the tenant has **breached** one of the terms of the lease or has held **possession** of the property **after** the lease's **expiration**.





KEY TERMS TO DEFINE AND RECORD

☐ Tenant





KEY TERMS TO DEFINE AND RECORD

Tenant

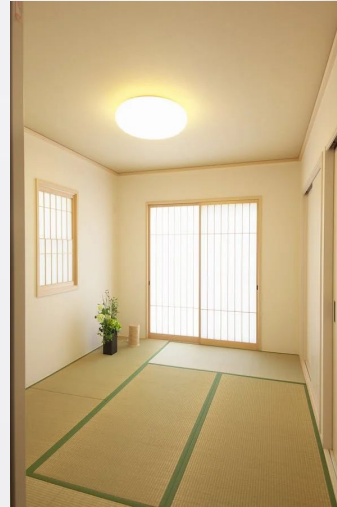
- ❑ One who holds or possesses lands or tenements by any kind of right or title.





KEY TERMS TO DEFINE AND RECORD

❏ Tenant's Insurance





KEY TERMS TO DEFINE AND RECORD

Tenant's Insurance

- ❑ Insurance on the personal belongings of tenants.





LEASING REAL ESTATE

- ❑ Leasehold Estates
 - ❑ Estate for Years (date)
 - ❑ Estate from Period to Period
 - ❑ Estate at Will
 - ❑ Estate at Sufferance





LEASE AGREEMENTS

- ❑ Requirements
 - ❑ Capacity to contract
 - ❑ Legal objective
- ❑ Offer and acceptance
- ❑ Consideration





TYPES OF LEASES

- ☐ Gross Lease
- ☐ Net Lease
- ☐ Percentage Lease
- ☐ Variable Lease
- ☐ Ground Lease
- ☐ Oil and Gas Lease
- ☐ Lease Purchase
- ☐ Sale-and-leaseback





DISCHARGE OF A LEASE

- ❑ Breach
 - ❑ Actual Eviction
 - ❑ Constructive Eviction
- ❑ Pro tenant Legislation
- ❑ Fair Housing and Civil Rights Laws





C. Leases



Invest in yourself

47% of renters spend
more than 30%
of their income
on housing.



ListReports®

Harvard Cost Burdens Study

CHAPTER 13

Leases

Renting?

Then you're
already paying a
mortgage - just
not your own.

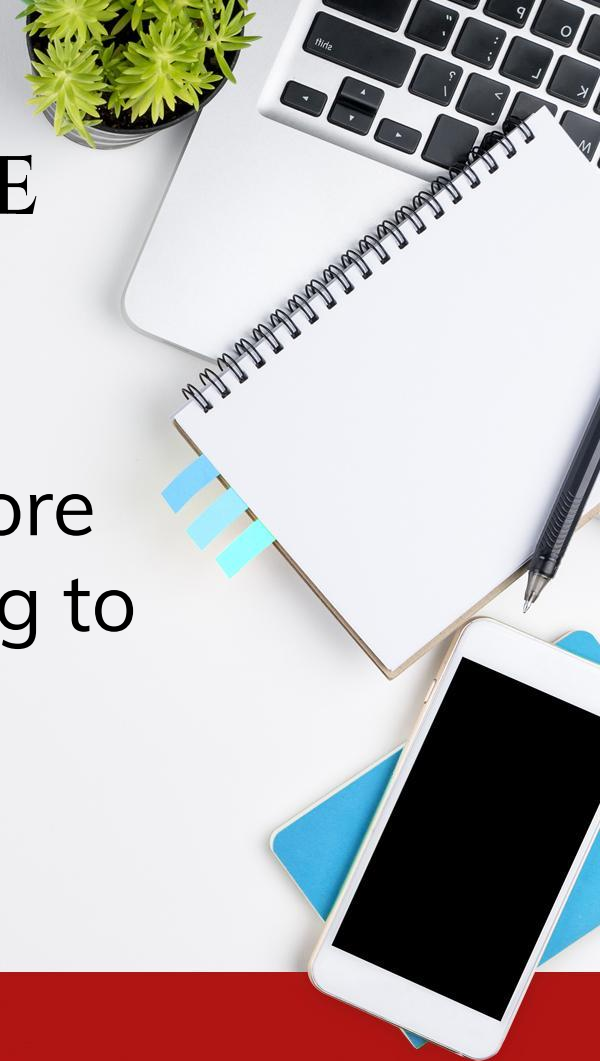
It's time.

ListReports



LEASING REAL ESTATE

- ❑ In **Massachusetts**, leases for more than one year must be in writing to satisfy the **statute of frauds**.





LEASING REAL ESTATE

- ❑ Leases for seven years or more must be written, acknowledged, and recorded, or their validity will be restricted to the original landlord.



BREACH OF LEASE

- ❑ If a tenant fails to pay the rent on time, a landlord can begin a statutory eviction proceeding.



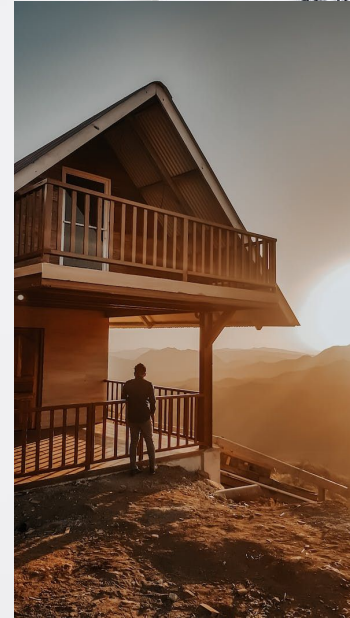
- ❑ In a tenancy at will, the law requires that the landlord give the tenant as much time to stay in the property as one rental period, after the landlord provides a notice to quit the property.





STANDARD LEASE PROVISIONS

Certain lease provisions are legally void and unenforceable in Massachusetts.





STANDARD LEASE PROVISIONS

- ❑ A lessor may not include a provision in the lease permitting him to enter the premises for any reason other than to make repairs or to show it to a prospective lessee.





STANDARD LEASE PROVISIONS

- ❑ A lease may not require the tenant to waive the landlord's responsibility to keep the premises habitable, or to waive the landlord's liability for failing to provide heat, light, power, or other utilities or services required by the lease.



- ❑ No lease may contain a provision permitting the landlord to terminate it in the event the tenant should have children.



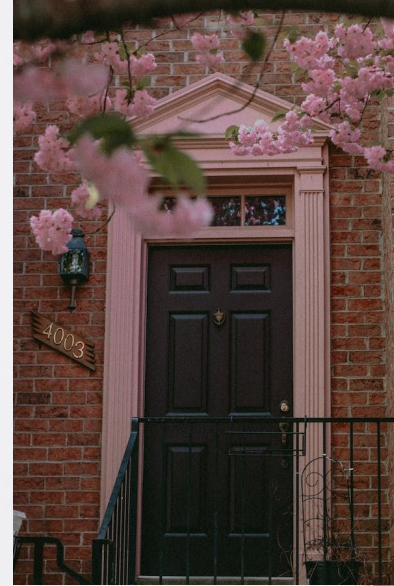


STANDARD LEASE PROVISIONS

- ❑ M.G.L. c. 186 § 22 grants landlords of residential property the right to separately charge tenants for actual water and sewer costs providing that all of the comprehensive requirements are met.



- ❑ Landlords can now install meters in apartments and single-family homes they rent, to separately charge tenants for actual water usage.



- ❑ The landlord must provide a copy of the approved water and sewer certification from the local board of health to the tenant.



- ❑ Existing tenants are not subject to the law, however, and could not be made to pay separately for water due to grandfathering provisions in the law. Public housing tenants are exempt from the law as well.



- ❑ Licensees, when representing a landlord, need to make sure landlords are aware of this ruling, because many landlords unknowingly require tenants to pay for water and sewer services, without separate meters and/or certification forms.



QUIET ENJOYMENT

- ❑ A landlord may not interfere with a tenant's right of quiet enjoyment of the premises, that is, the right to uninterrupted use of the property during the term of the lease.





QUIET ENJOYMENT



- ❑ Prohibited interference includes failing to repair or maintain the premises, as well as active interference, such as efforts to regain possession of the property.



QUIET ENJOYMENT

- ❑ A landlord who interferes with a tenant's right of quiet enjoyment may be subject to a fine and imprisonment, as well as damages of up to three months' rent.



- ❑ A landlord can also be held liable for intentionally or willfully failing to furnish water, hot water, heat, light, power, gas, elevator service, telephone service, janitor service, or refrigeration service, as is customary for a building.



- ❑ If a landlord transfers responsibility of payment for the utilities to the tenant, without the tenant's knowledge or consent, the landlord can also be held liable.



DEPOSITS

- ❑ At the time a tenancy commences, no tenant may be required to pay any amount in excess of:



DEPOSITS

- ❑ the first month's rent



DEPOSITS

- ❑ the last month's rent calculated at the same rate as the first month



DEPOSITS

- ❑ a security deposit equal to the first month's rent





- ❑ the purchase and installation cost for a key and lock



- ❑ In Massachusetts, it is illegal for a landlord to charge any other fees, including pet deposits, cleaning deposits, fees for credit checks, application fees, or any other type of fee or deposit.



- ❑ In addition, these fees may also violate the Massachusetts Consumer Protection Act, which imposes up to triple damages and attorney's fees.





SECURITY DEPOSIT

- ❑ A lessor/landlord may require a prospective tenant to pay a security deposit prior to the beginning of the lease term.



SECURITY DEPOSIT

- ❑ It remains the tenant's property, and the landlord must deposit it in a separate bank account within Massachusetts.



- ❑ A security deposit may not be commingled with the landlord's own assets, and it is not subject to claims of any creditor of the lessor/landlord.





STATEMENT OF CONDITION

- ❑ If a security deposit is required, the landlord must provide the tenant with a separate written statement of the property's condition, the tenant must return the form or any attached list of damages within 15 days of the tenancy commencement.



- ❑ The statement details the present condition of the property and must list all existing damage to the unit and common area.





- ❑ The tenant has 15 days to review and add any damages that the landlord did not include in the list.



- ❑ Both the tenant and the landlord (or the landlord's agent) must sign the final statement.



- ❑ The statement of condition must contain the following notice in twelve-point **bold-face** type at the top of the first page thereof:





STATEMENT OF CONDITION

- ❑ ***This is a statement of the condition of the premises you have leased or rented.***





- ❑ You should read it carefully in order to see if it is correct. If it is correct you must sign it.



- ❑ This will show that you agree, that the list is correct and complete. If it is not correct, you must attach a separate signed list of any damage which you believe exists in the premises.





- ❑ This statement must be returned to the lessor or his agent within fifteen days after you receive this list, or within fifteen days after you move in, whichever is later.



- ❑ If you do not return this list, within the specified time period, a court may later view your failure to return the list as your agreement that the list is complete and correct, in any suit which you may bring to recover the security deposit





RECEIPT

In addition, if a landlord requires a security deposit (SD) or last month's rent (LMR), the landlord must provide the tenant with a written receipt that includes specific information, namely the following:



RECEIPT

- ❑ Amount of money received (SD and LMR)



DATES!

- ❑ Date the money was received (SD and LMR).



RECEIPT

- ❑ Intended use of the money (SD and LMR)



RECEIPT

- ❑ Name of person receiving money (SD and LMR)



RECEIPT

- ❑ Name of landlord, if different from person receiving the money (SD and LMR)



RECEIPT

- ❑ A statement that the tenant is entitled to the interest on the deposit (SD and LMR)



RECEIPT

- ❑ Address and apartment number (SD and LMR)



RECEIPT

- ❑ Location and name of the bank where the money is deposited (SD only)



RECEIPT

- ❑ Account number of the fund in which the money is deposited (SD only)



RECEIPT

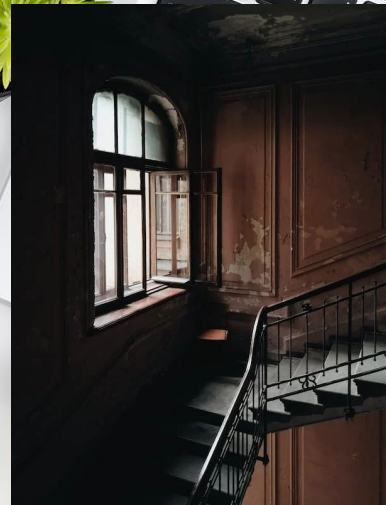
- ❑ A statement indicating that the tenant provide the landlord a forwarding address, so when the tenant moves, the landlord knows where to send the interest (LMR and SD).





RECEIPT

The tenant is entitled to the return of the security deposit within 30 days of the termination date of the lease.





INTEREST

The landlord must pay interest on the security deposit and last month's rent at the rate of 5% per year, or other such lesser amount of interest, as has been received from the bank where the deposit has been held, payable in accordance with the provisions of the Massachusetts General Laws.





WITHHOLD

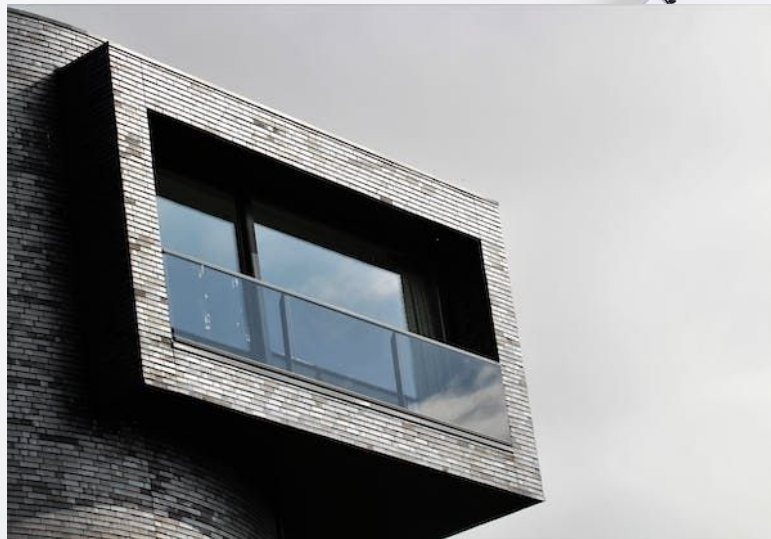
The landlord is entitled to withhold the following three deductions from the security deposit:





LANDLORD ENTITLEMENT

- ❑ Any unpaid rent



TAXES

- ❑ Any unpaid increase in real estate taxes for which the tenant is liable under the lease



REPAIRS

- ❑ The reasonable cost of repairing damage caused by the tenant, excluding normal wear and tear





FORFEITURE BY LANDLORD

The landlord forfeits her right to retain any part of the security deposit if she:





FORFEITURE BY LANDLORD

- ❑ fails to deposit the funds in an independent interest-bearing account





FORFEITURE BY LANDLORD

- ❑ fails to furnish the tenant with an itemized list of damages within 30 days after termination





FORFEITURE BY LANDLORD

- ❑ fails to transfer the deposit to a new owner





FORFEITURE BY LANDLORD

- ❑ includes and attempts to enforce an invalid provision in the lease, such as one waiving the tenant's rights



- ❑ fails to return the balance of the security deposit, together with any interest thereon, to the tenant within 30 days of the termination of the lease





- ❑ fails to provide the bank name and account number where the security deposit is kept.





SHORT-TERM VACATION OR RECREATIONAL RENTALS

For any lease, occupancy, or tenancy of 100 days or less that is for vacation or recreational purposes, the security deposit rules do not apply. See the link below for more information.

<https://malegislature.gov/Laws/GeneralLaws/PartII/TitleI/Chapter186/Section15b>





PRO-TENANT LEGISLATION

The rights and obligations of landlords and tenants in Massachusetts are regulated under the Massachusetts Consumer Protection Act (MCPA), discussed in Chapter 1.





PRO-TENANT LEGISLATION

In addition to those already discussed,
some of the prohibited actions by
landlords include:





PRO-TENANT LEGISLATION

- ❑ renting property that contains a condition dangerous to the health, safety, or well-being of the occupants, or failing to repair such conditions





PRO-TENANT LEGISLATION

- ❑ failing to keep promises made to the tenant at the time of renting





- ❑ failing to reimburse the tenant for repairs the tenant made after being authorized by the landlord



- ❑ failing to comply with state or local housing codes



- ❑ demanding an increase in rent to pay higher taxes on the property, unless a written lease obligates the tenant to do so



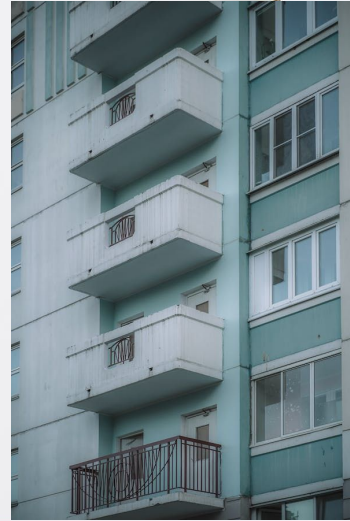
- ❑ failing to make the written rental agreement clear and simple



- ❑ depriving the tenant access to his dwelling without a proper court order, or beginning court proceedings without following the statutory time limits



- ❑ imposing interest on any payment until it is more than 30 days overdue



- ❑ failing to state in the lease that interest will be imposed on any payment after 30 days overdue, and the amount of the penalty.

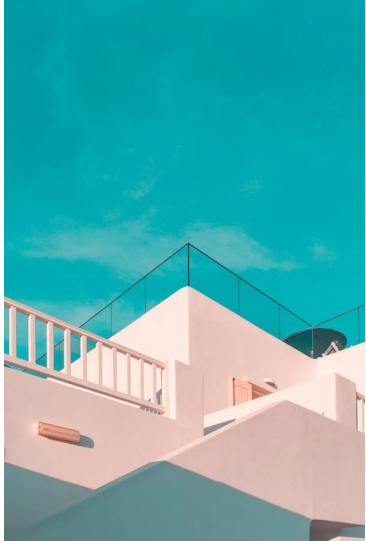




FAIR HOUSING

Discrimination in renting or leasing is prohibited under Massachusetts law, and is discussed in detail in Chapter 15





UNIT 19

Property Management





UNIT 19

PROPERTY MANAGEMENT

As a specialized field, property management is one of the fastest growing areas of real estate practice. Property management involves the leasing, managing, marketing, and overall maintenance of real estate owned by others, usually rental property.





KEY TERMS TO DEFINE AND RECORD

- ❑ Budget Comparison Statement





KEY TERMS TO DEFINE AND RECORD

Budget Comparison Statement

- ❑ Compares actual results with the original budget, often giving percentages or a numerical variance of actual versus projected income and expenses.





KEY TERMS TO DEFINE AND RECORD

❏ Cash Flow Report





KEY TERMS TO DEFINE AND RECORD

Cash Flow Report

- ❑ A monthly statement that details the financial status of the property.





KEY TERMS TO DEFINE AND RECORD

- ❑ Community Association Management





KEY TERMS TO DEFINE AND RECORD

Community Association Management

- ❑ Provides a team of property managers, accounting staff, office staff, and property consultants to manage property.





KEY TERMS TO DEFINE AND RECORD

❑ Corrective Maintenance





KEY TERMS TO DEFINE AND RECORD

Corrective Maintenance

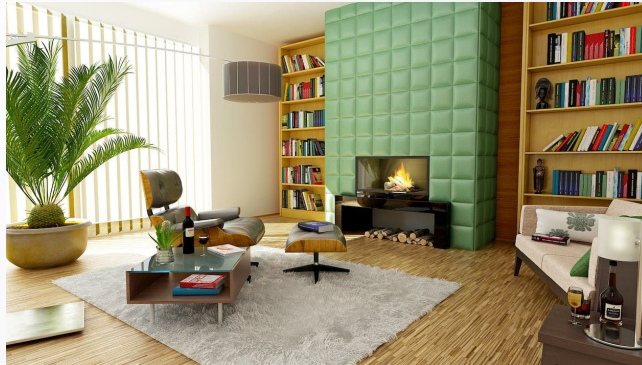
- ❑ Correction of problems after they have occurred.





KEY TERMS TO DEFINE AND RECORD

❑ Covenant of Quiet Enjoyment

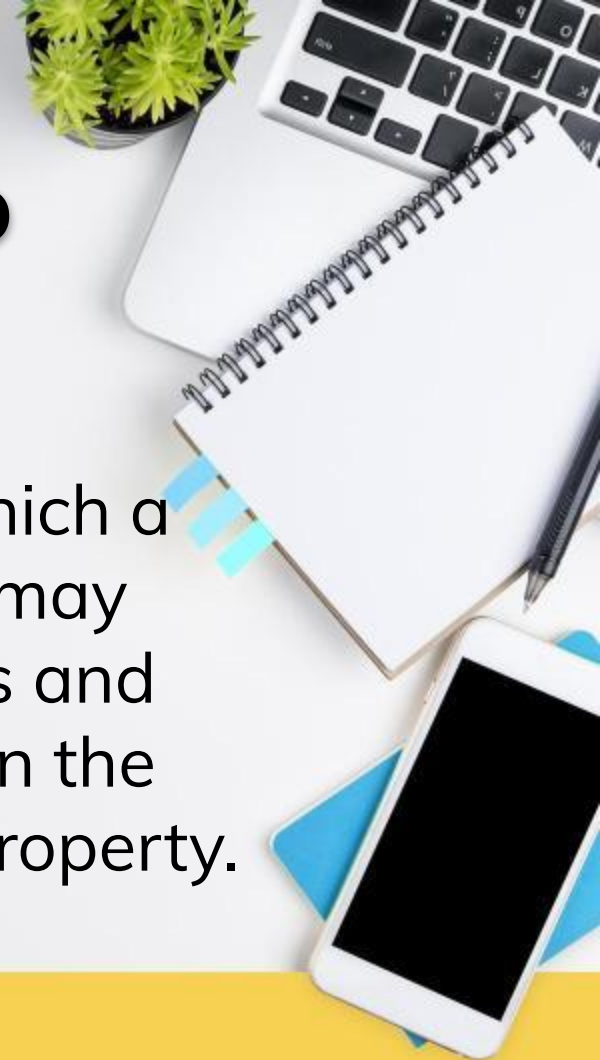




KEY TERMS TO DEFINE AND RECORD

Covenant of Quiet Enjoyment

- ❑ The covenant implied by law by which a landlord guarantees that a tenant may take possession of leased premises and that the landlord will not interfere in the tenant's possession or use of the property.





KEY TERMS TO DEFINE AND RECORD

❑ Life Cycle Costing





KEY TERMS TO DEFINE AND RECORD

❑ Life Cycle Costing

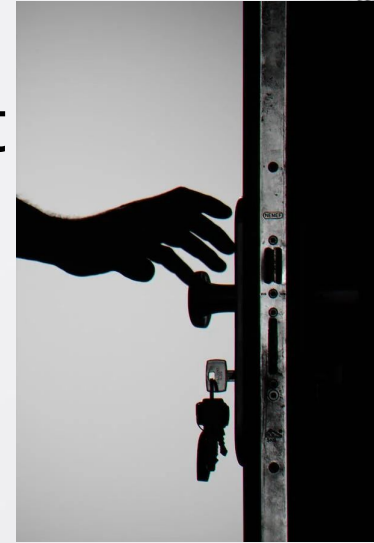
- ❑ In property management, comparing one type of equipment with another on both purchase cost and operating cost over its expected useful lifetime.





KEY TERMS TO DEFINE AND RECORD

- ❑ Management Agreement





KEY TERMS TO DEFINE AND RECORD

Management Agreement

- ❑ A contract between the owner of income property and a management firm or individual property manager that outlines the scope of the manager's authority.





KEY TERMS TO DEFINE AND RECORD

❑ Management Plan

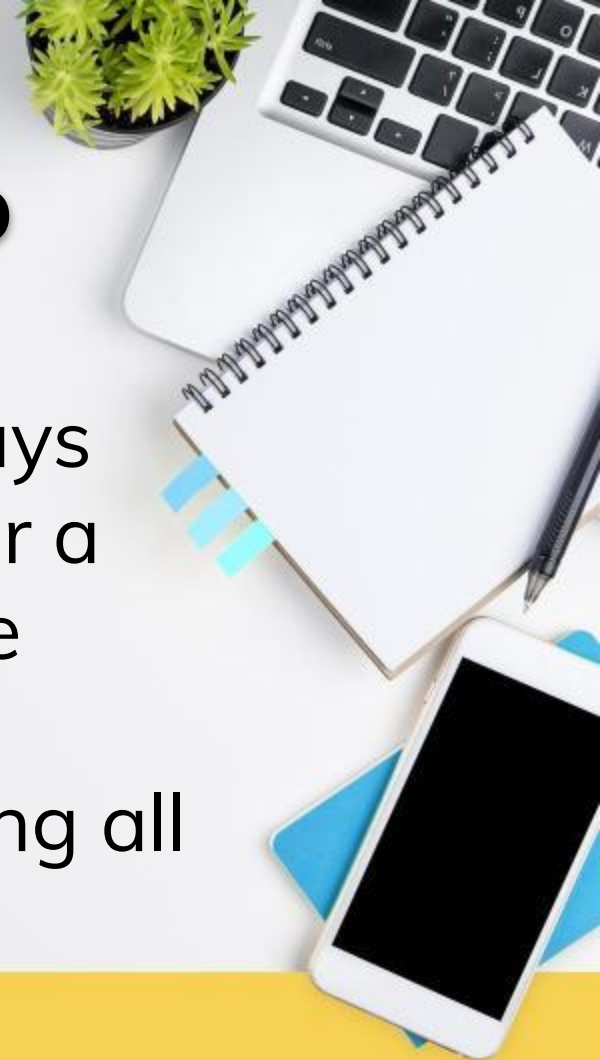




KEY TERMS TO DEFINE AND RECORD

❑ Management Plan

- ❑ A highly detailed plan that lays out the owner's objectives for a property, as well as what the property manager wants to accomplish and how, including all budgetary information.





KEY TERMS TO DEFINE AND RECORD

❑ Multiperil Policies





KEY TERMS TO DEFINE AND RECORD

Multiperil Policies

- ❑ Insurance policies that offer protection from a range of potential perils, such as fire, hazard, public liability, and casualty.





KEY TERMS TO DEFINE AND RECORD

❑ Operating Budget





KEY TERMS TO DEFINE AND RECORD

Operating Budget

- ❑ A property's anticipated financial performance in the present and future. It gives the owner a sense of expected profit.





KEY TERMS TO DEFINE AND RECORD

❑ Preventive Maintenance

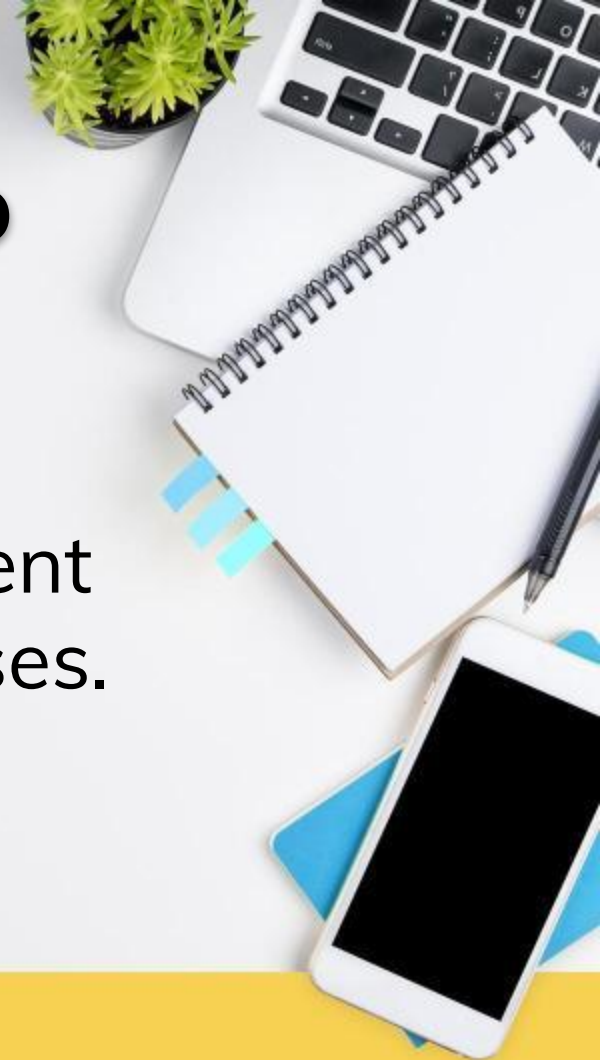




KEY TERMS TO DEFINE AND RECORD

Preventive Maintenance

- ❑ Small repairs that help prevent bigger problems and expenses.





KEY TERMS TO DEFINE AND RECORD

❑ Profit and Loss Statement





KEY TERMS TO DEFINE AND RECORD

Profit and Loss Statement

- ❑ A general financial picture based on the monthly cash flow reports; does not include itemized information.





KEY TERMS TO DEFINE AND RECORD

❑ Property Manager





KEY TERMS TO DEFINE AND RECORD

Property Manager

- ❑ Someone who manages real estate for another person for compensation. Duties include collecting rents, maintaining the property, and keeping up all accounting.





KEY TERMS TO DEFINE AND RECORD

❑ Risk Management





KEY TERMS TO DEFINE AND RECORD

Risk Management

- ❑ Evaluation and selection of appropriate property and other insurance.





KEY TERMS TO DEFINE AND RECORD

❏ Routine Maintenance

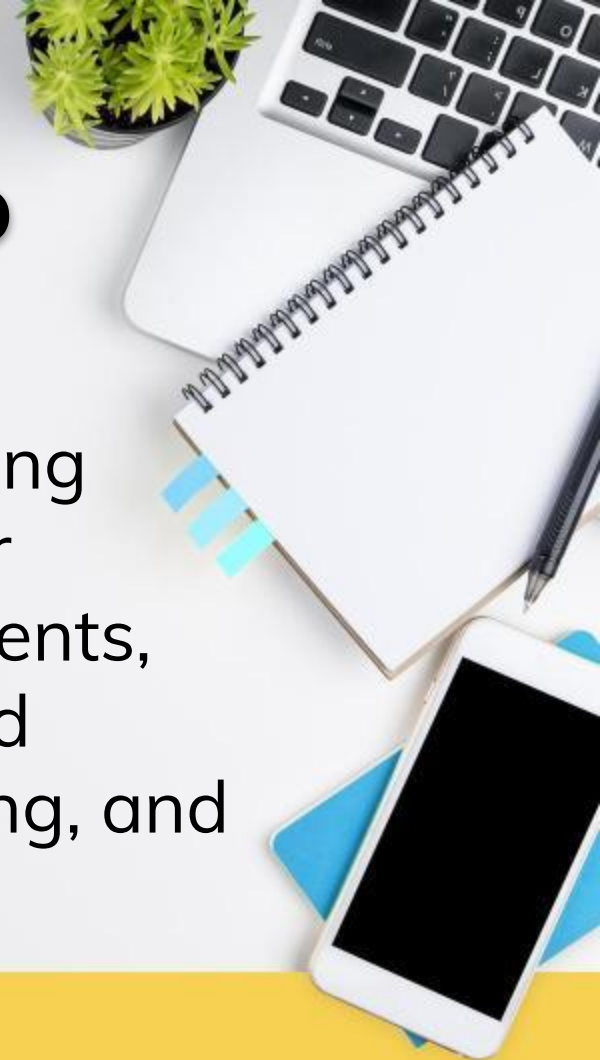




KEY TERMS TO DEFINE AND RECORD

Routine Maintenance

- ❑ Day-to-day duties such as cleaning common areas, performing minor carpentry and plumbing adjustments, and providing regularly scheduled upkeep of heating, air-conditioning, and landscaping.





KEY TERMS TO DEFINE AND RECORD

☐ Surety Bonds





KEY TERMS TO DEFINE AND RECORD

Surety Bonds

- ❑ An agreement by an insurance or bonding company to be responsible for certain possible defaults, debts, or obligations incurred by an insured party; in essence, a policy insuring one's personal and /or financial integrity. In the real estate business, a surety bond is generally used to ensure that a particular project will be completed at a certain date or that a contract will be performed as stated.





KEY TERMS TO DEFINE AND RECORD

❑ Tenant Improvements





KEY TERMS TO DEFINE AND RECORD

Tenant Improvements

- ❑ Alterations to the interior of a building to meet the functional demands of the tenant. Also known as build-outs.





KEY TERMS TO DEFINE AND RECORD

❑ Workers' Compensation Acts





KEY TERMS TO DEFINE AND RECORD

Workers' Compensation Acts

- ❑ State laws that require an employer to obtain insurance coverage to protect employees who are injured in the course of their employment.





THE PROPERTY MANAGER

- ❑ Responsibilities
 - ❑ Achieve the objectives of the property owners
 - ❑ Generate income for the owners
 - ❑ Preserve and/or increase the value of the investment property





THE MANAGEMENT AGREEMENT

- ❑ Property description
- ❑ Time period
- ❑ Management responsibilities
- ❑ Owner's purpose and responsibilities
- ❑ Extent of manager's authority
- ❑ Reporting
- ❑ Compensation
- ❑ Allocation of costs
- ❑ Liability
- ❑ Antitrust provisions
- ❑ Equal opportunity statement





THE PROPERTY MANAGER'S RESPONSIBILITIES

- ❑ Management plan
- ❑ Financial reports
- ❑ Setting rental rates
- ❑ Marketing
- ❑ Management activities
- ❑ Marketing and advertising costs
- ❑ Advertising
- ❑ Selecting tenants
- ❑ Collecting rents
- ❑ Maintaining good relations with tenants
- ❑ Maintaining the property
- ❑ Environmental concerns





FEDERAL LAWS PROHIBITING DISCRIMINATION

- ❑ Americans with Disabilities Act (ADA)
 - ❑ Reasonable modifications
- ❑ Equal Credit Opportunity Act (ECOA)
- ❑ Fair Housing Act





RISK MANAGEMENT

- ❑ Avoid
- ❑ Control
- ❑ Transfer
- ❑ Or
- ❑ Retain





SECURITY OF TENANTS

- ❑ Insurance
 - ❑ Tenant's
 - ❑ Commercial
 - ❑ Claims





TODAY'S OBJECTIVE

This class will define the role of the broker and agent for short term vacation rentals and explore the federal and state responsibilities to the consumer.



Short term business stays





WHAT WILL WE LEARN?

Define the role of the broker and agent for short term vacation rentals

Explore the federal and state responsibilities to the consumer.





HOW CAN WE BE OF VALUE?

Become educated about the 'hows' of the business

Stay current with industry trends-

- ❑ Taxes
- ❑ Insurance





Licensing Requirements



Licensing Procedures



the services, as
licensed



Fines

Any person who
or any person who
fine of up to \$5



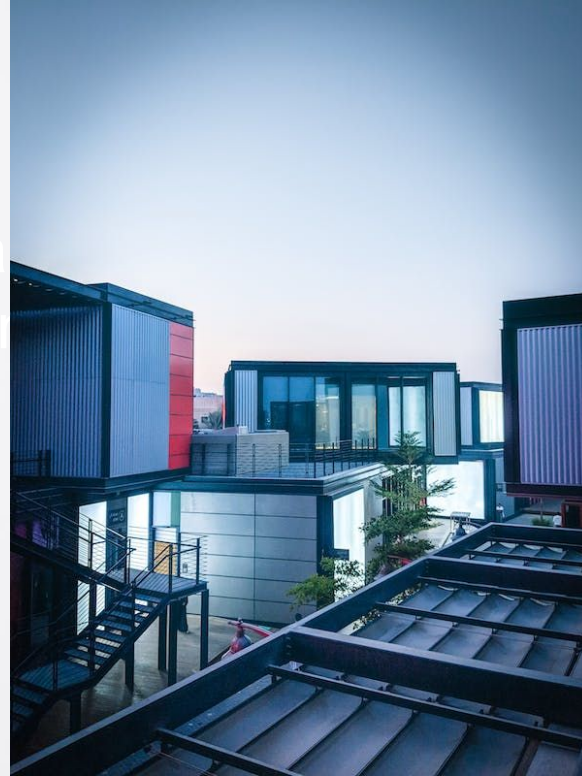
hooker or
e is subject to a





Inactive Licensee

Agent cannot practice real estate
Pay annual fee from active license





Broker-Salesperson Relationship



contractor





Exemptions to Licensing



Individual A



Salaried Employee/Manager





Auctioneer

Trustees- wills





Public Officer/Employee



Power of Attorney





Attorney - Acting for Client





Real estate licensing requirements

- Salespersons' Definition
 - [M.G.L. Chapter 122, Sec. 87PP](#)
 - "Real estate salesman", hereinafter referred to as salesman, an individual who performs any act or engages in any transaction included in the foregoing definition of a broker, except the completing of the negotiation of any agreement or transaction which results or is intended to result in the sale, exchange, purchase, renting or leasing of any real estate.



Broker-Salesperson Relationship

A licensed salesperson must be engaged by a licensed broker. A licensed salesperson may not operate her own real estate business.



Broker Definition

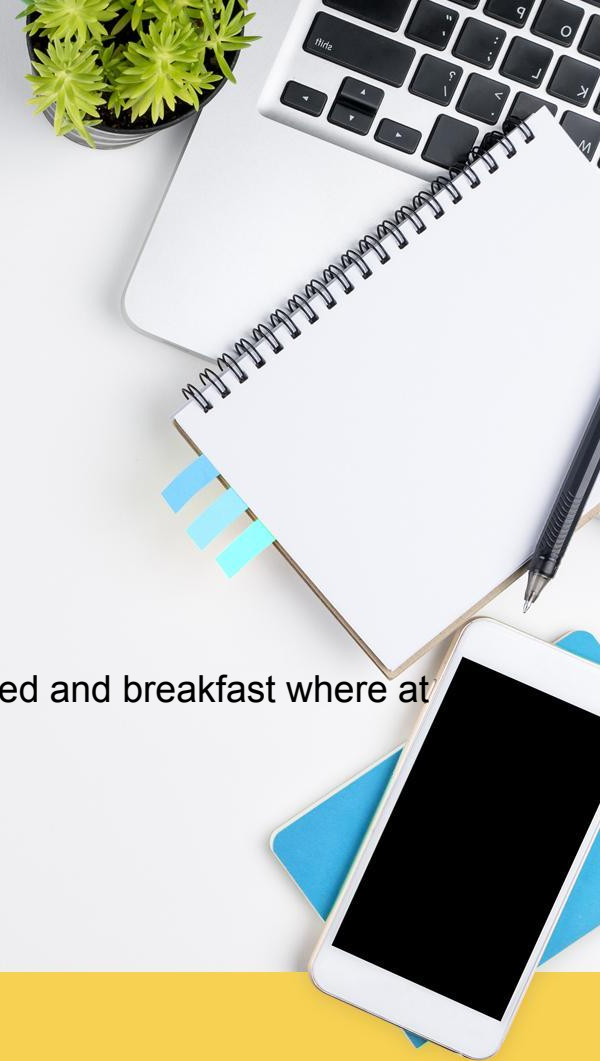
M.G.L. Ch





Definition of short term rental

- All occupied properties that are not a hotel, motel, lodging house or bed and breakfast where at least one room is rented out by an operator





Definition of short term rental

- It does not include tenancies at will or month to month leases



Definition of short term rental

- A short term rental is under 31 **consecutive** calendar days



Important time frames

- Stays 31 days and under are subject to the [State Rental](#)





Must register With [MassTaxConnect](#)



Important time frames

- Tenancies over 31 days are subject to the Full [Lead Paint Law](#)



Important time frames

- Stays 31 days and under are subject to the [Short Term Disclosure form](#)





WHAT IT SAYS

Short Term Vacation or Recreational Rental Exemption from the Obligation to Abate and/or Contain Paint, Plaster or Other Accessible Structural Material Containing Dangerous Levels of Lead.

Why?





OWNERS OF A 'DWELLING UNIT'

- ☐ private residence,
- ☐ condominium,
- ☐ hotel,
- ☐ motel
- ☐ bed and breakfast establishment





DWELLING UNITS

- ❑ leased,
- ❑ rented or
- ❑ occupied

for vacation or recreational purposes





31 days or less





NOT REQUIRED

To obtain a **Letter of Full Compliance** or
a **Letter of Interim Control**,
when a child younger than six years old is an
occupant,



Requirements

The owner or owner's agent shall visually inspect at least annually

- ❑ all of the interior surfaces and
- ❑ the exterior casing, sash and sill of all windows



MEETING AND MAINTAINING

- ❑ to ensure that there is no cracked or otherwise deteriorated plaster or putty or peeling, chipping or flaking paint.



Shall be made intact

(b) Any peeling, chipping or flaking paint, deteriorated plaster or putty shall be made intact according to Department of Labor Standards regulations for maintenance work in 454 CMR 22.00: Deleading and Lead-safe Renovation Regulations.



(c) The owner or owner's agent shall fully complete and provide a copy of the Short Term Vacation Rental Notification issued by the Director to each tenant with a child younger than six years of age.





Signatures

The owner or owner's agent and the tenant shall sign copies of the Notification and each shall retain a copy.





REFUSAL

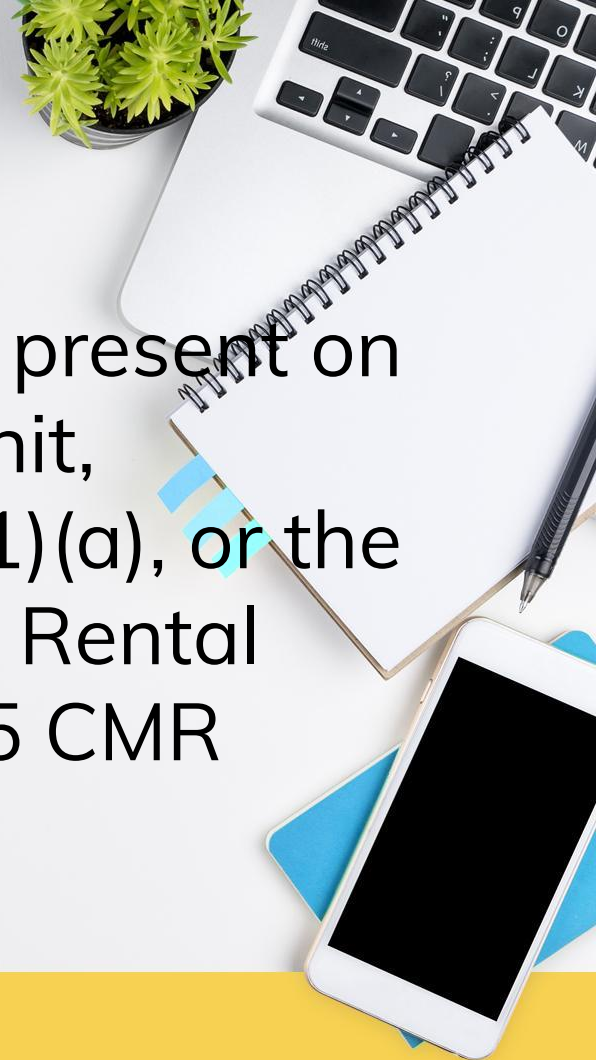
If the owner or owner's agent has provided the Notification, but the tenant refuses to sign it, the owner or owner's agent may attach a statement that the tenant received the Notification but refused to sign.





DAMAGE

(d) If loose paint, plaster or putty is present on relevant surfaces of the dwelling unit, indicated at 105 CMR 460.100(D)(1)(a), or the owner fails to provide the Vacation Rental Notification in accordance with 105 CMR 460.100(D)(1)(c) through





ABATEMENT

(g), the owner is not exempt from the requirements for abatement or containment at 105 CMR 460.110 or for interim control at 105 CMR 460.105 or liability for damages at 105 CMR 460.180.



(2) An owner who complies with 105 CMR 460.100(D)(1) may rent a dwelling unit for as many periods of 31 days or less as he or she chooses, provided that the same tenant with a child younger than six years old does not occupy the same dwelling unit for a period of more than 31 days in any 12-month period. (3) An owner who complies with 105 CMR 460.100(D) is exempt from compliance with Tenant Lead Law Notification and Disclosure pursuant to 105 CMR 460.725.

ADVERTISING FOR RENTALS

- ❑ Broker may not advertise in any way that is false or misleading
 - ❑ [Code of Ethics](#)
 - ❑ [MA Law](#)

ADVERTISING FOR RENTALS



- ❑ Blind advertising is not permitted



ADVERTISING FOR RENTALS

- ☐ All advertising must state that the advertiser is a Broker and not a private party.
- ☐ All advertisements must state Broker's name and business address



ADVERTISING FOR RENTALS

- ❑ Salespersons are not allowed to advertise on their own
- ❑ Broker oversight on all advertising



MAKE IT A BOLD DAY!

***"BOLD" KATE
KATE LANAGAN
MACGREGOR
@BOLDKATE***



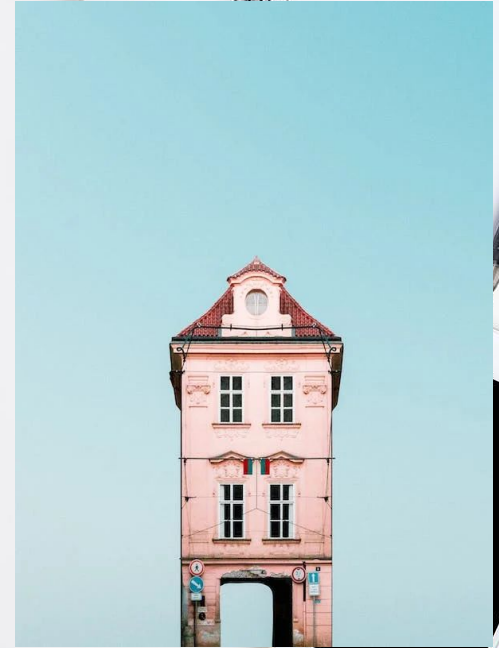
ADVERTISING FOR RENTALS

- ❑ Regulation CMR 254 7 - Any advertisement concerning the availability of an apartment shall disclose in print no smaller than for the apartment itself that “The apartment advertised may no longer be available for rent” - also applies to short term rentals



REAL ESTATE ADVERTISING COMPLIANCE AND THE LAW

What are some Methods used to
Advertise Properties?





METHODS USED TO ADVERTISE PROPERTIES

Daily newspapers





METHODS USED TO ADVERTISE PROPERTIES

Local Newspapers





METHODS USED TO ADVERTISE PROPERTIES

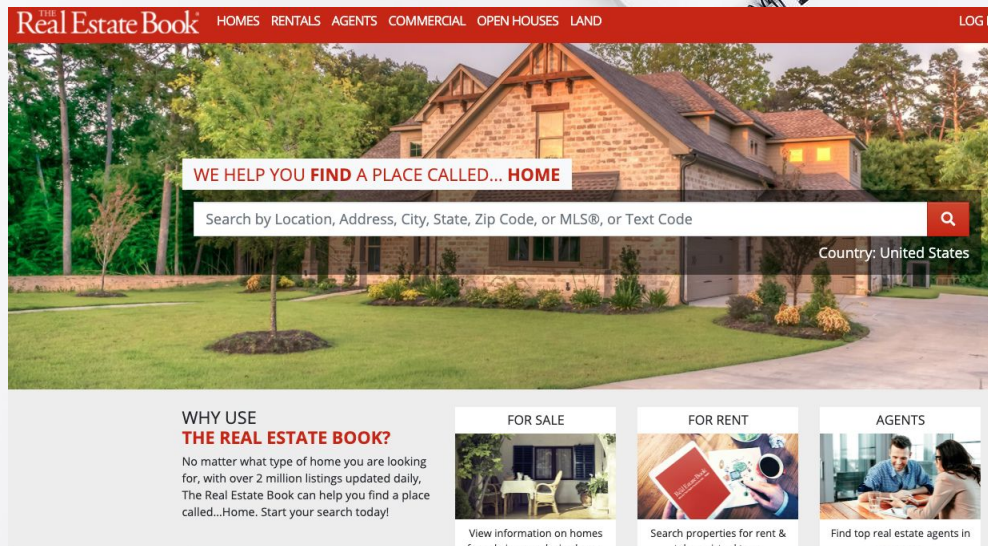
Real Estate related newspapers





METHODS USED TO ADVERTISE PROPERTIES

Online Publications





METHODS USED TO ADVERTISE PROPERTIES

MLS

MASS LIVE
MEDIA

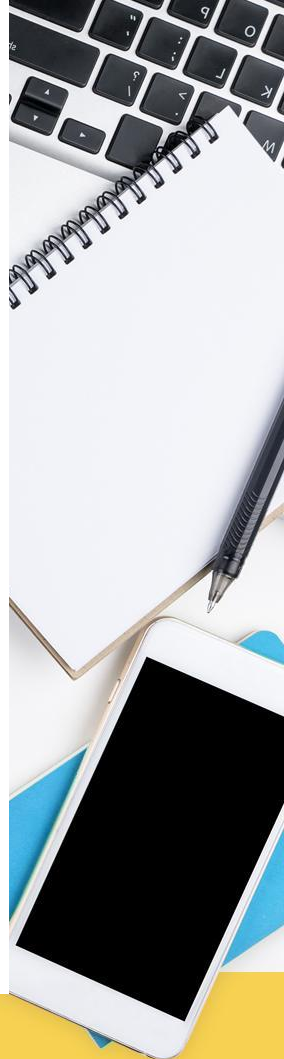
boston.com



 **Homes.com**

 **HomeFinder.com**

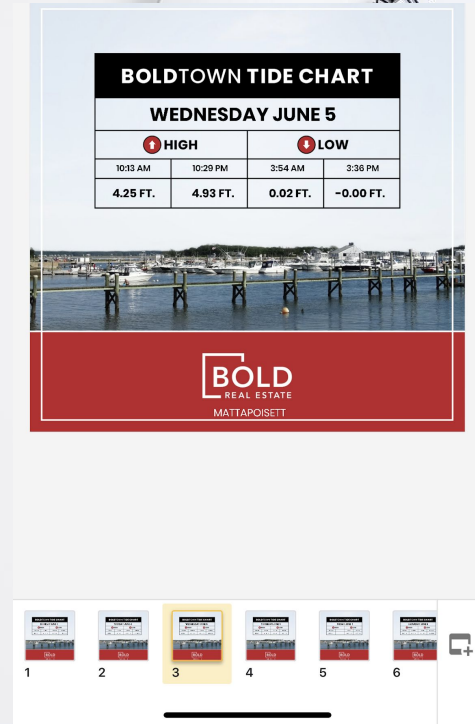
CLRsearch.com
The right home in the right place





METHODS USED TO ADVERTISE PROPERTIES

Social Media





METHODS USED TO ADVERTISE PROPERTIES

Handout material

A handout titled 'BOLDTOWN TIDE CHART' for 'MONDAY JUNE 3'. It includes a table of tide times and heights, a photograph of a harbor, and the 'BOLD REAL ESTATE MATTAPOISETT' logo.

BOLDTOWN TIDE CHART			
MONDAY JUNE 3			
↑ HIGH		↓ LOW	
8:36 AM	8:52PM	2:26 AM	2:03 PM
4.11 FT.	4.92 FT.	0.08 FT.	-0.02FT

A photograph of a harbor scene with several boats docked at a pier.

BOLD
REAL ESTATE
MATTAPOISETT



METHODS USED TO ADVERTISE PROPERTIES

Direct Mail “Occupant”

- ❑ Tide Charts
- ❑ Fireworks
- ❑ Events

Marion Tide Charts

July 2014



DAY	DATE	HIGH				LOW				Rise	Fall	Change
		AM	hgt	PM	hgt	AM	hgt	PM	hgt			
Tuesday	01	11:33	3.7	11:35	3.7	4:34	0.3	4:37	0.5	5:12	8:21	
Wednesday	02	12:14 PM	3.7			5:08	0.4	5:20	0.7	5:12	8:21	
Thursday	03	12:14	3.6	12:55	3.7	5:44	0.5	6:06	0.9	5:13	8:21	
Friday	04	12:57	3.5	1:38	3.7	6:24	0.6	7:00	1.0	5:13	8:20	
Saturday	05	1:42	3.4	2:23	3.8	7:13	0.7	8:04	1.1	5:14	8:20	
Sunday	06	2:32	3.4	3:13	4.0	8:08	0.7	9:12	1.0	5:14	8:20	
Monday	07	3:28	3.4	4:11	4.2	9:07	0.6	10:19	0.9	5:15	8:19	
Tuesday	08	4:31	3.6	5:12	4.5	10:07	0.5	11:19	0.7	5:16	8:19	
Wednesday	09	5:36	3.3	6:11	4.8	11:04	0.3			5:16	8:19	
Thursday	10	6:35	4.2	7:06	5.2	12:18	0.4	12:00	0.5	5:17	8:18	
Friday	11	7:30	4.6	7:56	5.5	1:07	0.1	12:55	-0.2	5:18	8:18	
Saturday	12	8:23	4.9	8:49	5.8	1:59	-0.2	1:49	-0.4	5:19	8:17	
Sunday	13	9:15	5.0	9:41	5.6	2:49	-0.4	2:43	-0.4	5:20	8:17	
Monday	14	10:06	5.1	10:32	5.4	3:37	-0.5	3:37	-0.4	5:20	8:16	
Tuesday	15	11:01	5.1	11:25	5.1	4:21	-0.5	4:29	-0.2	5:21	8:16	
Wednesday	16	11:55	5.0			5:04	-0.4	5:22	0.0	5:22	8:15	
Thursday	17	12:19	4.8	12:50	4.8	5:48	-0.2	6:22	0.3	5:23	8:14	
Friday	18	1:14	4.4	1:46	4.6	6:37	-0.0	8:12	0.6	5:24	8:13	
Saturday	19	2:09	4.0	2:42	4.4	7:32	0.2	9:56	0.7	5:24	8:13	
Sunday	20	3:06	3.7	3:40	4.3	8:31	0.4	10:54	0.7	5:25	8:12	
Monday	21	4:05	3.5	4:42	4.2	9:29	0.5	11:46	0.7	5:26	8:11	
Tuesday	22	5:07	3.5	5:43	4.1	10:23	0.6			5:27	8:10	
Wednesday	23	6:05	3.6	6:36	4.2	12:29	0.7	11:12 AM	0.5	5:28	8:09	
Thursday	24	6:56	3.7	7:22	4.2	1:04	0.6	11:58 AM	0.5	5:29	8:09	
Friday	25	7:41	3.9	8:03	4.3	1:30	0.5	12:43	0.4	5:30	8:08	
Saturday	26	8:23	4.0	8:41	4.3	1:59	0.4	1:27	0.3	5:31	8:07	
Sunday	27	9:03	4.0	9:18	4.2	2:29	0.3	2:11	0.2	5:32	8:06	
Monday	28	9:42	4.0	9:51	4.1	3:00	0.2	2:54	0.2	5:33	8:05	
Tuesday	29	10:19	4.0	10:26	4.0	3:32	0.2	3:35	0.3	5:34	8:04	
Wednesday	30	10:57	3.9	11:02	3.8	4:03	0.2	4:14	0.4	5:35	8:03	
Thursday	31	11:36	3.8	11:42	3.6	4:34	0.3	4:54	0.5	5:36	8:02	



WHAT IS THE PURPOSE OF AN ADVERTISEMENT?



The Property+
The Experience=
The Vacation

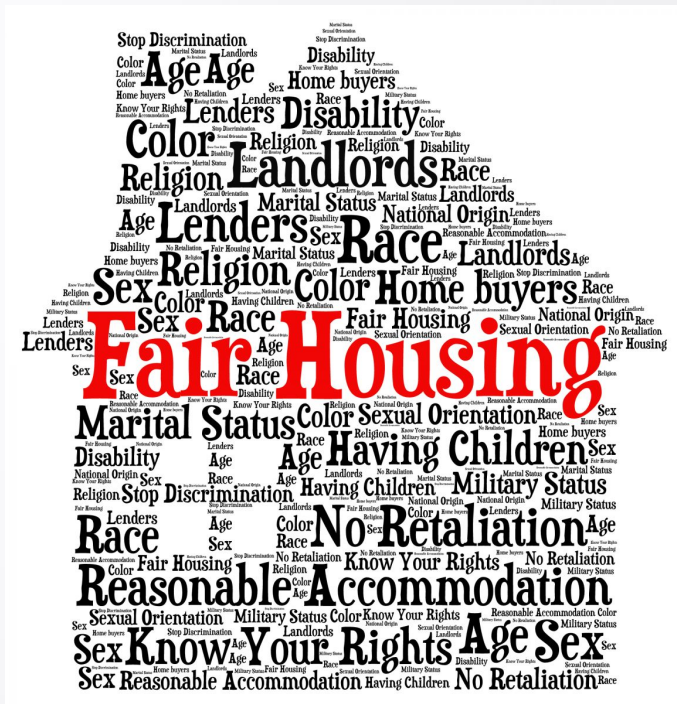




AGENTS WHO PLACE ADS:

Must:

Identify the Broker's full name, or in the case of a licensed company, the company's full name in all of the advertisements





Fair Housing

M.G.L. Chapter 151 b.4

All Federal and State fair housing rules apply to Short Term Rentals



Fair Housing

Race, color, religion, sex, sexual orientation, children, national origin, genetic information, ancestry, marital status, veteran or member of armed services, public assistance recipient, age, handicap, gender identity & natural hair style are all protected classes in Massachusetts







Cannot write ads that cause illegal steering





Americans With Disabilities Act

Moderate accommodations must be made for handicapped individuals



Cannot use Discriminatory advertising





Rental contracts

Service animals vs. emotional support animals

AirBNB

VRM Intel





Do's and Don'ts

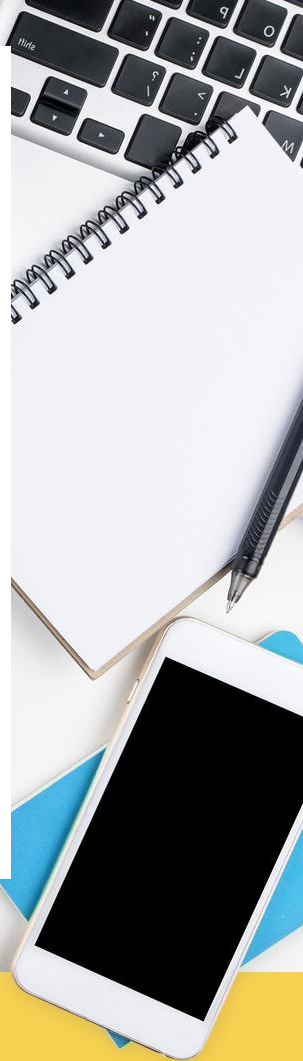
What questions can I ask as a company to prove the dog is a service animal?

You can only ask two questions:

Is the service animal required because of a disability?

What work or task has the dog been trained to perform?

You cannot request any documentation for the dog or ask that the dog demonstrate its task. You also cannot inquire about the nature of the person's disability.



PAPER PACKET

- ❑ Short term rental contract
- ❑ This includes broker fee disclosure
- ❑ Short term rental lease
- ❑ Short term insurance
- ❑ (owners need to supply declaration page)
- ❑ Short Term Vacation or Recreational Rental Exemption Form (Lead Paint)

- ❑ Registered on tax- [masstaxconnect](https://www.mass.gov/service/apply-for-tax-identification-number)
- ❑ Agent/Admin sends payments
 - ❑ Owner is operator
 - ❑ Admin is payer

- ❏ Agency Disclosure Forms
not applicable for rentals in
Massachusetts





Disclosure of Interest In a property

A real estate broker or salesperson may not, directly or indirectly, buy or rent property in which they have an interest in writing and must be acknowledged by the other side





AGENCY DISCLOSURES

- ❑ Fee Disclosure Form required for Short Term Rentals. Included in rental contract
- ❑ Exclusive right to lease?

FEES FOR SERVICE

- ❑ No real estate broker shall charge any fee to a prospective tenant unless a tenancy is created, or in those cases where no tenancy in real property is created unless the prospective tenant has agreed in writing to pay such a fee

Rental contracts



Massachusetts allows for both written and oral contracts

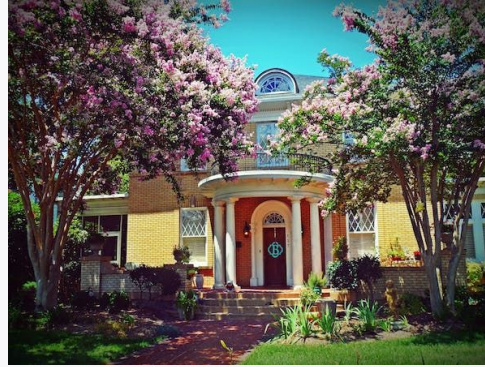


TAX IMPLICATIONS

Update!

- ❑ Mandatory Contracts now necessary
- ❑ Because of tax reporting
- ❑ Increase in REALTOR® participation because of involvement and process compliance

Rental contracts



Leases for more than one year must be in writing to satisfy the statute of frauds





Rental contracts

Leases for seven years or longer must be written, acknowledged, and recorded or their validity will be restricted to the original landlord.



Rental contracts

Short term rental leases should be in writing and should address:

Names, full addresses, full legal address of the property, contact information, terms of lease, utilities, start date, and termination date, smoking policy, etc.

Rental contracts

Short term rental leases should be in writing and should address:

It must address security deposits, insurance, and the occupancy tax rate and all other fees

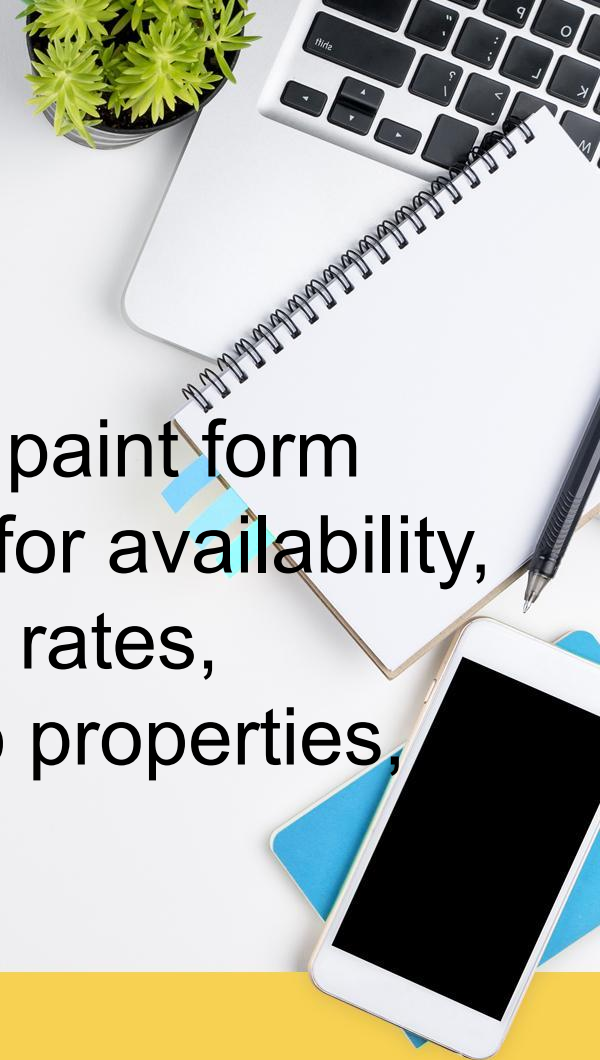
Rental contracts

Short Term Vacation Rental Landlord Contracts should define all responsibilities of landlord and Broker and define all terms under which the property can be advertised and conform with the company's lease



Rental contracts

All landlords must supply a lead paint form fully executed yearly, calendars for availability, insurance information, rental tax rates, permission for photos, access to properties, etc.





Short term rental Tax

- Room Occupancy Excise Tax
- [M.G.L. 830 Chapter 64G.1.1.](#)
- as of December 2018



Short term rental Tax

- All operators and intermediaries must register and pay tax
 - No intermediary can demand that the operator and pay the tax if the intermediary collects the rent and tax



TOTAL 14 DAYS PER YEAR

Tax is applicable to all rentals on properties for **more than 14 days** any calendar year

- ❑ 14 days or less, no tax
- ❑ Still must register with TaxCon



Short term rental Tax

- The total amount of rent is subject to tax as well as any and all operational charges such as insurance, linen fees, cleaning fees, booking fees, etc.

Short term rental Tax

- Security deposits are exempt from
WHY?
Who does it belong to?



Short term rental Tax

- If rent is less than \$15 a day, there is no tax due



Important time frames

- Stays under **100 days** are **not** subject to the security deposit laws





SECURITY DEPOSIT

Security Deposit sent to owners, are not
be subject to same security deposit laws
*Company holding as per addendum
covid



SECURITY DEPOSIT FORMS

Schedule of Security Deposits
Interest Statement
Itemized Statement of Damage



Short term rental Tax

- All properties in MA must be licensed, even if no tax is due





Short term rental Tax

- Tax rate is 5.7% PLUS:
 - Local option excise 0-6.5%
 - Convention Center Finance 2.75% -
Boston, Worcester, Cambridge,
Springfield, West Springfield, Chicopee



Short term rental Tax

Local example

- Cape Cod and Islands Water Protection Fund
- Community Impact Fee 0-3%



Short term rental Tax

- This new legislation requires operators to have \$1 million in liability coverage on each property



Short term rental Tax

- Real Estate Agents can provide mandated insurance
 - This means that licensees who provide services online (or via phone application or similar electronic processes) that allow short-term rental operators to list their property and collect rent, and allow a person to make a reservation will be able to provide the operator the \$1 million in liability insurance required by statute

Video Johnny schreiber

- Real Estate Agents can provide mandated insurance
 - Under the old regulations, only online service providers such as AirBnB, Expedia, Homeaway, or VRBO could provide this insurance

Permitting

- Check with local towns - Health and Building Department all must be ascertained by agent and owner





Lead Paint

Massachusetts 105 cmr 460.000

- All properties built prior to **1978** are subject to the **Lead Paint Law**

Lead paint

- Lead Paint Law Short Term Vacation rental disclosure must be signed and filed by owner prior to presentation to tenant.
- The tenant must receive disclosure form prior to signing lease.

Lead paint

- Short Term Vacation or Recreational Rental Exemption Form
 - Yearly inspection must be completed every **12 months**

Lead paint

- Short Term **V**acation or Recreational Rental Exemption Form
 - Check with local municipality for town regulations

Escrow and rental accounts

- All landlord and tenant **funds** must be in a separate fiduciary account



Escrow and rental accounts

- Can be **interest bearing**, however the interest must be accounted for in writing from both parties



Escrow and rental accounts

- All accounting **must** be available to Division of Licensure for **3** years



AGENT STORY PROCESS

- Pre tax- do rental contracts, tell tenant
- ❑ 50% **nonrefundable** rent were made payable to owners
 - ❑ Tax check made payable to company
 - ❑ Liked working with a qualified person



2020

Beginning of year same way

- ☐ [Covid Addendum](#)- all contracted people had to sign covid addendum-
- ☐ They weren't sending in second payment
- ☐ Illegal short term rentals



SEASONAL RENTALS

Are not committing

- ❑ Others looking for out
- ❑ Signing - Not sending check

More time 3-4 weeks than past 5 years in rentals.



DO'S DON'TS

DO

- ❑ Acknowledge and accept renting sight unseen
 - ❑ 3D video tours and photos

DON'T

Statement of condition- moves too fast



Key to reopening Mass. is not May
4 deadline, Baker says; Mass.
coronavirus deaths rise to 2,730

Attribution: By [John Hilliard](#) Globe Staff Updated April 29, 2020, 4:28 p.m. Boston Globe

New Date

May 18



MAR SHORT TERM RENTAL CANCELLATION

- ❑ To assist our members brokering short-term rental contracts for stays beginning after May 18, **MAR** has developed a short-term rental cancellation addendum that may be attached to those lease agreements.



30 DAY SHORT TERM RENTAL CANCELLATION

- ❑ This addendum addresses deposits placed on those rentals, and what happens in the event the **landlord is unable to provide occupancy** or the tenant is unable to travel to the property to take tenancy as a direct result of the coronavirus/COVID-19 pandemic.

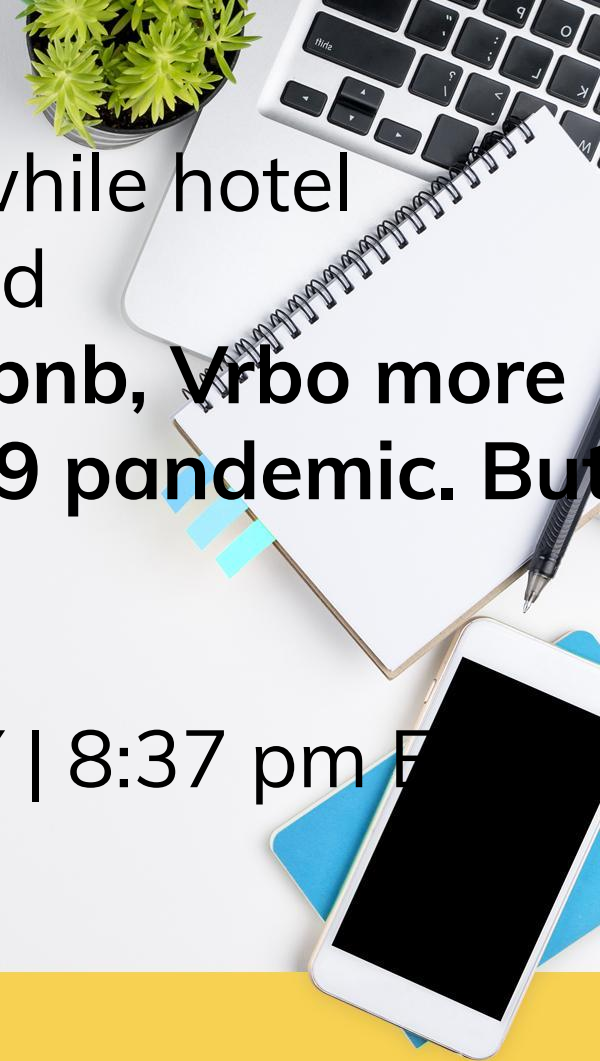


LATE 2020

AirBNB business exploded, while hotel business significantly declined

Travelers are flocking to Airbnb, Vrbo more than hotels during COVID-19 pandemic. But why?

DAVID OLIVER | USA TODAY | 8:37 pm ET
August 26, 2020





DELIVER | USA TODAY | 8:37 PM EDT AUGUST 26, 2020

"Their choice mirrors a trend in the industry as travelers have sought out socially distanced excursions within half a day's drive from home. Some are also opting to stay in private homes where they can prepare their own food and won't come into contact with strangers from outside their quarantine bubble."



HOTEL IMPACT

And traditional hotels have paid the price, literally. For the week ending Aug. 15, U.S. weekly hotel occupancy occupancy was down 30% from the same period in 2019, according to data firm STR.



WHICH IS SAFEST?

Both hotels and short-term rentals have announced extensive cleaning measures and social distancing procedures to reassure cautious travelers that it's safe to stay there during COVID-19.



PSI EXAMS 9

TRANSFER OF TITLE 8%,7%

Unit 7,6 Chapter 9

A. TITLE INSURANCE

1. What is insured against
 2. Title searches, title abstracts, chain of title
 3. Marketable vs insurable title
 4. Potential title problems and resolution
 5. Cloud on title, suit to quiet title
- (BROKER ONLY)

UNIT 7

Title Records





How to Maximize this Unit

- ❑ Have your book open to the Unit
- ❑ Have your recorder (*iPhone voice command recommended or voice recorder on Android*) ready to record, with proper title prepared.
- ❑ Follow the Timed Module, completing each task. You must complete to move forward.
- ❑ Record your progress as you go.





Title Records

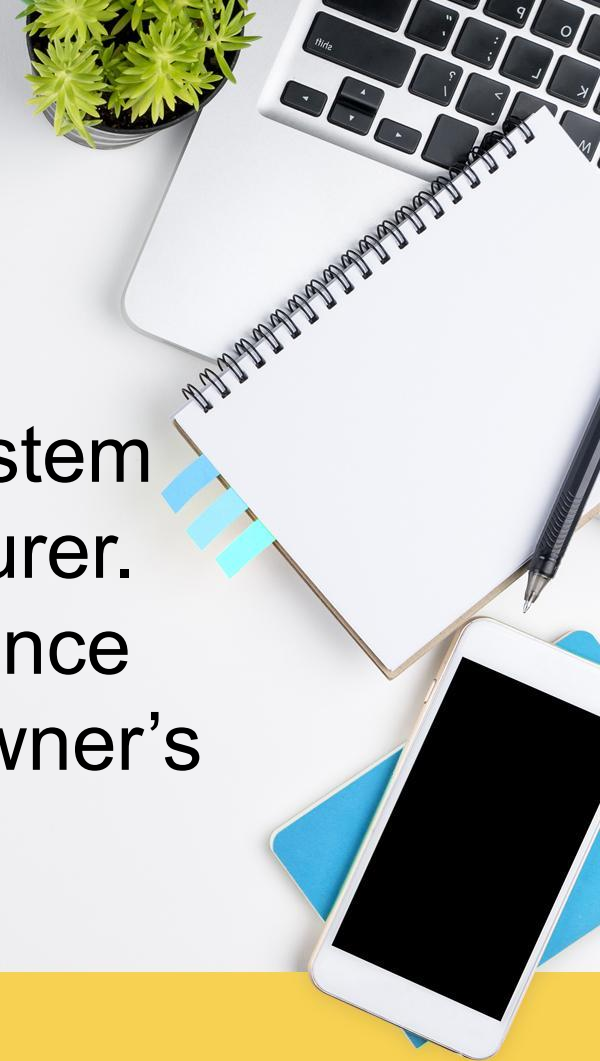
A review of public records will reveal the documents, claims, and other details that affect a property's ownership. If the property is subject to any liens or other encumbrances, a prospective buyer or lender needs to know. A real estate professional should understand what is in the public record and what the searchers may find.





Unit Objectives

- ❑ Explain the public recordation system and its importance to the title insurer.
- ❑ Explain the benefits of title insurance and the difference between an owner's policy and a lender's policy.





Key Terms to Define and Record

❑ Abstract of Title





Key Terms to Define and Record

❑ Abstract of Title

- ❑ The condensed history of the recorded ownership of a particular parcel of real estate, consisting of a summary of the original grant and all subsequent conveyances and encumbrances affecting the property and a certification by the abstractor that the history is complete and accurate.





Key Terms to Define and Record

❏ Action to Quiet Title





Key Terms to Define and Record

- ❑ **Action to Quiet Title**
 - ❑ A court action that establishes ownership when ownership cannot be traced through an unbroken chain of title.





Key Terms to Define and Record

❑ Actual Notice





Key Terms to Define and Record

❑ Actual Notice

- ❑ Express information or fact; that which is known; direct knowledge.





Key Terms to Define and Record

- ❑ American Land Title Association (ALTA) Policy





Key Terms to Define and Record

- ❑ **American Land Title Association (ALTA) Policy**
 - ❑ A title insurance policy that protects the interest in a collateral property of a mortgage lender who originates a new real estate loan.





Key Terms to Define and Record

- ❑ Attorney's Opinion of Title





Key Terms to Define and Record

❑ Attorney's Opinion of Title

- ❑ An abstract of title that an attorney has examined and has certified to be, in the attorney's opinion, an accurate statement of the facts concerning the property's ownership.





Key Terms to Define and Record

❏ Certificate of Title





Key Terms to Define and Record

❑ Certificate of Title

- ❑ A statement of opinion on the status of the title to a parcel of real property based on an examination of specified public records.





Key Terms to Define and Record

❏ Chain of Title





Key Terms to Define and Record

❑ Chain of Title

- ❑ The succession of conveyances, from some accepted starting point, whereby the present holder of real property derives title.





Key Terms to Define and Record

❑ **Constructive Notice**

- ❑ Notice given to the world by recorded documents. All persons are charged with knowledge of such documents and their contents, whether or not they have actually examined them. Possession of property is also considered constructive notice that the person in possession has an interest in the property.





Key Terms to Define and Record

❏ Constructive Notice





Key Terms to Define and Record

❑ Evidence of Title





Key Terms to Define and Record

❑ Evidence of Title

- ❑ Proof of ownership of property; commonly a certificate of title, an abstract of title with lawyer's opinion, title insurance, or a Torrens registration certificate.





Key Terms to Define and Record

❑ Marketable Title





Key Terms to Define and Record

❑ Marketable Title

- ❑ Good or clear title, reasonably free from the risk of litigation over possible defects.





Key Terms to Define and Record

□ Priority





Key Terms to Define and Record



❏ Priority

- ❏ The order of position or time. The priority of liens is generally determined by the chronological order in which the lien documents are recorded; tax liens, however, have priority even over previously recorded liens.



Key Terms to Define and Record

❏ Quiet Title





Key Terms to Define and Record

❏ Quiet Title

- ❏ A court action to remove a cloud on the title.





Key Terms to Define and Record

❑ Recording





Key Terms to Define and Record

❑ Recording

- ❑ The act of entering or recording documents affecting or conveying interests in real estate in the recorder's office established in each county. Until it is recorded, a deed or a mortgage ordinarily is not effective against subsequent purchasers or mortgagees.





Key Terms to Define and Record

❑ Subrogation





Key Terms to Define and Record

❑ Subrogation

- ❑ The right acquired by the title company to any remedy or damages available to the insured when a title company makes a payment to settle a claim covered by a policy.





Key Terms to Define and Record

❑ Suit to Quiet Title





Key Terms to Define and Record

❑ Suit to Quiet Title





Key Terms to Define and Record

❑ **Suit to Quiet Title**

- ❑ A court action intended to establish or settle the title to a particular property, especially when there is a cloud on the title.





Key Terms to Define and Record

☐ Title Insurance





Key Terms to Define and Record

❑ Title Insurance

- ❑ A policy insuring a property owner or mortgagee against loss by reason of defects in the title to a parcel of real estate, other than encumbrances, defects, and matters specifically excluded by the policy.



Key Terms to Define and Record

❏ Title Search





Key Terms to Define and Record

❑ Title Search

- ❑ The examination of public records relating to real estate to determine the current state of the ownership.





Key Terms to Define and Record

❏ Torrens System





Key Terms to Define and Record

❏ **Torrens System**

- ❏ A method of evidencing title by registration with the proper public authority, generally called the registrar; named for its founder, Sir Robert Torrens.





Key Terms to Define and Record

❏ Warranty Clause





Key Terms to Define and Record

❑ Warranty Clause

- ❑ A part of the deed in which the seller warrants the title conveyed to the buyer.





Public Records

- ❑ Recording: placing document in public record
- ❑ Notice:
 - ❑ *Constructive*: Placing document in public record, physical possession
 - ❑ *Actual*: information is available and someone is actually made aware of it





Title Records

- ❑ Priority

- ❑ The order of when documents or liens are recorded

- ❑ Unrecorded Documents

- ❑ Real estate taxes and special assessments



Chain of Title

- ❑ Record of property's ownership
 - ❑ Cloud on the title
 - ❑ Action to quiet title
- ❑ Title Search and Abstract of Title
 - ❑ Title search: Examination of public records
 - ❑ Abstract of title: Summary report





Marketable Title

- ❑ Acceptable to a reasonably prudent person and will not subject buyer to litigation
- ❑ No serious defects; no questions of law or fact
- ❑ Not expose purchaser to litigation
- ❑ Potential to sell or mortgage property at later time





Proof of Ownership

- ❑ Certificate of Title
- ❑ Title Insurance
 - ❑ Standard
 - ❑ Extended (ALTA)





The Torrens System

Legal registration system to verify ownership of real estate without need for additional search of public records

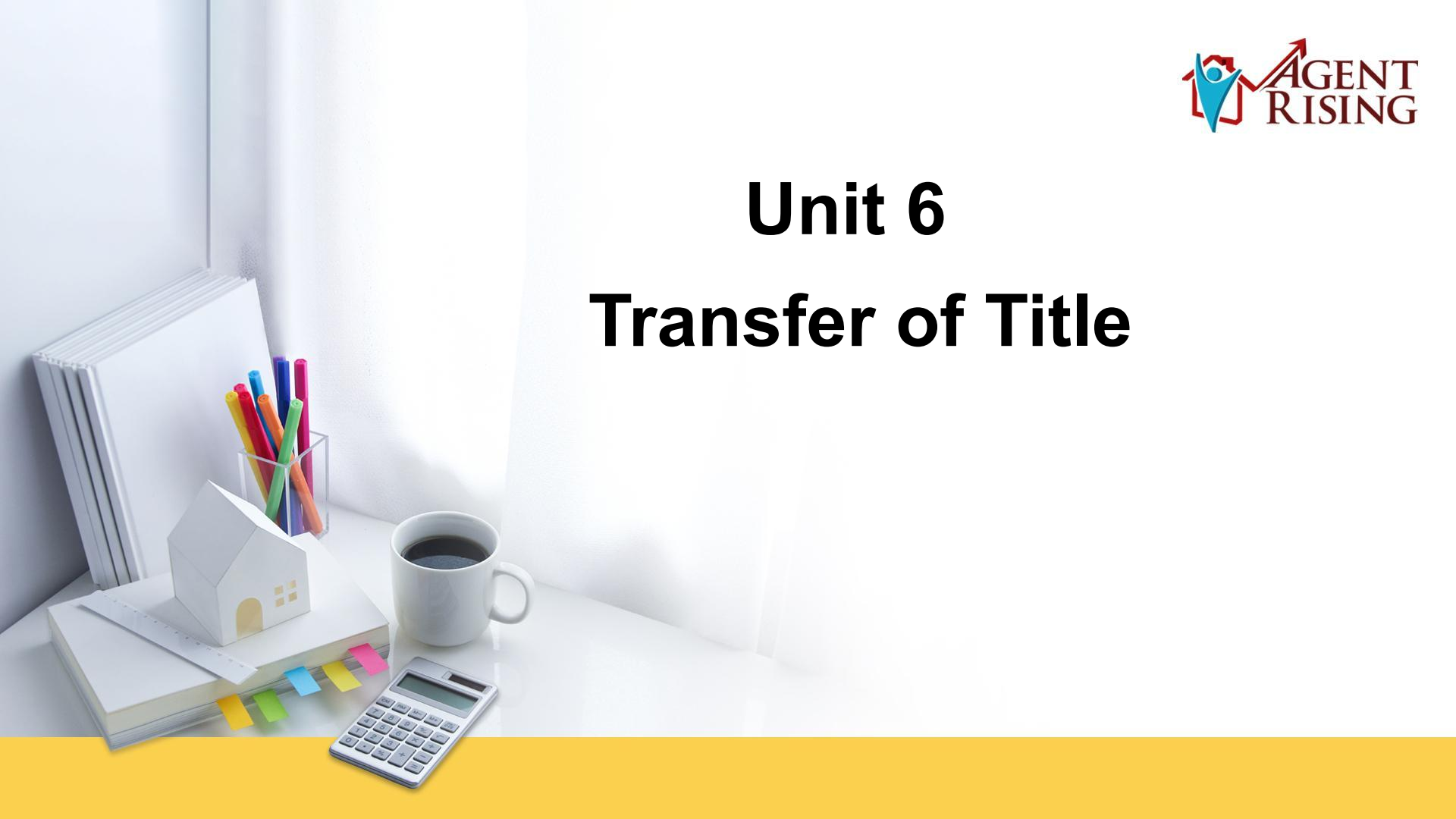


B. DEEDS

1. Purpose of deed, when title passes
2. Types of deeds and when used
3. Essential elements of deeds
4. Importance of recording

Unit 6

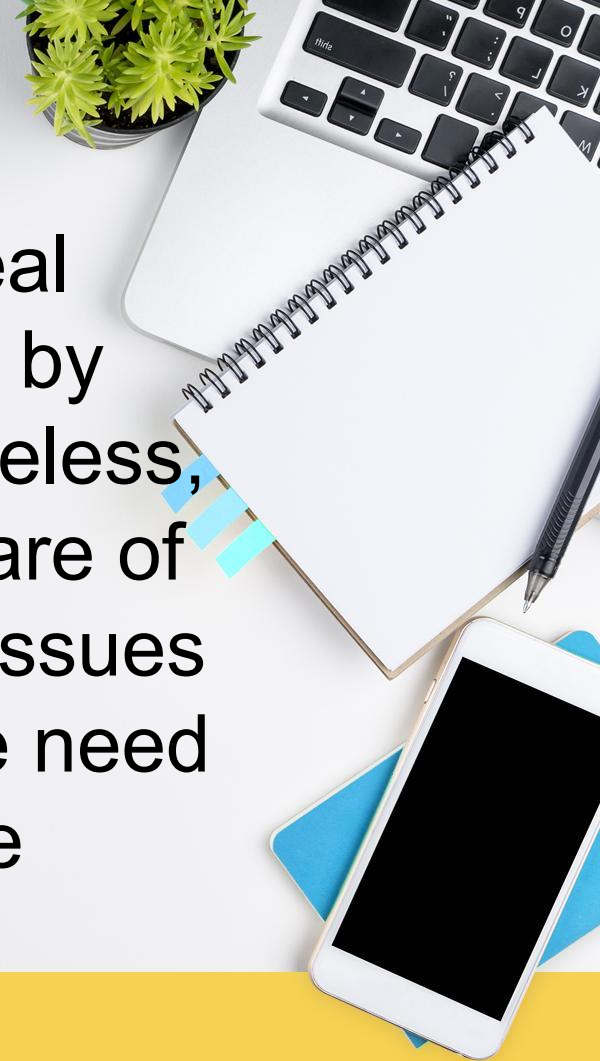
Transfer of Title





Transfer of Title

Transfer of title is an aspect of the real estate transaction generally handled by lawyers and title companies. Nonetheless, a real estate professional who is aware of the fundamentals of deeds and title issues will be able to alert consumers to the need for legal advice to avoid potential title problems.





Unit Objectives

- ❑ Describe the fundamental concepts of *title* as it relates to the ownership of land, and the processes and instruments used to apply these concepts.
- ❑ Describe the circumstances and conditions which may provide for the involuntary transfer of title.
- ❑ Explain testate, intestate, wills, and the probate process.





Key Terms to Record and Define

☐ Acknowledgment





Key Terms to Record and Define

❑ Acknowledgment

- ❑ A formal declaration made before a duly authorized officer, usually a notary public, by a person who has signed a document.





Key Terms to Record and Define

❑ Adverse Possession





Key Terms to Record and Define

❑ Adverse Possession

- ❑ The actual, open, notorious, hostile, and continuous possession of another's land under a claim of title. Possession for a statutory period may be a means of acquiring title.



Key Terms to Record and Define

☐ Alienation





Key Terms to Record and Define

❏ Alienation

- ❏ The act of transferring property to another. Alienation may be voluntary, such as by gift or sale, or involuntary, as through eminent domain or adverse possession.





Key Terms to Record and Define

- ❑ Bargain and Sale Deed





Key Terms to Record and Define

❑ Bargain and Sale Deed

- ❑ A deed that carries with it no warranties against liens or other encumbrances but that does imply that the grantor has the right to convey title. The grantor may add warranties to the deed.





Key Terms to Record and Define

❑ Deed





Key Terms to Record and Define

❏ Deed

- ❏ A written instrument that, when executed and delivered, conveys title to or an interest in real estate.





Key Terms to Record and Define

❏ Deed in Trust





Key Terms to Record and Define

❏ Deed in Trust

- ❏ An instrument that grants a trustee under a land trust full power to sell, mortgage, and subdivide a parcel of real estate. The beneficiary controls the trustee's use of these powers under the provisions of the trust agreement.



Key Terms to Record and Define

❏ Devise





Key Terms to Record and Define

❏ Devise

- ❏ A transfer of real property by will. The decedent is the deviser, and the recipient is the devise.





Key Terms to Record and Define

❏ Exception





Key Terms to Record and Define

- ❑ **Exception**
 - ❑ The exclusion of a part of the property conveyed.





Key Terms to Record and Define

☐ Execution





Key Terms to Record and Define

❑ Execution

- ❑ The signing and delivery of an instrument. Also, a legal order directing an official to enforce a judgment against the property of a debtor.





Key Terms to Record and Define

- ❑ Formal Will/ Witnessed Will





Key Terms to Record and Define

❑ **Formal Will/ Witnessed Will**

- ❑ A document having written instructions of property disbursements upon the death of the owner. The document must be signed and witnessed.





Key Terms to Record and Define

□ Gap





Key Terms to Record and Define

❏ Gap

- ❏ A defect in the chain of title of a particular parcel of real estate; a missing document or conveyance that raises doubt as to the present ownership of the land.





Key Terms to Record and Define

- ❑ General Warranty Deed





Key Terms to Record and Define

❑ General Warranty Deed

- ❑ A deed in which the grantor fully warrants good, clear title to the premises. Used in most real estate deed transfers, a general warranty deed offers the greatest protection of any deed.



Key Terms to Record and Define

- ❑ Good and Indefeasible Title





Key Terms to Record and Define

- ❑ **Good and Indefeasible Title**
 - ❑ A title that cannot be annulled or tendered void.





Key Terms to Record and Define

❑ Grantee





Key Terms to Record and Define

❑ Grantee

- ❑ A person who receives a transfer of real property from a grantor.





Key Terms to Record and Define

❏ Granting Clause





Key Terms to Record and Define

❑ Granting Clause

- ❑ Words in a deed of conveyance that state the grantor's intention to convey the property at the present time. This clause is generally worded as “convey and warrant”; “grant”; “grant, bargain, and sell”; or the like.





Key Terms to Record and Define

☐ Grantor





Key Terms to Record and Define

❑ Grantor

- ❑ The owner transferring title to or an interest in real property to a grantee.





Key Terms to Record and Define

❏ Habendum Clause





Key Terms to Record and Define

❑ Habendum Clause

- ❑ That part of a deed beginning with the words “to have and to hold,” following the granting clause and defining the extent of ownership the grantor is conveying.





Key Terms to Record and Define

☐ Intestate





Key Terms to Record and Define



❑ Intestate

- ❑ The condition of a property owner who dies without leaving a valid will. Title to the property will pass to the decedent's heirs, as provided in the state law of descent.



Key Terms to Record and Define

☐ Notarization





Key Terms to Record and Define

❑ Notarization

- ❑ Certification by a notary or other authorized official of the validity of a signature on a document.





Key Terms to Record and Define

❑ Offeror/Offeree





Key Terms to Record and Define

❑ Offeror/Offeree

- ❑ The person who makes the offer is the offeror. The person to whom the offer is made is the offeree.





Key Terms to Record and Define

☐ Probate





Key Terms to Record and Define

❑ Probate

- ❑ A legal process by which a court determines who will inherit a decedent's property and what the estate's assets are.





Key Terms to Record and Define

❑ Quitclaim Deed





Key Terms to Record and Define

❑ Quitclaim Deed

- ❑ A conveyance that transfers whatever interest the grantor has in the specified real estate, without warranties or obligations.





Key Terms to Record and Define

- ❑ Reconveyance Deed





Key Terms to Record and Define

❑ **Reconveyance Deed**

- ❑ A deed used by a trustee under a deed of trust to return title to the trustor.





Key Terms to Record and Define

❑ Reservation





Key Terms to Record and Define

❏ Reservation

- ❏ Something that is retained by the seller (i.e., a life estate or an access easement).





Key Terms to Record and Define

❏ Satisfaction





Key Terms to Record and Define

❑ Satisfaction

- ❑ Release or discharge when a note has been fully paid, returning to the borrower all interest in the real estate originally conveyed to the lender. Entering this release in the public record shows that the debt has been removed from the property.





Key Terms to Record and Define

- ❑ Special Warranty Deed





Key Terms to Record and Define

❑ Special Warranty Deed

- ❑ A deed in which the grantor warrants, or guarantees, the title only against defects arising during the period of the grantor's tenure and ownership of the property and not against defects existing before that time, generally using the language, "by, through, or under the grantor but not otherwise."





Key Terms to Record and Define

☐ Tax Deed





Key Terms to Record and Define

❏ Tax Deed

- ❏ An instrument, similar to a certificate of sale, given to a purchaser at a tax sale. See also certificate of sale.





Key Terms to Record and Define

☐ Testate





Key Terms to Record and Define

- ❑ **Testate**
 - ❑ Having made and left a valid will.





Key Terms to Record and Define

☐ Testator





Key Terms to Record and Define

❑ Testator

- ❑ A person who has made a valid will. A woman might be referred to as a testatrix, although testator can be used for either a man or a woman.





Key Terms to Record and Define

☐ Title





Key Terms to Record and Define

❏ Title

- ❏ (1) The right to ownership or the ownership of land.
- ❏ (2) The evidence of ownership of land.





Key Terms to Record and Define

☐ Transfer Tax





Key Terms to Record and Define

- ❑ **Transfer Tax**
 - ❑ Tax stamps required to be affixed to a deed by state and/or local law.





Key Terms to Record and Define

☐ Trust Deed





Key Terms to Record and Define

❑ Trust Deed

- ❑ An instrument used to create a mortgage lien by which the borrower conveys title to a trustee, who holds it as a security for the benefit of the note holder (the lender); also called a deed of trust.





Key Terms to Record and Define

- ☐ Trustee's deed





Key Terms to Record and Define

❑ **Trustee's deed**

- ❑ A deed executed by a trustee conveying land held in a trust.





Key Terms to Record and Define

 Will





Key Terms to Record and Define

❏ Will

- ❏ A written document, properly witnessed, providing for the transfer of title to property owned by the deceased called the testator.





Title Concepts: Voluntary Alienation

- ❑ A grantor conveys property to a grantee.
- ❑ A grantee receives property from a grantor.
- ❑ A deed is the instrument that conveys property from grantor to grantee.





Requirements for a Valid Deed

- ❑ Grantor
- ❑ Grantee
- ❑ Consideration
- ❑ Granting Clause
- ❑ Habendum Clause
- ❑ Legal Description of
- ❑ Real Estate





Requirements for a Valid Deed

- ❑ Exceptions and Reservations
- ❑ Signature of Grantor
- ❑ Acknowledgment
- ❑ Delivery and Acceptance





Transfer Tax Stamps

- ❑ Transfer declaration form
- ❑ Exemptions





Title Concepts: Involuntary Alienation

- ❑ Escheat
- ❑ Condemnation by state's power of eminent domain
- ❑ Foreclosure
- ❑ Adverse possession
 - ❑ Open
 - ❑ Notorious
 - ❑ Continuous
 - ❑ Hostile
 - ❑ Adverse





Conveyance of a Decedent's Property

- ☐ By Will
- ☐ By Descent
- ☐ Probate



C. ESCROW OR CLOSING; TAX ASPECTS OF TRANSFERRING TITLE TO REAL PROPERTY

1. Responsibilities of escrow agent
2. Prorated items
3. Closing statements/TRID disclosures
4. Estimating closing costs
5. Property and income taxes

D. SPECIAL PROCESSES

1. Foreclosure
2. Short sale

E. WARRANTIES

1. Purpose of home or construction warranty programs
2. Scope of home or construction warranty programs

IX MASS ADDITIONAL TOPICS 5%/2%

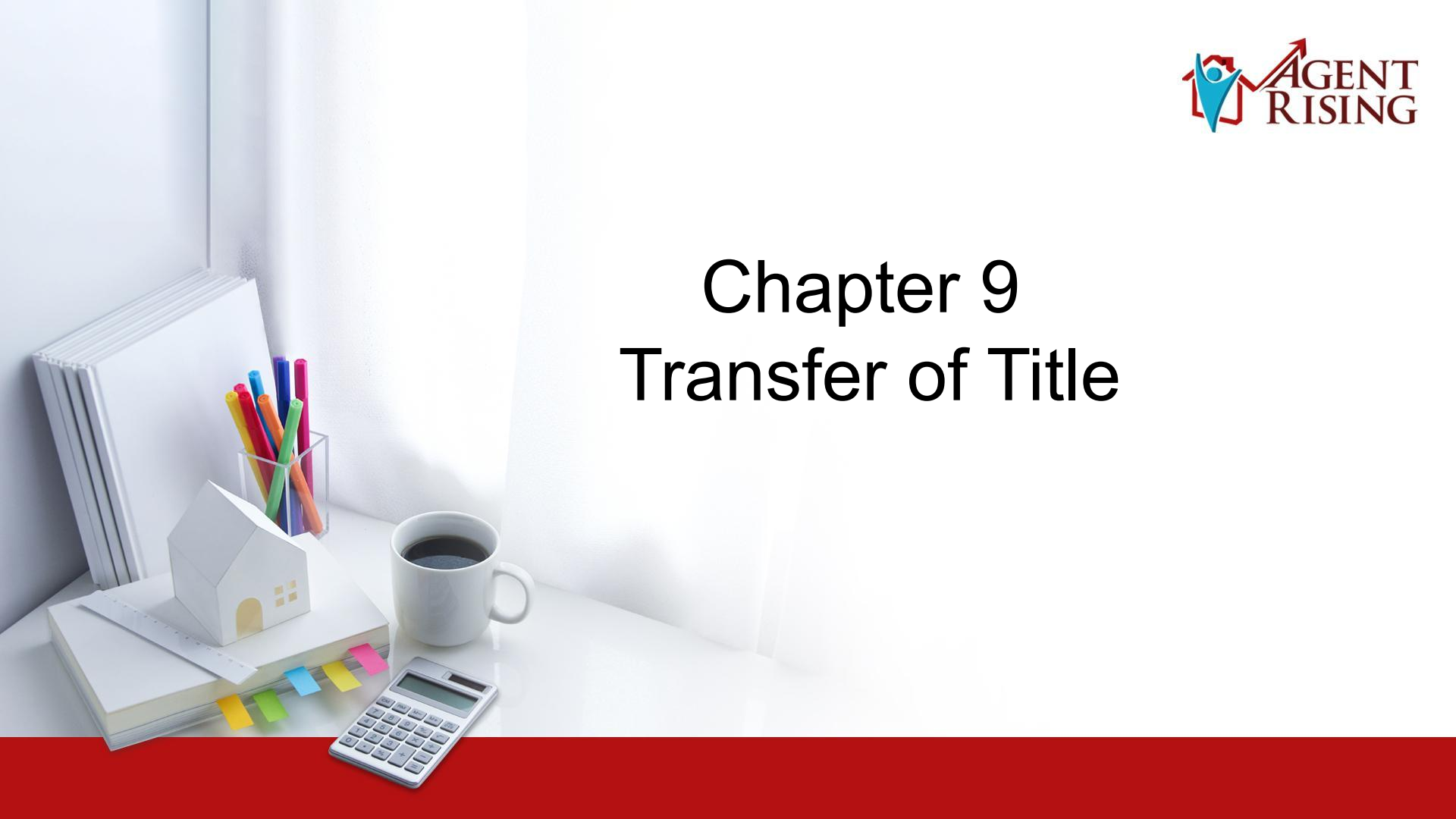
A. Ownership

B. Condominiums,
Cooperatives, and
Timeshares

C. Registered Land

Chapter 9

Transfer of Title





Requirements for a Deed

Following are the nine basic
requirements for a valid transfer of
real property in Massachusetts:





Requirements for a Deed

- ❑ The transfer must be evidenced by
a ***written document***.





Requirements for a Deed

- ❑ The grantor must use the ***same full name*** as the one by which he received title by the previous conveyance. If the name has changed, both the old and new names should be indicated in the document.





Requirements for a Deed

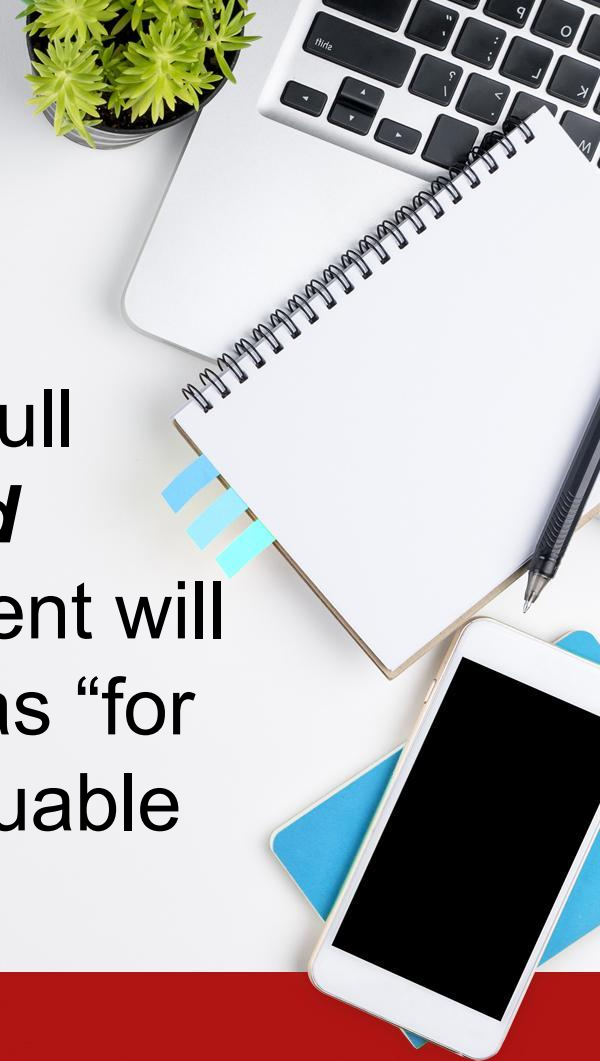
- ❑ The grantor must use language that is equivalent to the verb ***grant***, because that is the purpose of the document.





Requirements for a Deed

- ❑ The purchase price or amount of full consideration must be ***clearly and completely stated***, or the document will not be recordable. Phrases such as “for one dollar and other good and valuable consideration” are not sufficient.





Requirements for a Deed

- ❑ The ***name of the grantee*** and some means of identifying who she is and where she comes from, must be included. If there is more than one grantee, it should be made clear how they are to hold the property.





Requirements for a Deed

- ❑ An ***accurate description*** of the property must be given (see Chapter 5).





Requirements for a Deed

❑ ***Homestead rights*** must be released.





Requirements for a Deed

❑ ***Delivery*** must be made to the grantee.





Requirements for a Deed

- ❑ **Recording** is mandatory in the case of registered land, and optional in the case of non-registered land (see Chapter 9).
- ❑ In the case of registered land, the registration certificate must be delivered, along with the deed, for title to pass to the buyer. Note that acknowledgment before a notary public must be made for recordation, but acknowledgment is not one of the requirements for a valid transfer of real property.





Types of Deeds

- ❑ Massachusetts law provides for two deed forms for use by individual owners when transferring property during their lifetimes (i.e., inter vivos transfers): **the warranty deed and the quitclaim deed.**





The Warranty Deed

- ❑ When the statutory short form warranty deed is used, the grantor warrants that he held the premises in *fee simple*





The Warranty Deed

- ❑ the granted premises were *free from all encumbrances not specifically stated*





The Warranty Deed

- ❑ he had *good right to sell and convey*





The Warranty Deed

- ❑ *he warrants and defends the title against the lawful claims and demands of all persons.*





The Quitclaim Deed

- ❑ In a quitclaim deed, the grantor warrants that at the time of delivering the deed





The Quitclaim Deed

- ❑ the premises were *free of all encumbrances made by the grantor*





The Quitclaim Deed

- ❑ the grantor will warrant and defend the title for the grantee, against the lawful claims of all persons, *claiming by, through, or under him but against no one else*





Transfer Tax Stamps

- ❑ Massachusetts imposes an excise tax upon the transfer of any deed, instrument, or other writing, whenever real estate is conveyed to a purchaser.





Transfer Tax Stamps

- ❑ The excise or transfer tax applies whenever the consideration, exclusive of the value of any lien or encumbrance remaining on the property, is greater than \$100 and is based upon the consideration paid/given for the property.





Transfer Tax Stamps

- ❑ The tax is paid by the person making or signing the deed and is evidenced by a stamp affixed to it





Transfer Tax Stamps

- ❑ In Massachusetts, the tax levied on the conveyance of real estate is different by county.





Transfer Tax Stamps

- ❑ For example, in most counties, \$2.28 may be levied for each \$500, (or fraction of \$500), or \$4.56 per thousand of real estate equity, transferred from buyer to seller.





Involuntary Alienation

In Massachusetts, the period for which a person must use a parcel of real estate to establish ownership by adverse possession (M.G.L. c. 260, § 21-22) is 20 years.





Involuntary Alienation

The requirements are the same as for the easement by prescription described in Chapter 3. The requirements are:





Involuntary Alienation

- ❑ continuous or uninterrupted use or possession, (note that the time of possession of the prior owner's or owners' use of the property may be tacked on to the current owner's time of possession, in order to establish the 20-year period)





Involuntary Alienation

- ❑ no permission from the owner





Involuntary Alienation

- ❑ 20 years of use or possession





Involuntary Alienation

- ❑ the owner having actual or constructive knowledge of the use or possession





Involuntary Alienation

- ❑ Title acquired by this means is subject to legal technicalities and should not be relied on without legal advice.





Involuntary Alienation

- ❑ Adverse possession may not be maintained against any state-owned land or registered land (see Chapter 9).





Transfer of a Deceased Person's Property

Transfer of Title by Will—Testate

- ❑ In Massachusetts, any person 18 years of age or older may make a will. When a person dies having executed a valid will, they die **testate** and are called the *testator*.





Transfer of a Deceased Person's Property

Transfer of Title by Will—Testate

- ❑ In addition to the requirements set out in the text, a valid will must be attested by two witnesses. The witnesses do not have a right to read the will, but they must be aware that the testator is signing a document she knows to be her will.





Transfer of a Deceased Person's Property

Transfer of Title by Will—Testate

- ❑ The witnesses should see the testator sign the will and should see each other sign as witnesses. Any devise or legacy given to a witness is void.





Transfer of a Deceased Person's Property

Transfer of Title by Will—Testate

- ❑ A surviving spouse has a *right of election* and may have the will's provisions for the spouse set aside. The spouse can claim his dower rights or may take property under the law of intestate distribution, (dower and the spousal homestead right are discussed in Chapter 3).





Transfer of a Deceased Person's Property

Transfer of Title by Descent—Intestate Succession (M.G.L. Chapter 190)

- ❑ When a person dies without leaving a valid will, she dies **intestate**, and her property passes by *intestate succession* under the terms of Massachusetts law.





Transfer of a Deceased Person's Property

Transfer of Title by Descent—Intestate Succession (M.G.L. Chapter 190)

- ❑ After payment of all debts, claims, and taxes, the estate is divided according to statute, depending on the status of the decedent.



Transfer of a Deceased Person's Property

Transfer of Title by Descent—Intestate Succession (M.G.L. Chapter 190)

- ❑ When a person dies without leaving a valid will (i.e., intestate) and with no known heirs, the property will **escheat** to the state.





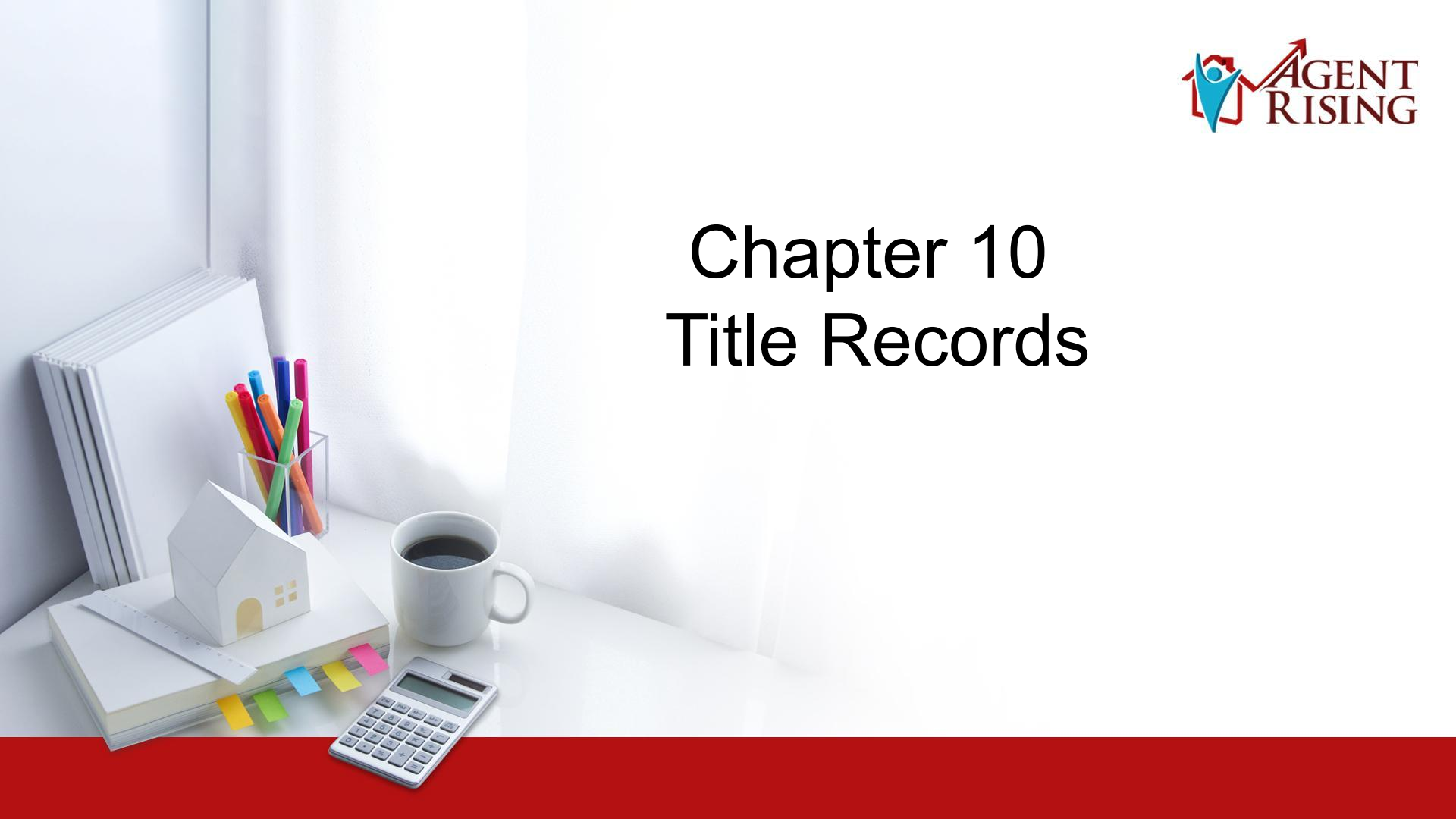
Transfer of a Deceased Person's Property

Transfer of Title by Descent—Intestate Succession (M.G.L. Chapter 190)

- ❑ In other words, if there is no one legally eligible as designated by statute to receive title to the property, the state takes title.

Chapter 10

Title Records





Recording

- ❑ The real estate recording system is a semi-voluntary system in Massachusetts.



Recording

- ❑ A grantee is not required to record a document under the Massachusetts recording statute, although he may choose to do so.



Recording

- ❑ The law clearly places the risk that results from not recording, on the person who chooses not to record.





Recording

- ❑ A conveyance must be recorded to be effectively executed.





Registered Land M.G.L. c.185

The two kinds of real property in
Massachusetts are:

- ❑ registered land, and
- ❑ land that is not registered.





Registered Land M.G.L. c.185

- ❑ *Registered* is not the same as *recorded*.





Registered Land M.G.L. c.185

- ❑ Any grantee may record her deed, giving notice to the world that she is the new owner.





Registered Land M.G.L. c.185

- ❑ However, property that has been registered, must have a new certificate of title issued every time it is transferred or subdivided.





System of Registration

- ❑ The system of land registration used in Massachusetts is similar to the Torrens system.





System of Registration

- ❑ The ***Torrens system*** is a legal registration system used to verify ownership of real property and encumbrances.





System of Registration

- ❑ Registration in the Torrens system provides evidence of title without the need for an additional search of public records.





System of Registration

- ❑ In Massachusetts, registration is commenced with an action to quiet title, in which the court is asked to determine who actually owns a parcel of land and what claims or liens against the property are valid.





System of Registration

- ❑ An exhaustive investigation of the history of the property's ownership is conducted.





System of Registration

- ❑ Advertising and any other possible means of reaching anyone who may have a claim on the property are used.





System of Registration

- ❑ Usually, the property will be surveyed, and its boundaries firmly established.





Evidence of Title

- ❑ In Massachusetts, it is the *buyer* who customarily has the title searched and the property surveyed.





Evidence of Title

- ❑ The seller does not have to share in these expenses unless he agrees to or unless there is a defect in the title.





Evidence of Title

- ❑ Most buyers hire an attorney to make a title search, particularly because banks will not loan money on property that has not had the title searched.





Evidence of Title

The attorney may make one of the following three types of title search:





Evidence of Title

- ❑ *A title search and opinion*, in which the attorney searches the public records, lists the entries, and states her opinion on the title





Evidence of Title

- ❑ *A full abstract*, in which the attorney copies the important parts of each document that affect the title and then states her opinion





Evidence of Title

- ❑ *A certificate of title*, which is simply a brief statement of the attorney's opinion



PSI EXAMS 11

Real Estate Calculations 10%

XI. Real estate calculations (Salesperson 10%; Broker 8%)

A. Basic math concepts

1. Loan-to-value ratios
2. Discount points
3. Equity
4. Down payment/amount to be financed

B. Calculations for transactions

1. Property tax calculations
2. Prorations
3. Commission and commission splits
4. Seller's proceeds of sale
5. Buyer funds needed at closing

6. Transfer fee/conveyance tax/revenue stamps

7. PITI (Principal, Interest, Taxes and Insurance) payments

BROKER ONLY

C. Calculations for valuation, rate of return
(BROKER ONLY)

1. Net operating income
2. Depreciation
3. Capitalization rate
4. Gross Rent and gross income multipliers

BONUS

Investing in Real Estate





Bonus

Investing in Real Estate

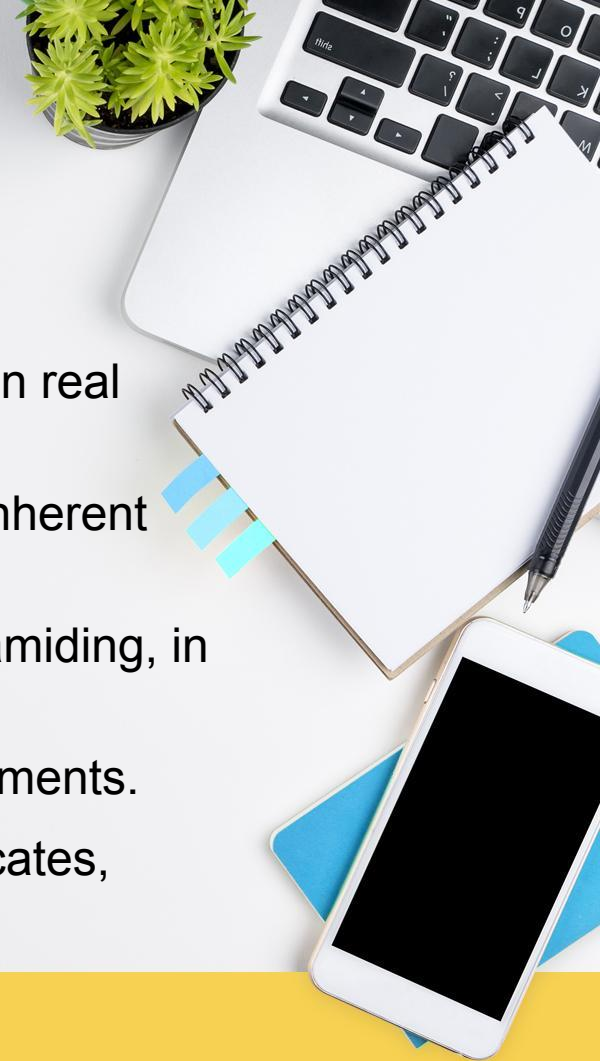
Real estate is a popular investment. Whichever way the overall market turns, the real estate investment market continues to initiate innovative and attractive investment strategies. These developments make it important for real estate professionals to have an elementary and up-to-date knowledge of real estate investment.





Unit Objectives

- ❑ Identify the advantages and disadvantages of investing in real estate.
- ❑ Describe the real estate investment objectives and the inherent financial concepts involved in the investment process.
- ❑ Explain the essential benefits of leverage, including pyramiding, in the acquisition of real estate investments.
- ❑ Describe the tax benefits inherent in real property investments.
- ❑ Describe the mechanics of real estate investment syndicates, trusts, and mortgage conduits.





Key Terms to Define and Record

- ❑ Accelerated Cost Recovery System (ACRS)



Key Terms to Define and Record

❑ Accelerated Cost Recovery System (ACRS)

- ❑ Method for claiming tax deductions for certain property purchased before 1987 in which it was possible to claim greater deductions in the early years of ownership, gradually reducing the amount deducted in each year of useful life.





Key Terms to Define and Record

□ Appreciation

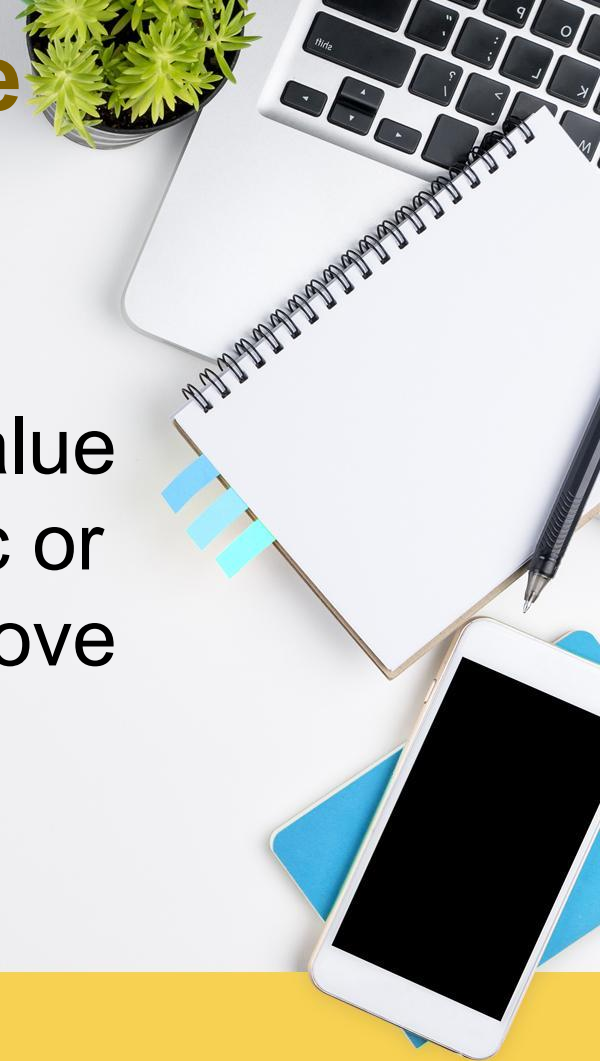




Key Terms to Define and Record

❑ Appreciation

- ❑ An increase in the worth or value of a property due to economic or related causes, which may prove to be either temporary or permanent; opposite of depreciation.





Key Terms to Define and Record

□ Basis





Key Terms to Define and Record

❑ Basis

- ❑ The financial interest that the Internal Revenue Service attributes to an owner of an investment property for the purpose of determining annual depreciation and gain or loss on the sale of the asset. If a property was acquired by purchase, the owner's basis is the cost of the property plus the value of any capital expenditures for improvements to the property, minus any depreciation allowable or actually taken. This new basis is called the adjusted basis.



Key Terms to Define and Record

❑ Blue-sky Laws





Key Terms to Define and Record

❑ Blue-sky Laws

- ❑ Common name for those state and federal laws that regulate the registration and sale of investment securities.



Key Terms to Define and Record

☐ Boot





Key Terms to Define and Record

❏ **Boot**

- ❏ Money or property given to make up any difference in value or equity between two properties in an exchange.



Key Terms to Define and Record

❑ Capital Gain





Key Terms to Define and Record

- ❑ **Capital Gain**
 - ❑ Profit earned from the sale of an asset.





Key Terms to Define and Record

☐ Cash Flow





Key Terms to Define and Record

❑ Cash Flow

- ❑ The net spendable income from an investment, determined by deducting all operating and fixed expenses from the gross income. When expenses exceed income, a negative cash flow results.





Key Terms to Define and Record

❑ Cost Recovery





Key Terms to Define and Record

- ❑ **Cost Recovery**
 - ❑ An Internal Revenue Service term for depreciation.





Key Terms to Define and Record

❏ Depreciation





Key Terms to Define and Record



❑ Depreciation

- ❑ (1) In appraisal, a loss of value in property due to any cause, including physical deterioration, functional obsolescence, and external obsolescence. (2) In real estate investment, a deduction for tax purposes taken over the period of ownership of income property, based on the property's acquisition cost.



Key Terms to Define and Record

❑ Equity Buildup





Key Terms to Define and Record

❑ **Equity Buildup**

- ❑ That portion of the loan payment toward the principal rather than the interest, plus any gain in property value due to appreciation.





Key Terms to Define and Record

❏ Exchange





Key Terms to Define and Record

❑ Exchange

- ❑ A transaction in which all or part of the consideration is the transfer of like-kind property (e.g., real estate for real estate).





Key Terms to Define and Record

☐ Income Property



Key Terms to Define and Record

❑ Income Property

- ❑ Property held for current income as well as a potential profit upon its sale.





Key Terms to Define and Record

❏ Inflation



Key Terms to Define and Record

❏ Inflation

- ❏ The gradual reduction of the purchasing power of the dollar, usually related directly to increases in the money supply by the federal government.





Key Terms to Define and Record

❏ Intrinsic Value





Key Terms to Define and Record

❑ Intrinsic Value

- ❑ An appraisal term referring to the value of a property unaffected by a person's personal preferences.





Key Terms to Define and Record

❏ Investment





Key Terms to Define and Record

❑ Investment

- ❑ Money directed toward the purchase, improvement, and development of an asset in expectation of income or profits.





Key Terms to Define and Record

☐ Leverage





Key Terms to Define and Record

❑ Leverage

- ❑ The use of borrowed money to finance an investment.





Key Terms to Define and Record

□ Liquidity





Key Terms to Define and Record

❏ Liquidity

- ❏ The ability to sell an asset and convert it into cash, at a price close to its true value, in a short period of time.





Key Terms to Define and Record

☐ Profit





Key Terms to Define and Record

❑ Profit

- ❑ Making a gain from an investment after subtracting expenses.





Key Terms to Define and Record

Pyramiding





Key Terms to Define and Record



❑ **Pyramiding**

- ❑ The process of acquiring additional property by refinancing property already owned and investing the loan proceeds in additional properties.



Key Terms to Define and Record

- ❑ Real Estate Investment Trust (REIT)





Key Terms to Define and Record

- ❑ **Real Estate Investment Trust (REIT)**
 - ❑ Trust ownership of real estate by a group of individuals who purchase certificates of ownership in the trust, which in turn invests the money in real property and distributes the profits back to the investors free of corporate income tax.



Key Terms to Define and Record

- ❑ Real Estate Mortgage Investment Conduit (REMIC)



Key Terms to Define and Record

❑ Real Estate Mortgage Investment Conduit (REMIC)

- ❑ A tax entity that issues multiple classes of investor interests (securities) backed by a pool of mortgages.





Key Terms to Define and Record

❑ Straight-line Depreciation



Key Terms to Define and Record

- ❑ **Straight-line Depreciation**
 - ❑ Depreciation taken periodically in equal amounts over an asset's useful life.





Key Terms to Define and Record

❏ Syndicate





Key Terms to Define and Record

❑ Syndicate

- ❑ A combination of people or firms to accomplish a business venture of mutual interest by pooling resources. In a real estate investment syndicate, the parties own and/or develop property, with the main profit generally arising from the sale of the property.



General Real Estate Terms

- ☐ Denominator
- ☐ Divisor
- ☐ Habitability
- ☐ Numerator
- ☐ Percent





General Real Estate Terms

- ❑ Quotient
- ❑ Subjective Value
- ❑ Volume
- ❑ X-bar Method





General Real Estate Terms

❏ Denominator





General Real Estate Terms

❏ Denominator

- ❏ The number written below the line in a fraction.





General Real Estate Terms

❏ Divisor





General Real Estate Terms

❑ Divisor

- ❑ A number or quantity divided into another.





General Real Estate Terms

❑ Habitability





General Real Estate Terms

❑ Habitability

- ❑ A property that is suitable for living in or on.





General Real Estate Terms

❏ Numerator





General Real Estate Terms

❏ Numerator

- ❏ The number written above the line of a fraction representing the number to be divided by the denominator.





General Real Estate Terms

❑ Percent





General Real Estate Terms

- ❑ **Percent**
 - ❑ One part in a hundred.





General Real Estate Terms

❑ Quotient





General Real Estate Terms

❑ Quotient

- ❑ The number resulting from dividing one number by another.





General Real Estate Terms

❑ Subjective Value





General Real Estate Terms

❑ Subjective Value

- ❑ The perceived value of an item based on the benefits given to the owner.





General Real Estate Terms

□ Volume





General Real Estate Terms

❏ Volume

- ❏ The amount of space of a three-dimensional object.





General Real Estate Terms

❑ X-Bar Method





General Real Estate Terms

❑ X-Bar Method

- ❑ A math tool used to solve percentage problems, indicating what values to multiply or divide to arrive at the unknown value.





Investing in Real Estate

Advantages:

- ❑ Generally, above-average rates of return
- ❑ Use leverage of borrowed money to purchase real estate
- ❑ Greater control over investment
- ❑ Tax benefits

Disadvantages:

- ❑ Investment is expensive
- ❑ Real estate is not highly liquid
- ❑ Must actively manage investment
- ❑ High degree of risk



The Investment

- ❑ Appreciation
- ❑ Unimproved Land
- ❑ Income
- ❑ Opportunities
- ❑ Due diligence





Investing in Real Estate

- ❑ Leverage
 - ❑ Equity Buildup
 - ❑ Pyramiding
- ❑ Tax Benefits
 - ❑ Depreciation (Cost Recovery)
 - ❑ Capital Gain
 - ❑ Exchanges
 - ❑ Deductions
 - ❑ Installment Sales





Investing in Real Estate

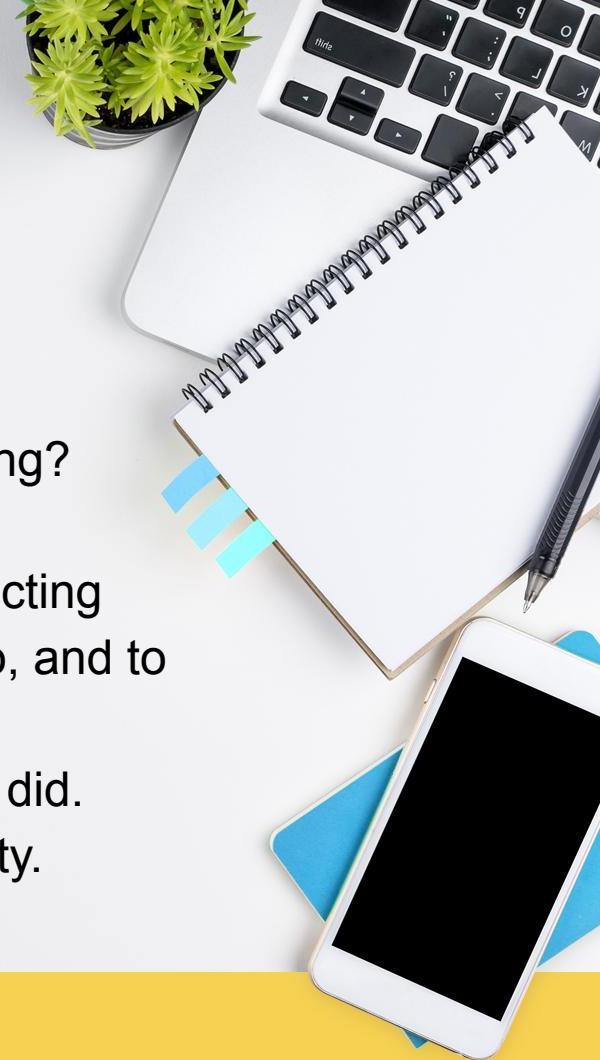
- ❑ Real Estate Investment Options
 - ❑ Real Estate Investment Syndicate
 - ❑ Real Estate Investment Trust (REIT)
 - ❑ Real Estate Mortgage Investment Conduit (REMIC)





Beyond the Unit...

- ☐ Read the Key Point Review in the Unit.
- ☐ Read the quizzes and answers. Are you right or wrong? Why?
- ☐ Go to QBank and customize a quiz on this Unit, selecting the boxes on the bottom to show progress as you go, and to show explanations.
- ☐ Take the quiz- recording your thoughts and how you did.
- ☐ Send us the recording for you to use as accountability.
- ☐ Text us or email us any questions.





Unit 22 Quiz

Cash flow is

- a. equivalent to operating expense
- b. the total amount of spendable income left after expenses
- c. the use of borrowed money to finance an investment
- d. selling costs plus depreciation



Answer

B. the total amount of spendable income left after expenses





Unit 22 Quiz

All of the following are associated with a Section 1031 exchange EXCEPT

- a. boot
- b. qualified intermediary
- c. like kind
- d. the elimination of capital gains tax



Answer

D. the elimination of capital gains tax





Unit 22 Quiz

Which statement is TRUE about a syndicate?

- a. Members must hold title as joint tenants
- b. Most profit on the investment is realized from rents
- c. It is a private or public business venture to own property
- d. Blue-sky laws do not apply





Answer

C. It is a private or public business venture to own property.





Unit 22 Quiz

Which situation would result in the highest degree of leverage?

- a. Using our own funds entirely
- b. Using more of your own funds than those you borrow
- c. Using more of the funds you borrow than your own funds
- d. Using borrowed funds entirely



Answer

D. Using borrowed funds entirely





IV. Financing (Salesperson 10%; Broker 8%)

A. Basic concepts and terminology

1. Points 2. LTV 3. PMI 4. Interest 5. PITI 6. Financing instruments (mortgage, promissory note, etc.) B. Types of loans

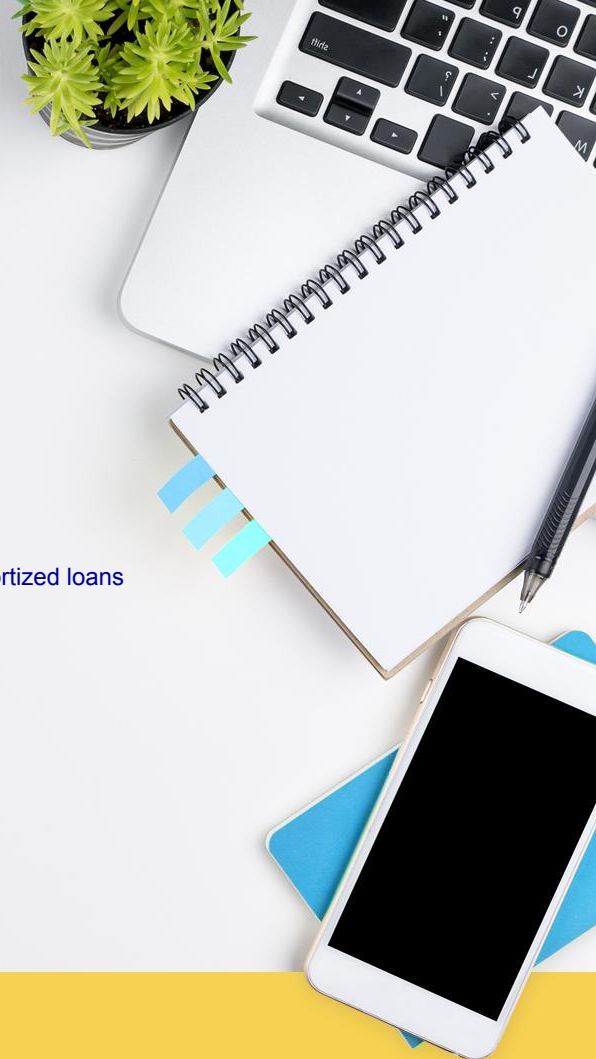
1. Conventional loans 2. FHA Insured loans 3. VA guaranteed loans 4. USDA/rural loan programs 5. Amortized loans

6. Adjustable-rate mortgage loans 7. Bridge loans 8. Owner financing (installment and land contract/contract for deed) C. Financing and lending

1. Lending process application through closing 2. Financing and credit laws and rules

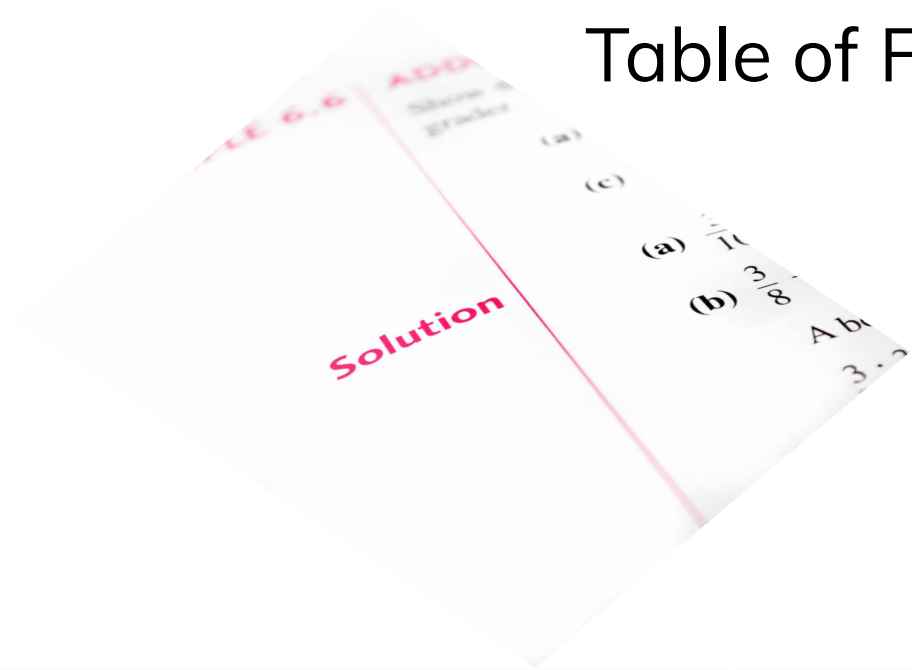
a) Truth in lending b) RESPA c) Equal Credit Opportunity d) CFPB/TRID rules on financing and risky loan features 3. Underwriting

a) Debt ratios b) Credit scoring c) Credit history



MATH FORMULAS

Table of Formula Aids

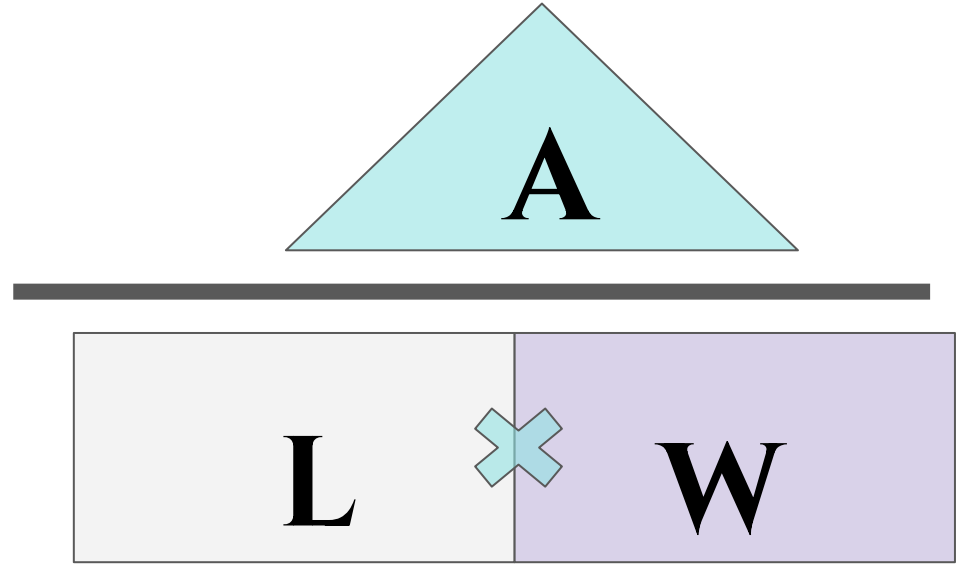


TIPS TO SOLVE

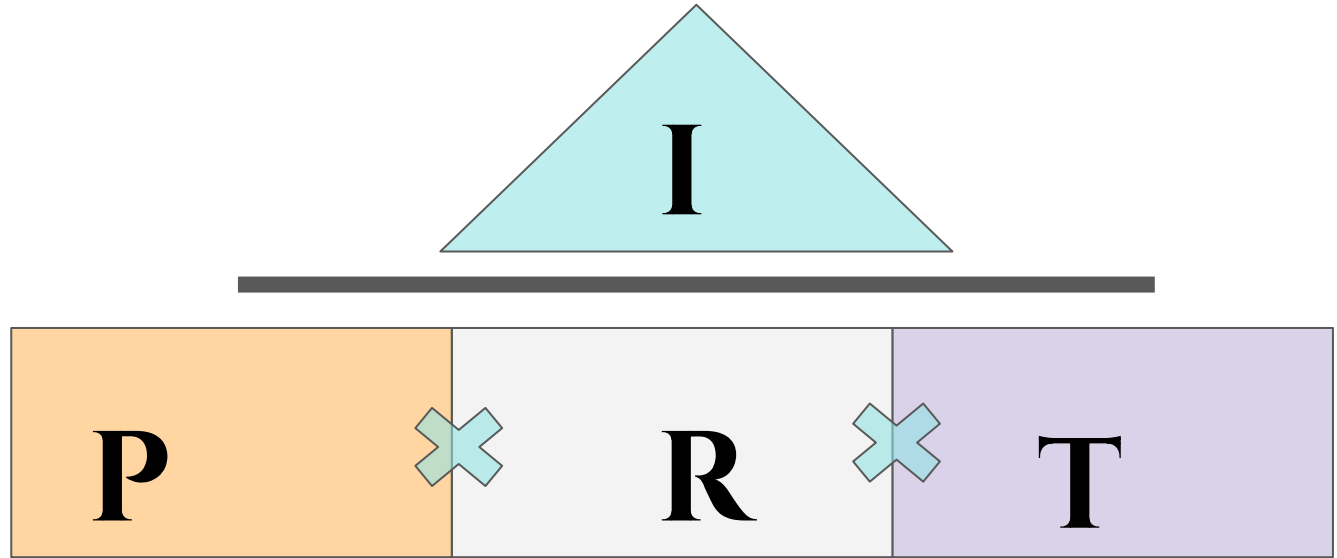
- ❑ Cover the item you are solving for
 - ❑ (The one you do not have!)
- ❑ Put the one you are solving for alone on one side alone
 - ❑ What is left is on the other!



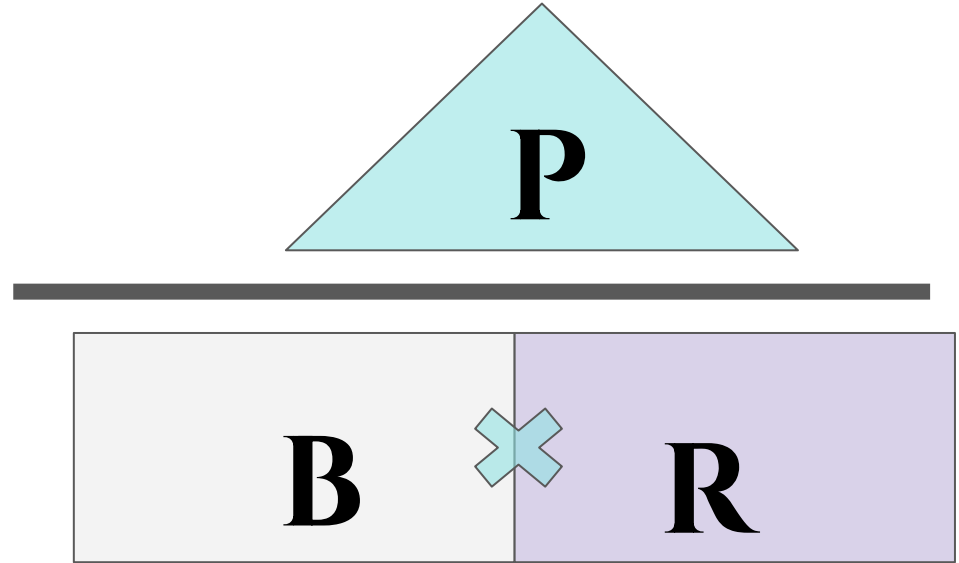
LENGTH X WIDTH = AREA



PRINCIPAL X RATE X TIME = INTEREST

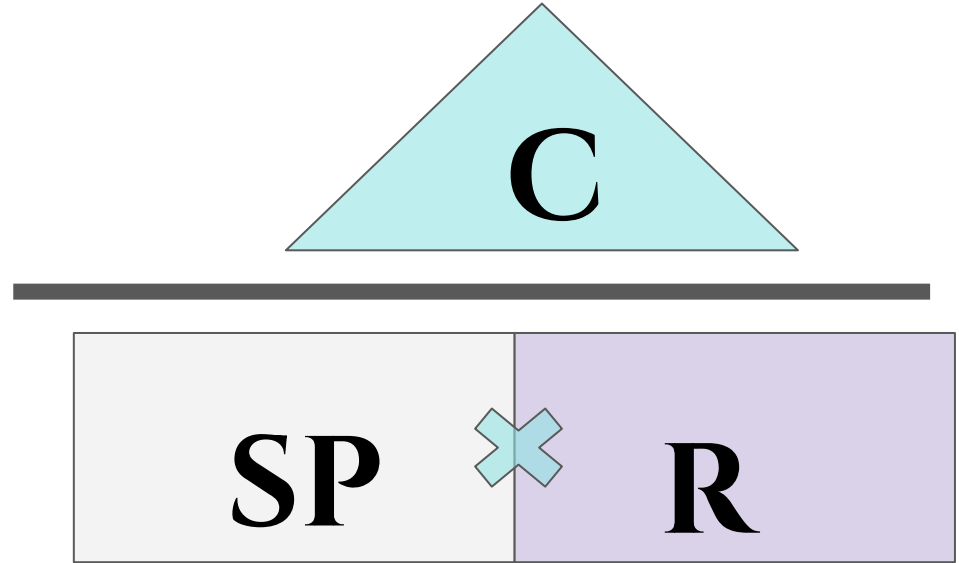


BASE X RATE = PERCENTAGE

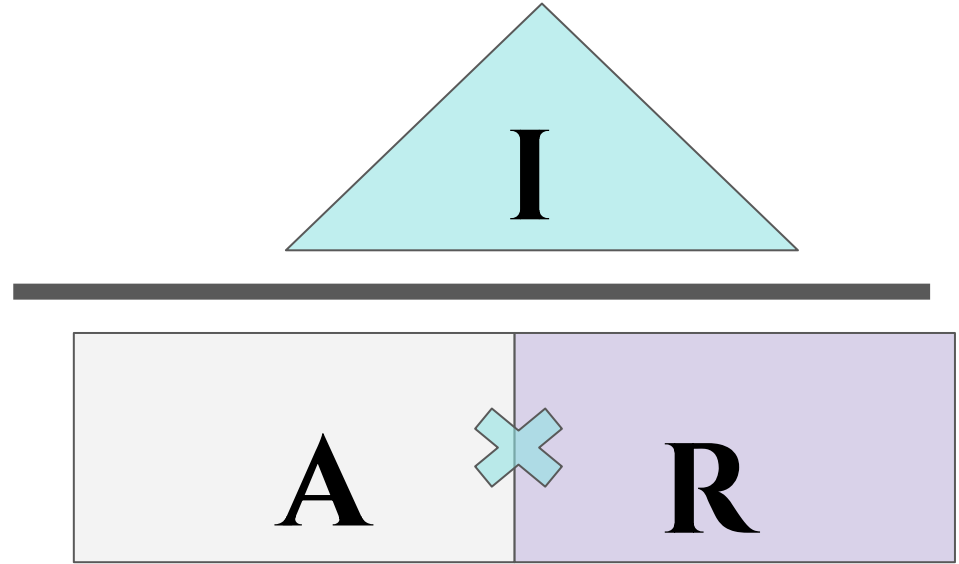


***NOTE: THESE (*) FORMULAS ARE
VARIATIONS OF THE BASIC FORMULA
 $B \times R = P$**

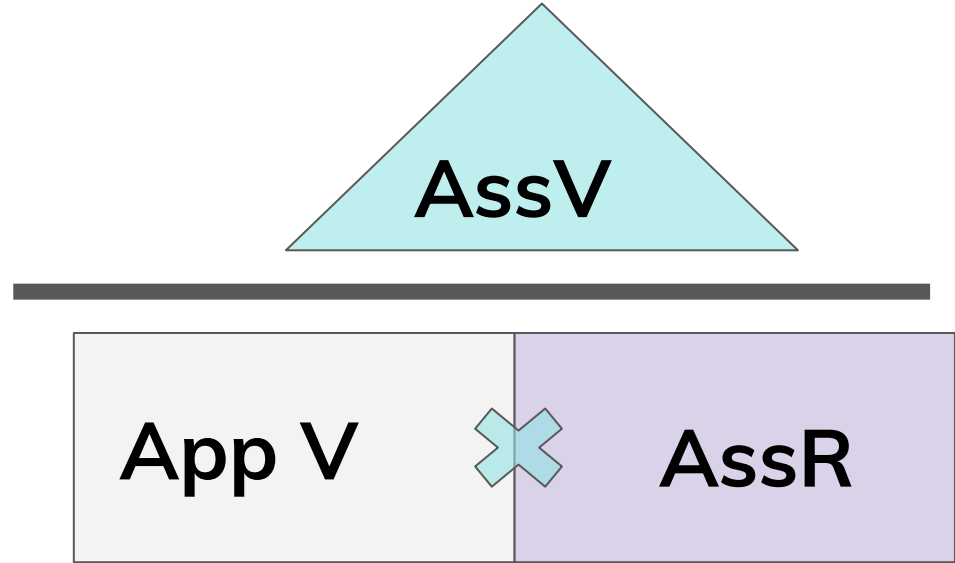
***SELL PRICE X RATE = COMMISSION**



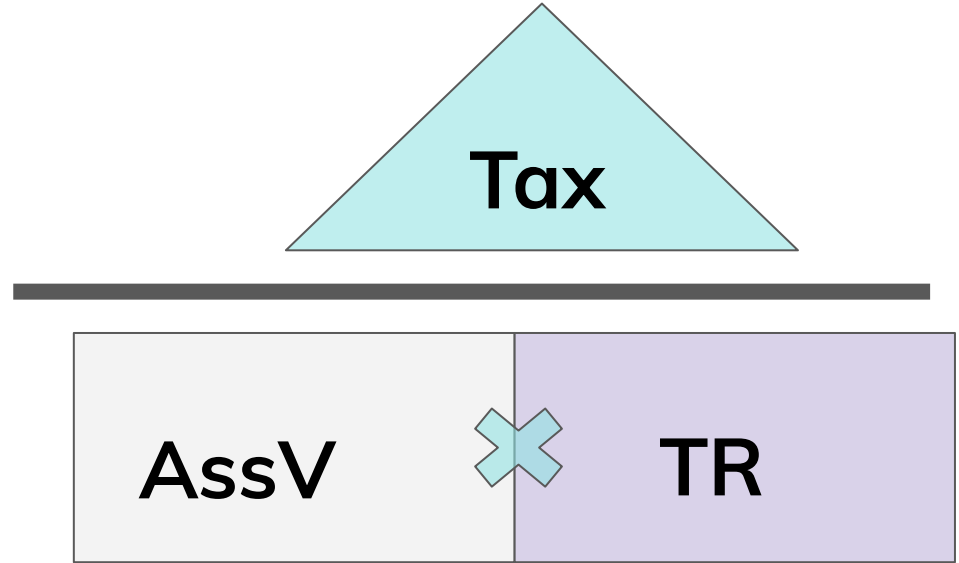
***AMOUNT X RATE = INTEREST**



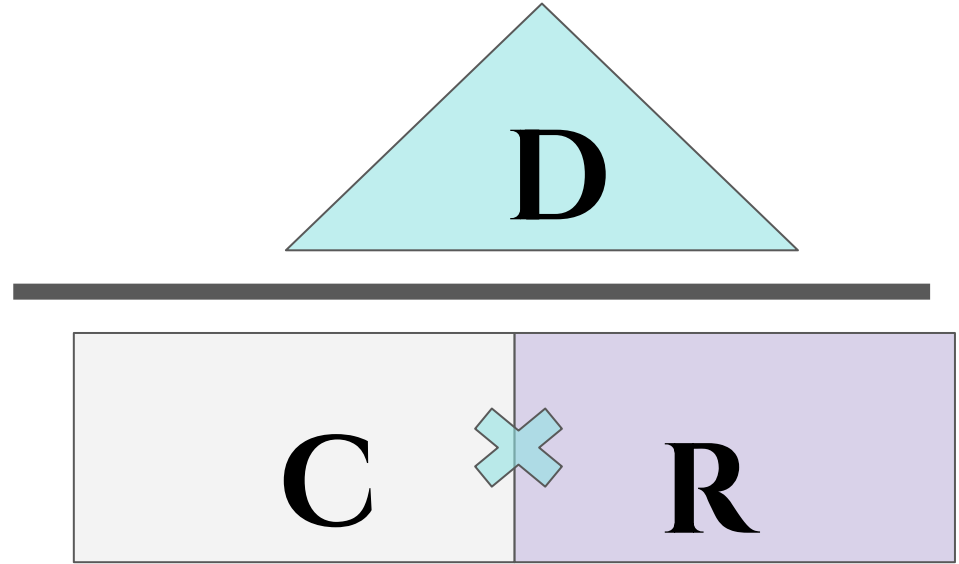
*** APPRAISED VALUE X ASSESSMENT RATE = ASSESSED VALUE**



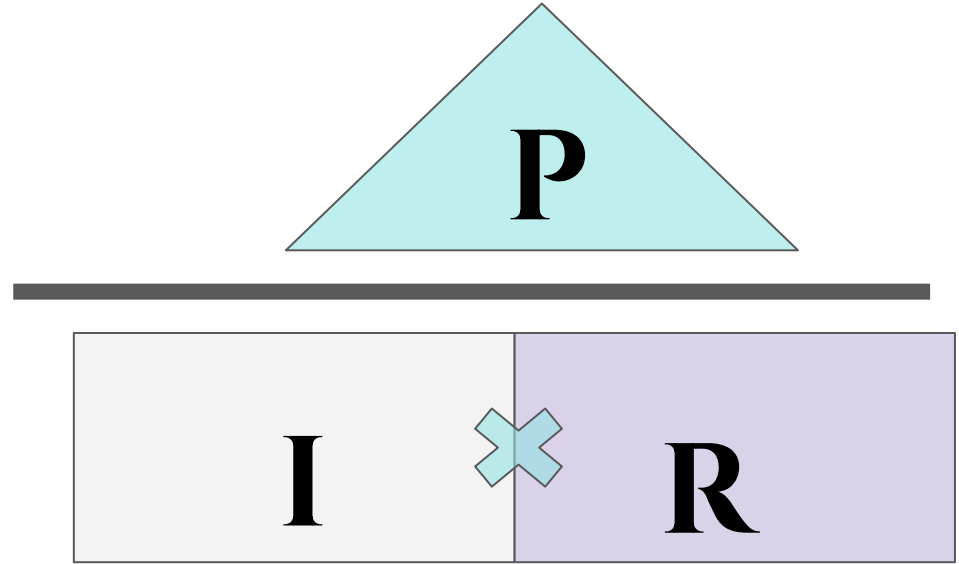
*** ASSESSED VALUE X TAX RATE = ANNUAL TAX**



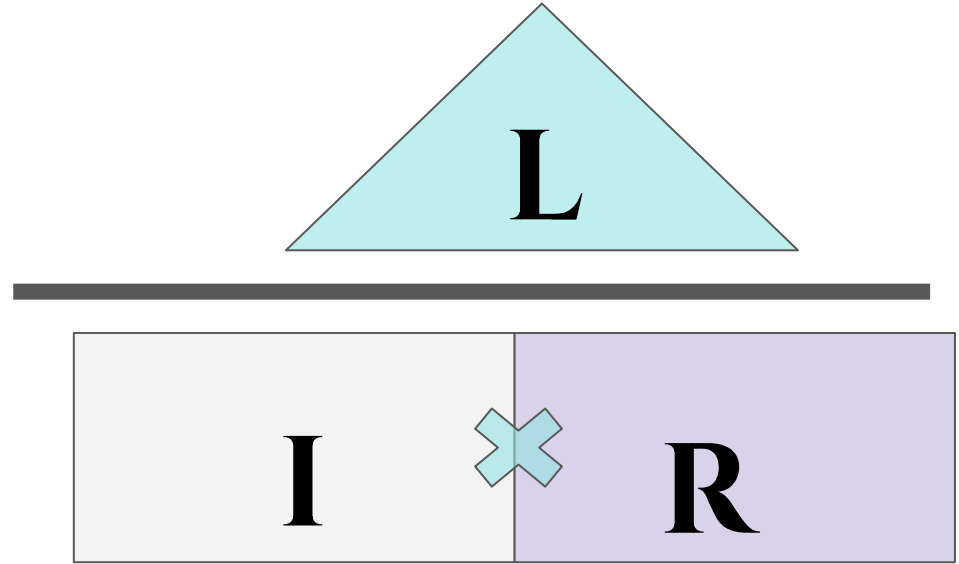
***COST X DEPRECIATION RATE = DEPRECIATION**



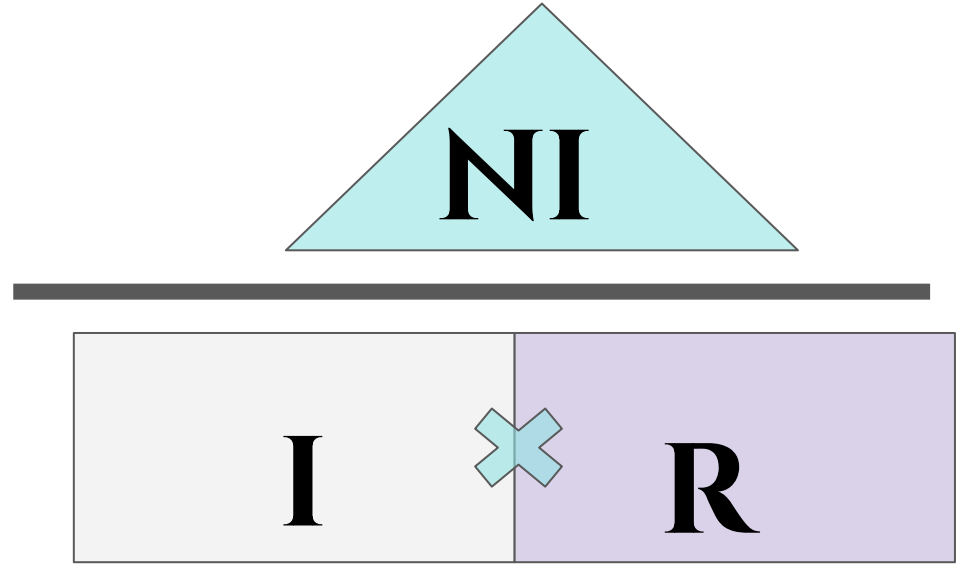
***INVESTMENT X RATE OF PROFIT = PROFIT**



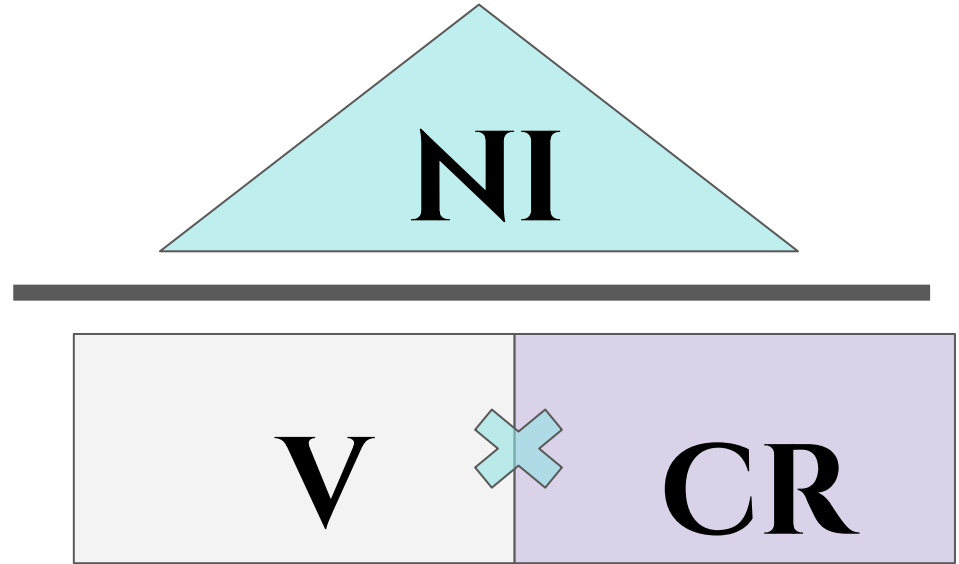
***INVESTMENT X RATE OF LOSS = LOSS**

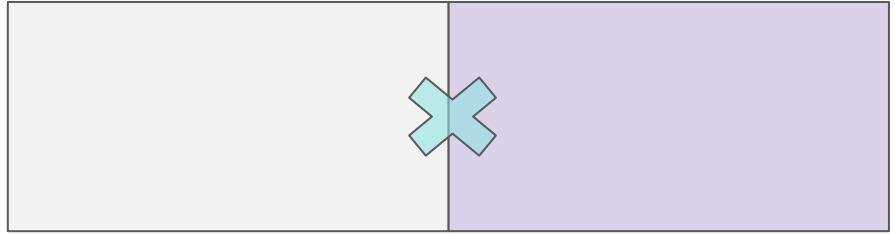
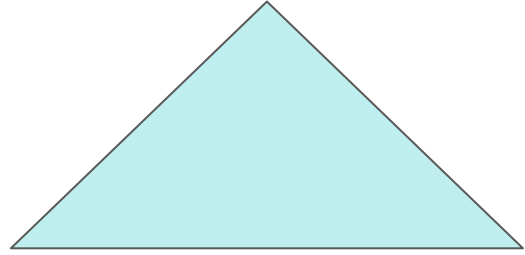


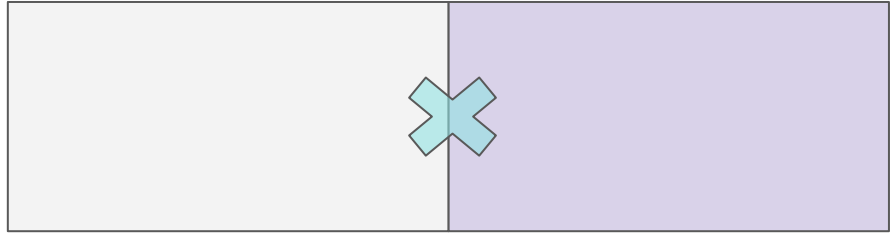
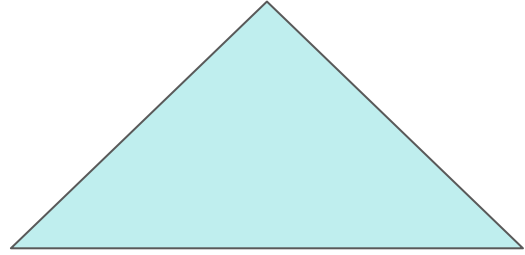
***INVESTMENT X RATE OF RETURN = NET INCOME**



***VALUE X CAPITALIZATION RATE = NET INCOME**







MATH QUESTIONS



A BROKER KEEPS 60 PERCENT OF SALES COMMISSIONS AND PAYS THE SALES ASSOCIATE THE OTHER 40 PERCENT. A SALES ASSOCIATE SELLS 50 ACRES OF LAND AT \$900 PER ACRE WITH A GROSS SALE COMMISSION OF 10 PERCENT OF THE SALE PRICE. WHAT IS THE BROKER'S COMMISSION?

A) \$1,800 B) 2700 C) \$4,500 D) \$4,700

**HOW TO DO IT: 50 ACRES × \$900 PER
ACRE = \$45,000 TOTAL SALE PRICE;
\$45,000 SALE PRICE × .10 COMMISSION =
\$4,500 TOTAL COMMISSION; \$4,500 × .60
BROKER'S SHARE = \$2,700 BROKER'S
COMMISSION**

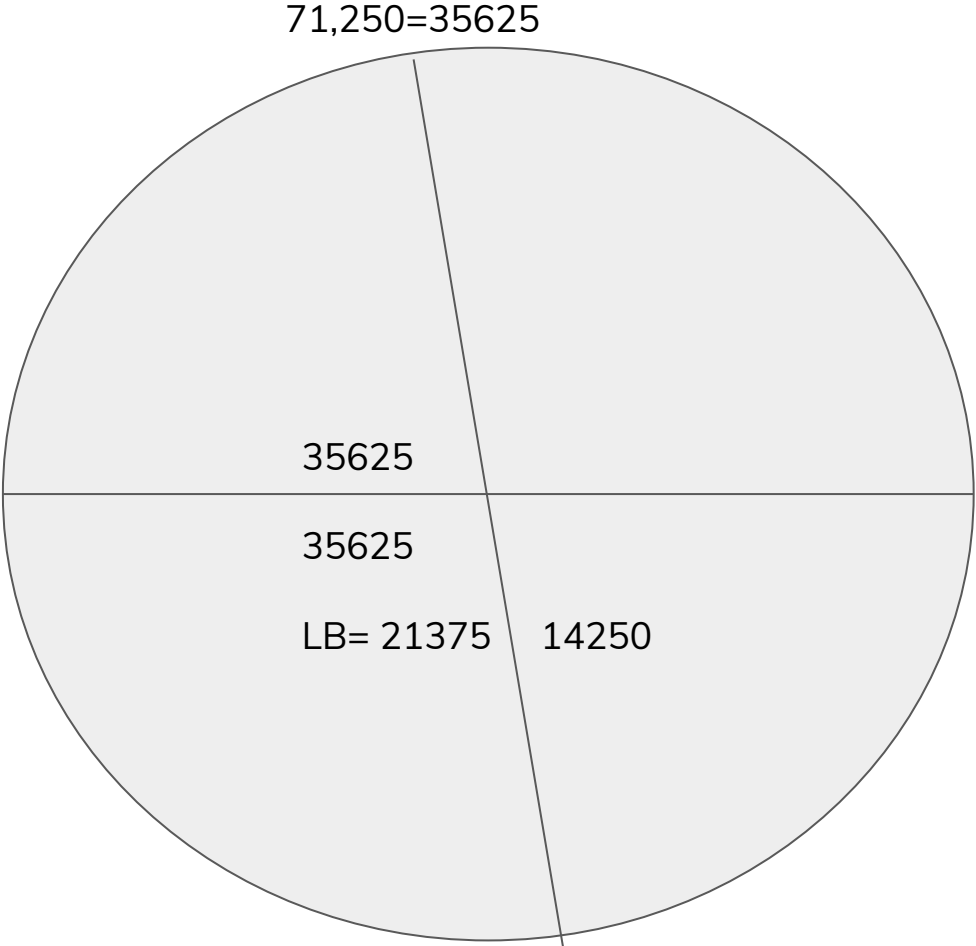
**A BROKER EARNED A \$3,120 COMMISSION
FOR SELLING A RESIDENTIAL LOT AT
\$52,000. WHAT WAS THE SALE COMMISSION
RATE?**

- A) .06 B) .08
C) .60 D) 16.67**

A) .06 OR 6 PERCENT

**HOW TO DO IT: \$3,120 COMMISSION ÷
\$52,000 SALE PRICE = .06 RATE OR 6
PERCENT**

LIST
50%
LB
LS
BUY
50%
BB-60
BS-40



**WHAT IS THE ANNUAL PREMIUM FOR AN
INSURANCE POLICY IN THE AMOUNT OF
\$25,000 IF THE COST IS \$.60 PER \$100?**

- A) \$15 B) \$150 C) \$416 D) \$500**

B) \$150

HOW TO DO IT: \$.60 ÷ \$100 = .006

PREMIUM RATE; .006 × \$25,000 POLICY

= \$150 PREMIUM

A DEVELOPER IS SUBDIVIDING A 12-ACRE TRACT INTO
LOTS MEASURING $80' \times 110'$. EACH LOT HAS A
PERIMETER OF 380 FEET AND A SALE PRICE OF \$4,500.
SHE HAS ALLOWED 126,720 SQUARE FEET FOR
REQUIRED STREETS, SIDEWALKS, AND RECREATIONAL
FACILITIES. HOW MANY SALABLE LOTS ARE THERE?

- A) 14 B) 59 C) 45 D) 116

C) 45

**HOW TO DO IT: 43,560 SQUARE FEET PER
ACRE \times 12 ACRES = 522,720 TOTAL
SQUARE FEET – 126,720 SQUARE FEET
FOR STREETS, SIDEWALKS, ETC. = 396,000
AVAILABLE SQUARE FEET; 80 FEET \times 110
FEET = 8,800 SQUARE FEET PER LOT;
396,000 AVAILABLE SQUARE FEET \div 8,800
= 45 LOTS**

**MR. GARCIA'S MONTHLY MORTGAGE
PAYMENT FOR PRINCIPAL AND INTEREST
IS \$264.60. IF HIS ANNUAL PROPERTY
TAXES ARE \$780 AND HIS HOMEOWNER'S
INSURANCE PREMIUM IS \$198, WHAT IS
HIS TOTAL MONTHLY PAYMENT,
INCLUDING TAXES AND INSURANCE?**

- A) \$329.60 B) \$346.10 C) \$379.10
D) \$527.60**

B) \$346.10

HOW TO DO IT: $\$780 \div 12 \text{ MONTHS} = \65.00

TAXES PER MONTH; $\$198 \text{ PER YEAR} \div 12$

MONTHS = $\$16.50$; $\$264.60$ PRINCIPAL AND

INTEREST PAYMENT + $\$65.00 + \$16.50 =$

$\$346.10$

**AN INVESTOR IS CONSIDERING THE
PURCHASE OF A DUPLEX FOR \$215,500 CASH.
SHE WANTS AN INVESTMENT THAT WILL
PRODUCE A FIRST-YEAR 12 PERCENT NET
RETURN ON INVESTMENT. HOW MUCH NET
INCOME MUST THE DUPLEX GENERATE
DURING THE FIRST YEAR TO PRODUCE THIS
INVESTOR'S REQUIRED RETURN ON
INVESTMENT?**

- A) \$9,625 B) \$11,550 C) \$12,500 D)
\$25,860**

D) \$25,860

HOW TO DO IT: .12 NET RETURN ×

**\$215,500 PURCHASE PRICE = \$25,860 NET
INCOME**

YOU HAVE SOLD A RESIDENTIAL PROPERTY FOR \$98,500. YOUR EMPLOYMENT CONTRACT SPECIFIES THAT YOU RECEIVE 55 PERCENT OF THE TOTAL SALE COMMISSION FOR PROPERTIES YOU SELL. IF THE RATE OF COMMISSION IS 8 PERCENT, WHAT AMOUNT WILL YOU RECEIVE?

- A) \$3,546 B) \$3,940 C) \$4,334 D) \$7,880**

C) \$4,334

HOW TO DO IT: \$98,500 SALE PRICE × .08

COMMISSION RATE = \$7,880 TOTAL

COMMISSION; \$7,880 TOTAL COMMISSION ×

.55 SALES ASSOCIATE'S SHARE = \$4,334

COMMISSION DUE SALES ASSOCIATE

**YOU SELL A HOME FOR A CLIENT AND THE
CLIENT RECEIVES \$32,800 IN CASH AFTER
SHE PAYS OFF HER MORTGAGE. THE
MORTGAGE PAYOFF AMOUNT WAS \$80,000.
THE CLIENT PAID SIX PERCENT IN
COMMISSIONS. WHAT DID YOU SELL THE
HOUSE FOR?**

- A. \$112,800 B. \$120,000
C. \$126,000 D. \$127,200**

B. \$120,000

112,800

.94

A BUYER HAS MADE AN EARNEST MONEY DEPOSIT OF \$7,000 ON A HOME SELLING FOR \$139,900. A BANK HAS AGREED TO LEND THE BUYER 80 PERCENT OF THE SALE PRICE. HOW MUCH ADDITIONAL CASH MUST THE BUYER FURNISH TO PAY THE TOTAL REQUIRED DOWN PAYMENT?

- A) \$7,000 B) \$11,920 C) \$20,980 D) \$27,980**

C) \$20,980

HOW TO DO IT: \$139,900 SALE PRICE \times .80 =

\$111,920 LOAN; \$139,900 SALE PRICE –

\$111,920 LOAN = \$27,980 DOWN PAYMENT;

\$27,980 – \$7,000 EARNEST MONEY DEPOSIT =

\$20,980

**MR. JONES BORROWED \$85,000 AT 7.5
PERCENT INTEREST PER YEAR AND PAID A
TOTAL OF \$3,187.50 IN INTEREST. HOW LONG
WAS THE TERM OF THIS LOAN?**

**A) 2 MONTHS B) 3 MONTHS C) 4 MONTHS D) 6
MONTHS**

D) SIX MONTHS

HOW TO DO IT: $\$85,000 \text{ LOAN} \times .075$

INTEREST RATE = $\$6,375$ INTEREST PER

YEAR; $\$6,375 \text{ INTEREST} \div 12 \text{ MONTHS} =$

$\$531.25 \text{ PER MONTH}$; $\$3,187.50 \div \531.25

$= 6 \text{ MONTHS}$

A SELLER RECEIVED \$52,000 FROM THE SALE OF HIS HOME. HE PAID \$2,500 IN SETTLEMENT COSTS IN ADDITION TO AN 8 PERCENT COMMISSION. WHAT IS THE SELLING PRICE OF THE HOME? (ROUND TO THE NEAREST DOLLAR.)

- A) \$54,500 B) \$56,522 C) \$58,860 D) \$59,239**

D) \$59,239

HOW TO DO IT: \$52,000 SALE PROCEEDS

+ \$2,500 SETTLEMENT COSTS = \$54,500;

$\$54,500 \div .92 = \$59,239.13$ OR \$59,239

SALE PRICE

**THE LOAN-TO-VALUE RATIO OFFERED BY A
LOCAL FINANCIAL INSTITUTION IS 75 PERCENT.
IF A BUYER WISHES TO ACQUIRE A PROPERTY
SELLING FOR \$129,500, WHAT WILL HER DOWN
PAYMENT NEED TO BE?**

- A) \$1,727 B) \$5,180 C) \$32,375 D) \$97,125**

C. \$32,375

HOW TO DO IT: \$129,500 SALE PRICE \times .75

LTV = \$97,125 LOAN; \$129,500 SALE PRICE

– \$97,125 LOAN = \$32,375 DOWN

PAYMENT

**A PROPERTY HAS AN ASSESSED
VALUE OF \$125,500. WHAT IS THE
PROPERTY TAX BASED ON A RATE OF
25 MILLS?**

- A) \$313.75 B) \$3,125 C) \$3,137.50
D) \$3,150**

C) \$3,137.50

HOW TO DO IT: $\$125,500 \times .025$

PROPERTY TAX RATE = \$3,137.50

**THE CITY IS PROPOSING TO PAVE THE STREETS
IN YOUR NEIGHBORHOOD AT A COST OF \$40
PER FOOT OF FRONTAGE. THE CITY WILL
ABSORB 25 PERCENT OF THE COST. YOUR LOT
HAS FRONTAGE ON THE STREET OF 130 FEET.
ASSUMING THERE ARE HOMES ON BOTH SIDES
OF THE STREET, WHAT IS THE AMOUNT OF
YOUR PAVING ASSESSMENT?**

- A) \$1,950 B) \$2,600 C) \$3,900 D) \$5,200**

A) \$1,950

HOW TO DO IT: $\$40.00 \times .75$

HOMEOWNER'S SHARE = \$30.00

HOMEOWNER'S COST PER FOOT OF

FRONTAGE; $\$30.00 \times 130$ FEET OF

FOOTAGE = $\$3,900 \div 2 = \$1,950$

THE N $\frac{1}{2}$ OF THE NE $\frac{1}{4}$ OF THE
SW $\frac{1}{4}$ AND THE S $\frac{1}{2}$ OF THE SE $\frac{1}{4}$ OF
A SECTION CONTAINS HOW MANY
ACRES?

- A) 2.5 B) 20 C) 80 D) 100

D) 100

HOW TO DO IT: 640 ACRES \div 4 \div 2 = 80

ACRES; 640 ACRES \div 4 \div 4 \div 2 = 20

ACRES; 80 + 20 = 100 ACRES

A DUPLEX IS SCHEDULED TO CLOSE ON SEPTEMBER 10. THE SELLER COLLECTED RENT FOR SEPTEMBER ON THE FIRST OF THE MONTH AMOUNTING TO \$950. ACCORDING TO THE SALE CONTRACT, THE BUYER IS DUE THE RENTAL INCOME FOR THE DAY OF CLOSING. WHAT IS THE PRORATION?

- A) \$285 DEBIT TO SELLER, \$285 CREDIT TO BUYER**
- B) \$633.33 CREDIT TO SELLER, \$633.33 DEBIT TO BUYER**
- C) \$665 DEBIT TO SELLER, \$665 CREDIT TO BUYER**
- D) \$665 CREDIT TO SELLER, \$665 DEBIT TO BUYER**

**C) \$665 DEBIT TO SELLER, \$665 CREDIT
TO BUYER**

**HOW TO DO IT: $\$950 \div 30 \text{ DAYS} =$
 $\$31.6666667/\text{DAY}$; $\$31.6666667 \times 21 \text{ DAYS} =$
 $\$665.00$; SELLER HAS COLLECTED THE
RENT IN ADVANCE; SELLER OWES
BUYER; DEBIT SELLER AND CREDIT
BUYER**

PSI EXAMS 10

PRACTICE OF REAL ESTATE 13% 14%

X. PRACTICE OF REAL ESTATE (SALESPERSON 13%; BROKER 14%)

- A. 1. Purpose and definition of trust accounts, including monies held in trust accounts

X. PRACTICE OF REAL ESTATE (SALESPERSON 13%; BROKER 14%)

2. Responsibility for trust monies,
including commingling/conversion

X. PRACTICE OF REAL ESTATE (SALESPERSON 13%; BROKER 14%)

- A. 1. Protected classes
- B. 2. Prohibited conduct (red-lining, blockbusting, steering)
- C. 3. Americans with Disabilities (ADA)

X. PRACTICE OF REAL ESTATE (SALESPERSON 13%; BROKER 14%)

A. 4. Exemptions

1. Advertising practices

a) Truth in advertising

A. Trust/escrow accounts

**B. Federal fair housing laws
and the ADA**

C. Advertising and technology

- b) Fair housing issues in advertising

2. Use of technology

- a) Requirements for confidential information

- b) Do-Not-Call List

D. Licensee and responsibilities

1. Employee
2. Independent Contractor
3. Due diligence for real estate transactions
4. Supervisory responsibilities (BROKER ONLY)
 - a) Licensees
 - b) Unlicensed personnel

E. Antitrust laws

1. Antitrust laws and purpose
2. Antitrust violations in real estate



MASSACHUSETTS PRELICENSING 40 HOUR COURSE

Introduction to the
Real Estate Business
Unit 1





KEY TERMS TO DEFINE AND RECORD

☐ Associate Licensee





KEY TERMS TO DEFINE AND RECORD

❑ Associate Licensee

- ❑ A licensed real estate salesperson who is employed by or associated with the broker to perform brokerage activities on behalf of or for the broker.



KEY TERMS TO DEFINE AND RECORD

❏ Broker



KEY TERMS TO DEFINE AND RECORD

- ❑ **Broker**
- ❑ One who acts as an intermediary on behalf of others for a fee or commission.



KEY TERMS TO DEFINE AND RECORD

❏ Caveat Emptor



KEY TERMS TO DEFINE AND RECORD

❑ **Caveat Emptor**

- ❑ A Latin phrase meaning “let the buyer beware.”





KEY TERMS TO DEFINE AND RECORD

❑ Code of Ethics



KEY TERMS TO DEFINE AND RECORD

- ❑ **Code of Ethics**
 - ❑ A written system of standards for ethical conduct.



KEY TERMS TO DEFINE AND RECORD

☐ Consumer





KEY TERMS TO DEFINE AND RECORD

- ❑ **Consumer**
 - ❑ An individual who purchases goods or services that are not for resale.



KEY TERMS TO DEFINE AND RECORD

❑ Cost



KEY TERMS TO DEFINE AND RECORD

- ❑ **Cost**
 - ❑ The total amount of money incurred for products or services.





KEY TERMS TO DEFINE AND RECORD

❏ Demand





KEY TERMS TO DEFINE AND RECORD

- ❑ **Demand**
 - ❑ The amount of goods people are willing and able to buy at a given price; often coupled with supply.



KEY TERMS TO DEFINE AND RECORD

❏ Demographics



KEY TERMS TO DEFINE AND RECORD

- ❑ **Demographics**
 - ❑ The study and description of a population.



KEY TERMS TO DEFINE AND RECORD

❑ Ethics



KEY TERMS TO DEFINE AND RECORD

❑ Ethics

- ❑ The system of moral principles and rules that becomes the standard for professional conduct.





KEY TERMS TO DEFINE AND RECORD

❏ Home Inspection





KEY TERMS TO DEFINE AND RECORD

❑ Home Inspection

- ❑ A thorough visual survey of a property's structure, systems, and site conditions conducted by a professional.



KEY TERMS TO DEFINE AND RECORD

Manufactured Home





KEY TERMS TO DEFINE AND RECORD

❑ **Manufactured Home**

- ❑ A permanent installation built to federal specifications, providing a principal residence or a vacation home.





KEY TERMS TO DEFINE AND RECORD

❏ Market



KEY TERMS TO DEFINE AND RECORD

❑ Market

- ❑ A place where goods can be bought and sold and a price established.





KEY TERMS TO DEFINE AND RECORD

❏ Modular Home





KEY TERMS TO DEFINE AND RECORD

❑ Modular Home

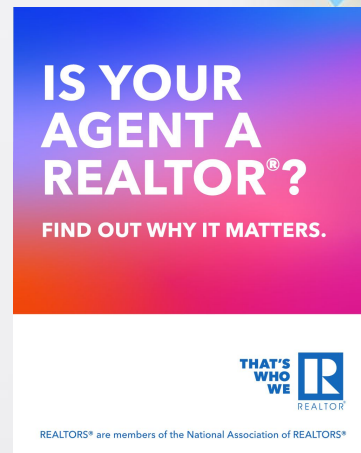
- ❑ A type of factory-built housing with components that are assembled at a building site on a prepared foundation.





KEY TERMS TO DEFINE AND RECORD

- ❑ National Association of REALTORS® (NAR)





KEY TERMS TO DEFINE AND RECORD

- ❑ **National Association of REALTORS®
(NAR)**
- ❑ The largest real estate organization in the world; NAR members subscribe to a strict code of ethics. Active members are allowed to use the trademarked designation REALTOR®



KEY TERMS TO DEFINE AND RECORD

❏ Price



KEY TERMS TO DEFINE AND RECORD

❑ Price

- ❑ The amount of money paid for an item or service.





KEY TERMS TO DEFINE AND RECORD

❏ Real Estate Licensee





KEY TERMS TO DEFINE AND RECORD

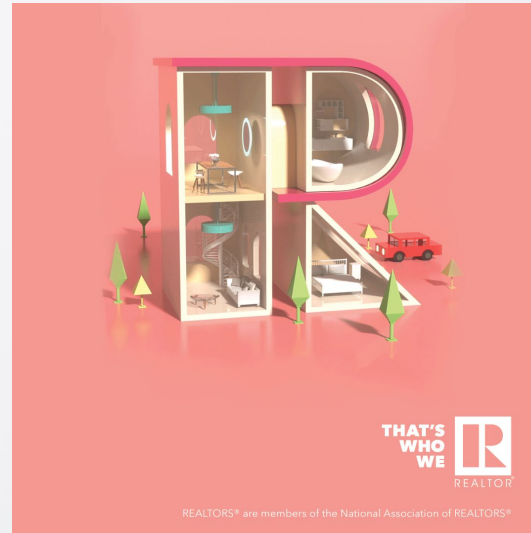
- ❑ **Real Estate Licensee**
 - ❑ In real estate practice, a person who has the skills and knowledge to be licensed as a real estate broker or salesperson.





KEY TERMS TO DEFINE AND RECORD

❏ REALTOR®





KEY TERMS TO DEFINE AND RECORD

❑ REALTOR®

- ❑ A registered trademarked term reserved for the sole use of active members of state and local REALTOR® associations affiliated with the National Association of REALTORS®



KEY TERMS TO DEFINE AND RECORD

❏ Sales Associate





KEY TERMS TO DEFINE AND RECORD

❑ Sales Associate

- ❑ A person who performs real estate activities while employed by a licensed real estate broker.





KEY TERMS TO DEFINE AND RECORD

❏ Supply





KEY TERMS TO DEFINE AND RECORD

❑ Supply

- ❑ The amount of goods available for sale in the market. The term is often coupled with demand.





KEY TERMS TO DEFINE AND RECORD

❑ Supply and Demand





KEY TERMS TO DEFINE AND RECORD

❑ Supply and Demand

- ❑ The appraisal principle that follows the interrelationship of the supply of and demand for real estate. Because appraising is based on economic concepts, this principle recognizes that real property is subject to the influences of the marketplace as with any other commodity.





REAL ESTATE: A BUSINESS OF MANY SPECIALIZATIONS

❑ Brokerage





REAL ESTATE: A BUSINESS OF MANY SPECIALIZATIONS

❏ Appraisal





REAL ESTATE: A BUSINESS OF MANY SPECIALIZATIONS

- ❑ Property Management





REAL ESTATE: A BUSINESS OF MANY SPECIALIZATIONS

❏ Financing





REAL ESTATE: A BUSINESS OF MANY SPECIALIZATIONS

❏ Subdivision and Development





REAL ESTATE: A BUSINESS OF MANY SPECIALIZATIONS

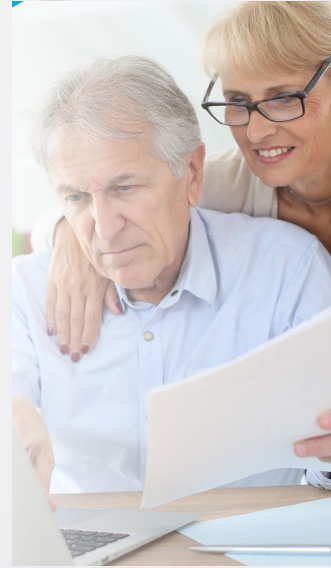
❑ Home Inspection





REAL ESTATE: A BUSINESS OF MANY SPECIALIZATIONS

❏ Counseling





REAL ESTATE: A BUSINESS OF MANY SPECIALIZATIONS

❑ Education



PROFESSIONAL ORGANIZATIONS AND ETHICS NAR AFFILIATES

- ❑ Counselors of Real Estate (CRE)

www.cre.org



PROFESSIONAL ORGANIZATIONS AND ETHICS NAR AFFILIATES

- ❑ Commercial Investment Real Estate Institute (CIREI) www.ccim.com



PROFESSIONAL ORGANIZATIONS AND ETHICS NAR AFFILIATES

- ❑ Institute of Real Estate Management (IREM) www.irem.org



PROFESSIONAL ORGANIZATIONS AND ETHICS NAR AFFILIATES

- ❑ REALTORS® Land Institute (RLI)
www.rliland.com





PROFESSIONAL ORGANIZATIONS AND ETHICS NAR AFFILIATES

- ❑ Certified Real Estate Brokerage Manager (CRB) www.crb.com





PROFESSIONAL ORGANIZATIONS AND ETHICS NAR AFFILIATES

❑ Certified Residential Specialist (CRS)

www.crs.com



PROFESSIONAL ORGANIZATIONS AND ETHICS NAR AFFILIATES

- ❑ Graduate, REALTOR® Institute (GRI)
www.realtor.org



PROFESSIONAL ORGANIZATIONS AND ETHICS NAR AFFILIATES

- ❑ Society of Industrial and Office REALTORS® (SIOR) www.sior.com

PROFESSIONAL ORGANIZATIONS AND ETHICS NAR AFFILIATES

- ❑ Women's Council of REALTORS®
(WCR) www.wcr.org

PROFESSIONAL ETHICS

- ❑ ***Ethics*** refers to a system of moral principles, rules, and standards of conduct.



PROFESSIONAL ETHICS

- ❑ Establish standards for integrity and competence in dealing with consumers of an industry's services.



PROFESSIONAL ETHICS

- ❑ Define a code of conduct for relations within the industry among its professionals.



CODE OF ETHICS



☐ NAR's Code of Ethics





CODE OF ETHICS

- ❑ NAREB Code of Ethics



TYPES OF REAL PROPERTY

Residential



TYPES OF REAL PROPERTY

 Commercial



TYPES OF REAL PROPERTY

 Mixed Use



TYPES OF REAL PROPERTY

Industrial



TYPES OF REAL PROPERTY

❏ Agricultural



TYPES OF REAL PROPERTY

❑ Special Purpose



HOME OWNERSHIP

- ❑ Financial stability





HOME OWNERSHIP

❑ Financial stability



MONEY
DAILY MONEY AUDIT

HOME OWNERSHIP

 Investment



HOME OWNERSHIP

 Pride





HOME OWNERSHIP

 Security





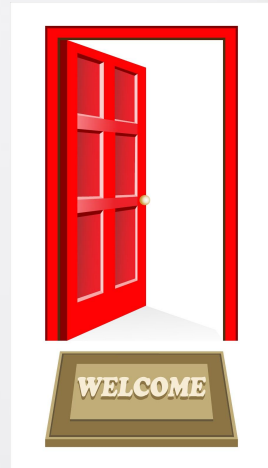
HOME OWNERSHIP

Sense of Belonging



TYPES OF HOUSING

- ❑ Single - Family Detached House



TYPES OF HOUSING

Apartment Building



TYPES OF HOUSING

❏ Condominium



TYPES OF HOUSING

- ❑ Cooperative



TYPES OF HOUSING

- ❑ Planned Unit Development (PUD)



TYPES OF HOUSING

- ❑ Mixed - Use Development (MUD)



TYPES OF HOUSING

- ❑ Converted- Use Property



TYPES OF HOUSING

- ❑ Factory-built Housing



THE REAL ESTATE MARKET

Supply and Demand

- ❑ When supply and demand are balanced, prices are stable.





THE REAL ESTATE MARKET

Supply and Demand

- ❑ When **supply** increases, prices go down

THE REAL ESTATE MARKET

Supply and Demand

- ❑ When **demand** increases, prices go up



THE REAL ESTATE MARKET

Supply and Demand

- ☐ Uniqueness



THE REAL ESTATE MARKET

Supply and Demand

- ❑ Immobility





THE REAL ESTATE MARKET: SUPPLY AND DEMAND

Factors Affecting Supply

- ❑ Labor force, construction and material costs



THE REAL ESTATE MARKET: SUPPLY AND DEMAND

Factors Affecting Supply

- ❑ Governmental controls and monetary policy



THE REAL ESTATE MARKET: SUPPLY AND DEMAND

Factors Affecting Demand

- ❑ Population





THE REAL ESTATE MARKET: SUPPLY AND DEMAND

Factors Affecting Demand

- ❑ Demographics



THE REAL ESTATE MARKET: SUPPLY AND DEMAND

Factors Affecting Demand

- ❑ Employment and wage levels

A. TRUST/ESCROW ACCOUNTS

1. Purpose and definition of trust accounts,
including monies held in trust accounts
2. Responsibility for trust monies,
including commingling/conversion



ESCROW

Funds held by a neutral/ disinterested third party (real estate brokerage in most cases) until completion of the instructions by both parties (seller and buyer) has been finalized





ESCROW

- ❑ Must be placed in a special bank account



ESCROW

- ❑ Cannot be unilaterally revoked
- ❑ Unilateral definition:
- ❑ Type of contract in which only one of the contracting parties is under an enforceable obligation.





ESCROW

- ❑ Can only be amended, changed or revoked by agreement by both seller and buyer



ESCROW

- ❑ Typically starts when “Offer” and “Purchase and Sales” Agreement which is accompanied by a deposit and is signed by both the Seller and Buyer
- ❑ Escrow belongs to Consumer and not the Escrow Agent





ESCROW

- ❑ May be a non-interest bearing account or an interest bearing account which is chosen by the Escrow Agent





ESCROW AGENTS

Third parties holding Escrow Funds
accountable by law and perform their
duties in a timely manner





ESCROW AGENTS

Real Estate Agents

- ❑ Only Licensees holding a Broker License may have an Escrow Account





ESCROW AGENTS

Real Estate Agents

- ❑ Account is for Deposits/ earnest money deposits





ESCROW AGENTS

Real Estate Agents

- ❑ Since Agent may be earning a Sales Commission in the Transaction, they cannot be considered a neutral or disinterested party





ESCROW AGENTS

Real Estate Agents

- ❑ Agent delivers funds to Closing Attorney at the time of the closing





ESCROW AGENTS

Real Estate Agents

- ❑ Monies “held back” by Closing Attorney for unfinished work is placed in Closing Attorney’s “Escrow Account” and not the Real Estate Agent Account





ESCROW AGENTS

Lending Institutions

❑ Account is for Annual Taxes





ESCROW AGENTS

Lending Institutions

❑ Insurance Premium





ESCROW AGENTS

Lending Institutions

❑ Completion of Building / Renovations





ESCROW AGENTS

Lending Institutions

☐ Attorneys





MASSACHUSETTS LAW 254 CMR 3:00 PROFESSIONAL STANDARDS PRACTICE

Client Funds

☐ Escrow Accounts





MASSACHUSETTS LAW 254 CMR 3:00 PROFESSIONAL STANDARDS PRACTICE

Client Funds

☐ Record Keeping





MASSACHUSETTS LAW 254 CMR 3:00 PROFESSIONAL STANDARDS PRACTICE

Client Funds

- ❑ Salespersons Prohibited from Holding Funds





CHAPTER 103 OF THE ACTS OF 2000: AN ACT PROHIBITING CERTAIN CLAIMS AGAINST ESCROW AGENTS

- ❑ Section 17A of Chapter 184 of the General Laws as amended





CHAPTER 103 OF THE ACTS OF 2000: AN ACT PROHIBITING CERTAIN CLAIMS AGAINST ESCROW AGENTS

❑ Approved June 15, 2000





ESCROW COMPANIES

- ❑ Licensed by State in which they are located





ESCROW COMPANIES

- ❑ Company acts as a Fiduciary for both parties (seller and buyer)





ESCROW COMPANIES

- ❑ Follows instructions given by both parties (seller and buyer) in escrow agreement





ESCROW COMPANIES

- ❑ Company is not required to disclose any defects in the transaction (does not act in the capacity as an attorney to the transaction)





ESCROW COMPANIES

- ❑ Company works in a confidential manner



B. FEDERAL FAIR HOUSING LAWS AND THE ADA

1. Protected classes
2. Prohibited conduct (red-lining, blockbusting, steering)
3. Americans with Disabilities (ADA)
4. Exemptions

VII MASS FAIR HOUSING LAW (10%)

- A. Protected classes that differ from Federal
- B. MA specific exceptions
- C. MA Commission Against Discrimination
- D. ADA and other accommodations

	Civil Rights Act	Federal Fair Housing	MA Civil Rights Laws
Race	X	X	X
Color		X	X
National Origin		X	X
Ancestry			X
Religion		X	X
Sex		X	X
Sexual orientation			X
Gender Identity			X
Marital status			X
Familial status		X	X
Children			X
Age			X
Disability		X	X
Genetic Information			X
Rental assistance			X
Military status			X

FAIR HOUSING

UNIT 18





FAIR HOUSING

Understanding and working within the context of fair housing laws is critical to creating and maintaining a vibrant and ultimately profitable real estate market for everyone.





UNIT OBJECTIVES

- ❑ Explain the significance of the Civil Rights Act of 1866 and the constitutional legal framework as they relate to and affect the equal opportunity in housing.





UNIT OBJECTIVES

- ❑ Describe and explain the various federal laws which protect Americans from unfair housing practices.





UNIT OBJECTIVES

- ❑ Describe blockbusting, steering, redlining, and other abusive housing practices;





UNIT OBJECTIVES

- ❑ List the various recourses available to the aggrieved person who believes illegal discrimination has occurred including acts against real estate professionals;





UNIT OBJECTIVES

- ❑ Describe the importance of real estate professionals understanding and complying with fair housing laws.





KEY TERMS TO DEFINE AND RECORD

- ❑ Administrative Law Judge (ALJ)





KEY TERMS TO DEFINE AND RECORD

- ❑ **Administrative Law Judge (ALJ)**
 - ❑ The official who presides over a hearing involving a government agency and someone affected by a decision of that agency. The ALJ hears evidence, including the testimony of witnesses, and renders a decision.





KEY TERMS TO DEFINE AND RECORD

- ❑ Americans with Disabilities Act (ADA)





KEY TERMS TO DEFINE AND RECORD

- ❑ **Americans with Disabilities Act (ADA)**
 - ❑ Act addresses rights of individuals with disabilities in employment and public accommodations.





KEY TERMS TO DEFINE AND RECORD

❏ Blockbusting





KEY TERMS TO DEFINE AND RECORD

- ❑ **Blockbusting (panic peddling)**
 - ❑ The illegal practice of inducing homeowners to sell properties by making representations regarding the entry or prospective entry of persons of a particular race or national origin into the neighborhood.



KEY TERMS TO DEFINE AND RECORD

- ❑ Civil Rights Act of 1866





KEY TERMS TO DEFINE AND RECORD

- ❑ **Civil Rights Act of 1866**
 - ❑ An act that prohibits racial discrimination in the sale and rental of housing.





KEY TERMS TO DEFINE AND RECORD

❏ Conciliation



KEY TERMS TO DEFINE AND RECORD

❑ Conciliation

- ❑ A form of alternative dispute resolution in which a conciliator meets with each of the parties separately to help them settle their differences voluntarily without the formality of a hearing or trial.





KEY TERMS TO DEFINE AND RECORD

- ❑ Department of Housing and Urban Development (HUD)





KEY TERMS TO DEFINE AND RECORD

- ❑ **Department of Housing and Urban Development (HUD)**
 - ❑ Federal agency that has established rules and regulations that further interpret the practices affected by federal law; for example, HUD distributes an equal housing opportunity poster.





KEY TERMS TO DEFINE AND RECORD

- ❑ Fair Housing Act





KEY TERMS TO DEFINE AND RECORD

- ❑ Fair Housing Act
 - ❑ The federal law that prohibits discrimination in housing based on race, color, religion, sex, disability, familial status, and national origin.





KEY TERMS TO DEFINE AND RECORD

- ❑ Fair Housing Amendments Act of 1988





KEY TERMS TO DEFINE AND RECORD

- ❑ **Fair Housing Amendments Act of 1988**
 - ❑ Expansion of the Fair Housing Act to include families with children and those with physical or mental disabilities.





KEY TERMS TO DEFINE AND RECORD

Familial Status





KEY TERMS TO DEFINE AND RECORD

❑ Familial Status

- ❑ One or more individuals under age 18 living with a parent or guardian; also includes a woman who is pregnant and anyone who is in the process of assuming custody of a child under age 18.



KEY TERMS TO DEFINE AND RECORD

- ❑ Housing for Older Persons Act of 1995 (HOPA)





KEY TERMS TO DEFINE AND RECORD

- ❑ **Housing for Older Persons Act of 1995 (HOPA)**
 - ❑ Amended the Fair Housing Act to provide that housing intended for persons aged 55 or older no longer needs to have significant facilities and services designed for the elderly.



KEY TERMS TO DEFINE AND RECORD

❏ Niche Marketing





KEY TERMS TO DEFINE AND RECORD

❑ Niche Marketing

- ❑ The target marketing of specific demographic populations, within the bounds of fair housing laws.





KEY TERMS TO DEFINE AND RECORD

❏ Redlining





KEY TERMS TO DEFINE AND RECORD

❑ Redlining

- ❑ The illegal practice by a lending institution of denying loans or restricting their number for certain areas of a community.





KEY TERMS TO DEFINE AND RECORD

❏ Steering





KEY TERMS TO DEFINE AND RECORD

❑ Steering

- ❑ The illegal practice of channeling home seekers to particular areas based on their race, national origin, religion, or other protected classification.



KEY TERMS TO DEFINE AND RECORD

- ❏ Stigmatized Property

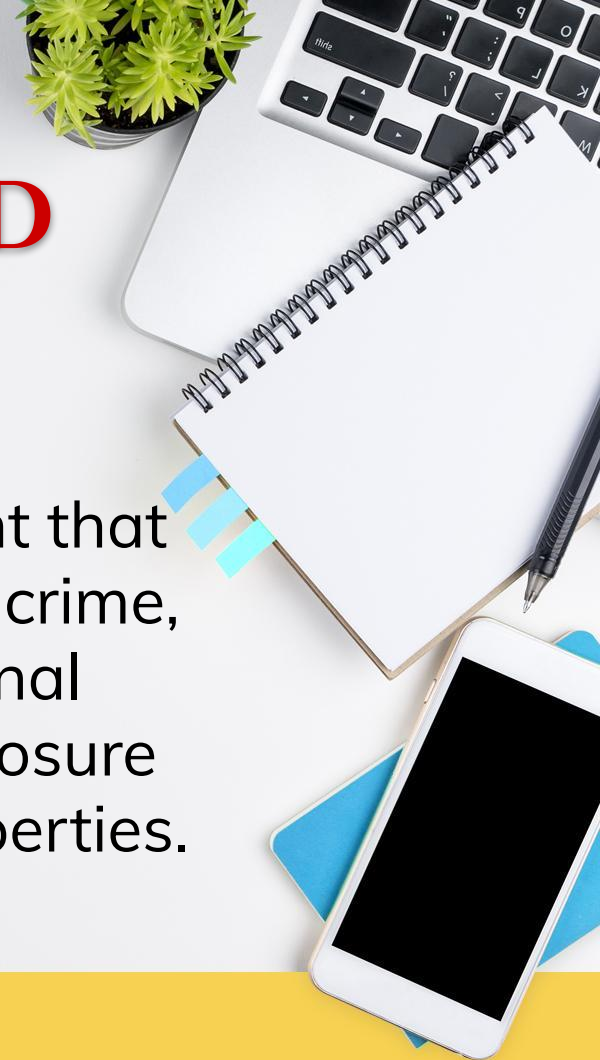




KEY TERMS TO DEFINE AND RECORD

❑ Stigmatized Property

- ❑ A property that has acquired an undesirable reputation due to an event that occurred on or near it, such as violent crime, gang-related activity, illness, or personal tragedy. Some states restrict the disclosure of information about stigmatized properties.





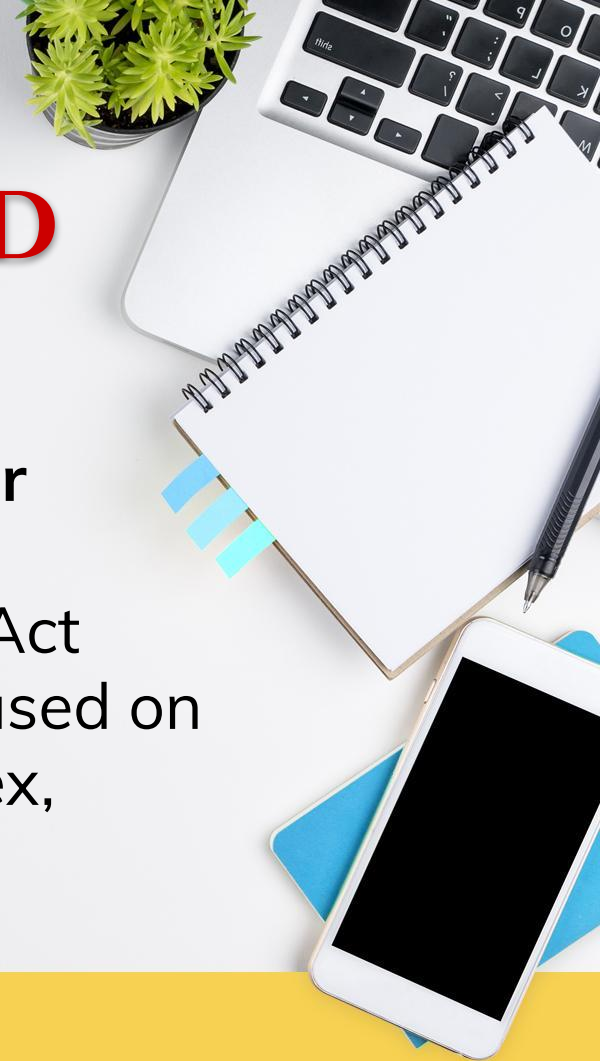
KEY TERMS TO DEFINE AND RECORD

- ❑ Title VIII of Civil Rights Act of 1968 (Fair Housing Act)





KEY TERMS TO DEFINE AND RECORD



- ❑ **Title VIII of Civil Rights Act of 1968 (Fair Housing Act)**
 - ❑ As since amended, the Fair Housing Act prohibits discrimination in housing based on race, color, religion, national origin, sex, familial status, or disability.



EQUAL OPPORTUNITY IN HOUSING

The Civil Rights Act of 1866

Prohibits discrimination based on race

Title VIII of the Civil Rights Act of 1968: Fair Housing Act

Prohibits discrimination based on race, color, national origin, religion, sex, familial status, or disability.





HOUSING FOR OLDER PEOPLE ACT (HOPA)

- ❑ Housing intended for those age 55 or older
- ❑ At least 80% of occupied units have one person age 55 or older living in them.





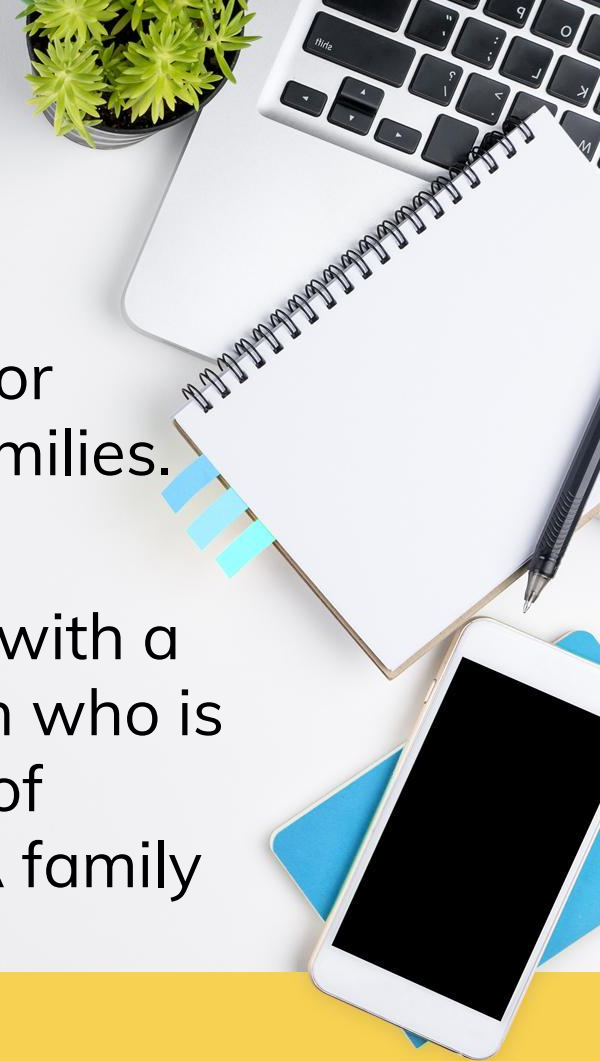
FAIR HOUSING DEFINITIONS

Dwelling

Any building or part of a building designed for occupancy as a residence by one or more families.

Family/Familial Status

One or more individuals under age 18 living with a parent or guardian. It also includes a woman who is pregnant and anyone who is in the process of assuming custody of a child under age 18. A family can be as small as a single individual.





FAIR HOUSING DEFINITIONS

Disability

A **disability** is included in the Fair Housing Act as a handicap, although the word disability is now the preferred term. A disability is a physical or mental impairment that substantially limits one or more of a person's major life activities and includes having a record of having such an impairment, or being regarded as having such an impairment, even if one does not exist.





EXEMPTIONS TO THE FAIR HOUSING ACT

- ❑ Owner-occupied buildings with no more than four units
- ❑ Single-family housing sold or rented without the use of a real estate professional





EXEMPTIONS TO THE FAIR HOUSING ACT

- ❑ Housing operated by organizations *and private clubs* that limit occupancy to members
- ❑ The rental of rooms or units in an owner-occupied building of no more than four units



EXEMPTIONS TO THE FAIR HOUSING LAW

- ❑ The sale or rental of a single-family home when the home is owned by an individual who does not own more than three such homes at one time (and who does not sell more than one every two years).





EXEMPTIONS TO THE FAIR HOUSING LAW

- ❑ A real estate professional is not involved in the transaction
- ❑ Discriminatory advertising is not used





AMERICANS WITH DISABILITIES ACT

- ❑ Requires reasonable accommodations in employment and access to goods, services, and public buildings.





AMERICANS WITH DISABILITIES ACT

- ❑ Title I: Reasonable accommodations
- ❑ Title III: Full accessibility to businesses, goods, and public services





ADA EXEMPTIONS

- ❑ Property that is covered by the Fair Housing Act, which already prohibits discrimination on the basis of disability





ADA EXEMPTIONS

- ❑ Property that is exempt from coverage by the Fair Housing Act, such as housing for those age 55 or older





FAIR HOUSING PRACTICES

- ❑ Blockbusting
- ❑ Steering
- ❑ Advertising
- ❑ Appraising
- ❑ Redlining
- ❑ Intent and Effect
- ❑ Response to Concerns of Terrorism





ENFORCEMENT OF THE FAIR HOUSING LAW

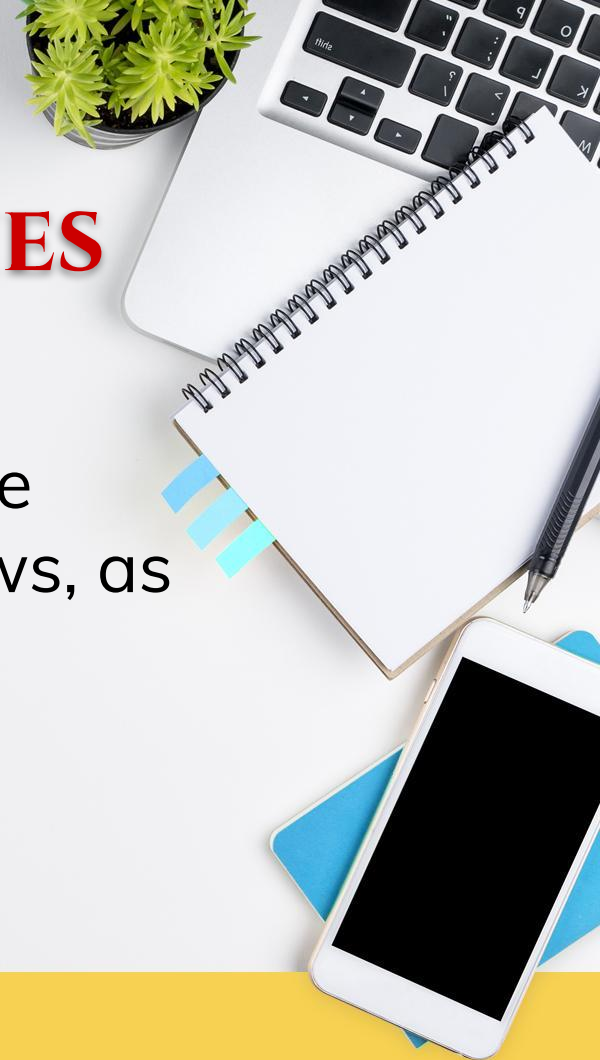
- ❑ Complaints investigated by HUD
- ❑ Penalty for violations
 - ❑ \$20,521 for first offense
 - ❑ \$51,302 for a second violation within five years
 - ❑ \$102,606 for a further violation within seven years





STATE AND LOCAL ENFORCEMENT AGENCIES

- ❑ All real estate professionals should be aware of their state's fair housing laws, as well as applicable local ordinances.
- ❑ Threats or Acts of Violence





STATE AND LOCAL ENFORCEMENT AGENCIES

- ❑ The Fair Housing Act protects the rights of those who seek the benefits of the fair housing laws. Threats, coercion, and intimidation are punishable by criminal action.



IMPLICATIONS FOR REAL ESTATE PROFESSIONALS

- ❑ Consequences
 - ❑ Monetary penalties
 - ❑ Threat to livelihood of career
 - ❑ License suspension or revocation



CHAPTER 16

FAIR HOUSING AND ETHICAL PRACTICES





HOW TO MAXIMIZE THIS CHAPTER

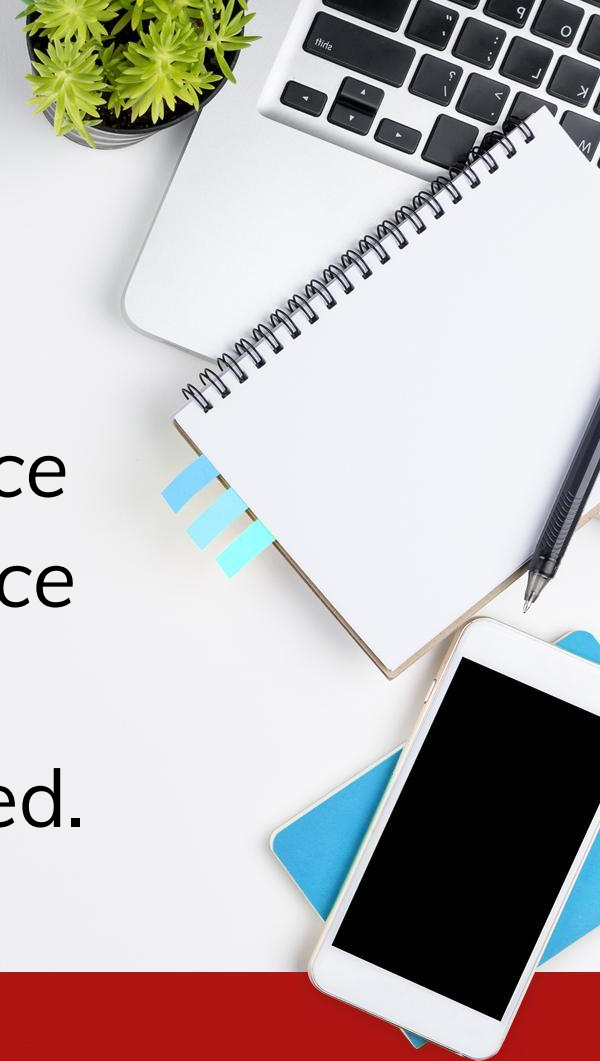
- ❑ Have your book open to the Chapter





HOW TO MAXIMIZE THIS CHAPTER

- ❑ Have your recorder (iPhone voice command recommended or voice recorder on Android) ready to record, with proper title prepared.





PROTECTED CLASSES



Federal fair housing laws prohibit discrimination on the basis of:

❑ **race**



Federal fair housing laws prohibit discrimination on the basis of:

❑ **color**





Federal fair housing laws prohibit discrimination on the basis of:

❑ religion





Federal fair housing laws prohibit discrimination on the basis of:

- ❑ **sex (including gender identity)**





Federal fair housing laws prohibit discrimination on the basis of:

- ❑ national origin





Federal fair housing laws prohibit discrimination on the basis of:

☐ **familial status**





Federal fair housing laws prohibit discrimination on the basis of:

☐ **disability**





The **Massachusetts** Fair Housing Law prohibits discrimination in housing and real estate activities on the basis of:

- ❑ race



MASSACHUSETTS

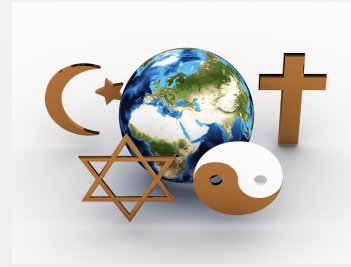
The Massachusetts Fair Housing Law prohibits discrimination in housing and real estate activities on the basis of:

❑ color



The Massachusetts Fair Housing Law prohibits discrimination in housing and real estate activities on the basis of:

❑ religion





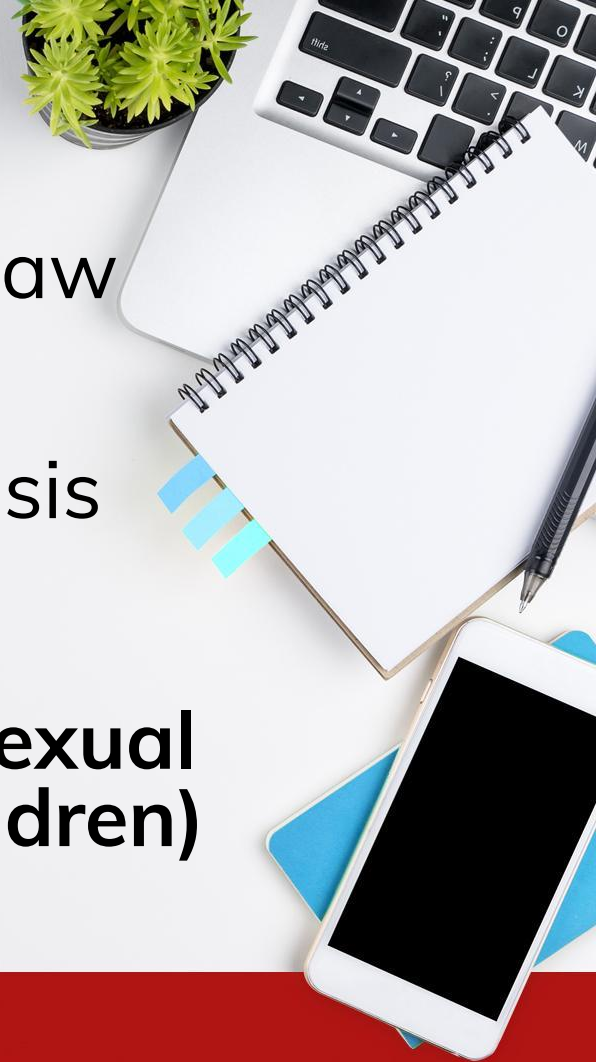
The Massachusetts Fair Housing Law prohibits discrimination in housing and real estate activities on the basis of:

☐ sex



The Massachusetts Fair Housing Law prohibits discrimination in housing and real estate activities on the basis of:

- ❑ **sexual orientation (excluding sexual orientation involving minor children)**





PROTECTED CLASSES

The Massachusetts Fair Housing Law prohibits discrimination in housing and real estate activities on the basis of:

❑ **children**

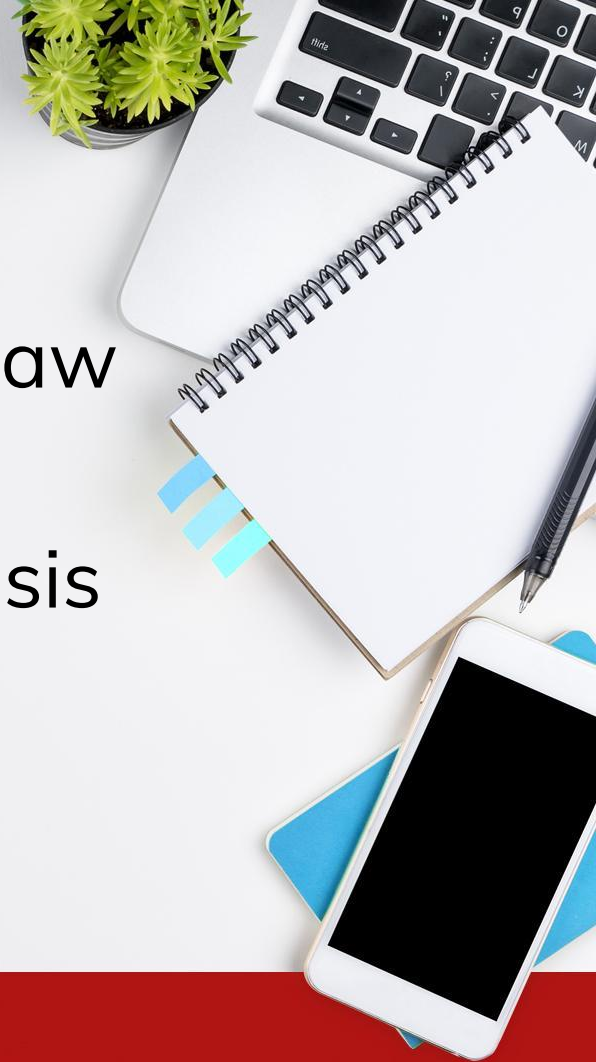




PROTECTED CLASSES

The Massachusetts Fair Housing Law prohibits discrimination in housing and real estate activities on the basis of:

❑ national origin

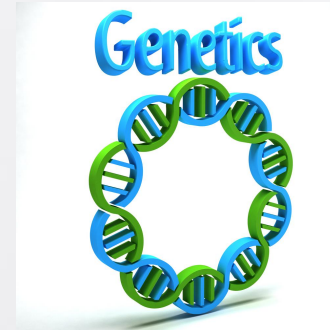




PROTECTED CLASSES

The Massachusetts Fair Housing Law prohibits discrimination in housing and real estate activities on the basis of:

- ❑ **genetic information**





PROTECTED CLASSES

The Massachusetts Fair Housing Law prohibits discrimination in housing and real estate activities on the basis of:

- ❑ **ancestry**





PROTECTED CLASSES

The Massachusetts Fair Housing Law prohibits discrimination in housing and real estate activities on the basis of:

☐ **marital status**





PROTECTED CLASSES

The Massachusetts Fair Housing Law prohibits discrimination in housing and real estate activities on the basis of:

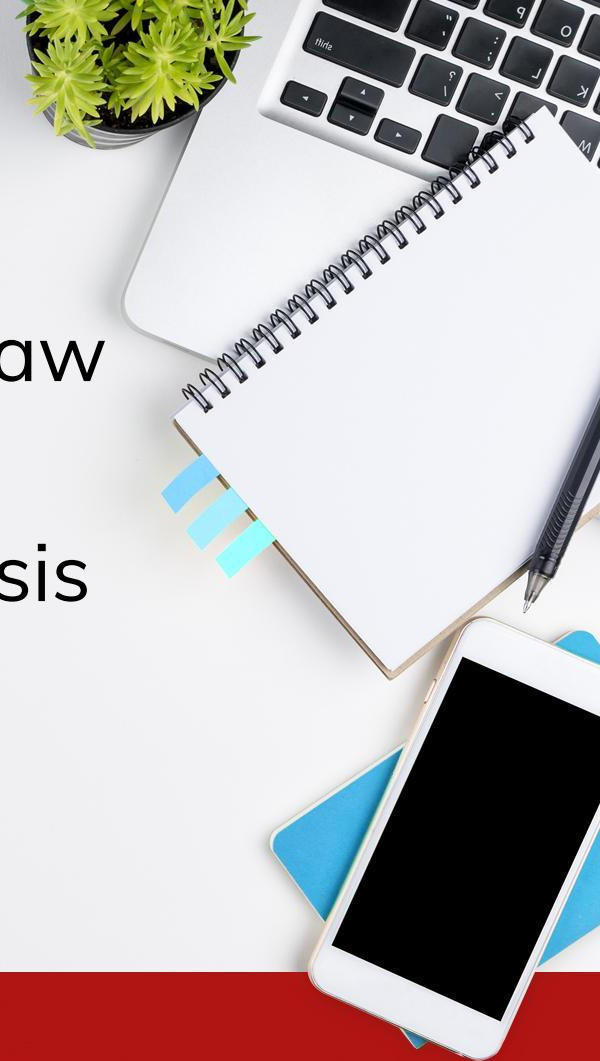
- ❑ **veteran or member of the armed forces**



PROTECTED CLASSES

The Massachusetts Fair Housing Law prohibits discrimination in housing and real estate activities on the basis of:

☐ **public assistance recipient**





PROTECTED CLASSES

The Massachusetts Fair Housing Law prohibits discrimination in housing and real estate activities on the basis of:

- ❑ age





PROTECTED CLASSES



The Massachusetts Fair Housing Law prohibits discrimination in housing and real estate activities on the basis of:

❑ **handicap (mental or physical) or**



PROTECTED CLASSES

The Massachusetts Fair Housing Law prohibits discrimination in housing and real estate activities on the basis of:

❑ **gender identity.**





PROTECTED CLASSES

Discrimination against persons who have children is prohibited. Prohibition does not apply to any situation in which the state sanitary code, regarding the number of persons who may safely occupy the premises, would be violated.





PROTECTED CLASSES

The provisions of Massachusetts law regarding fair housing practices regulate the activities of all persons who have an ownership interest of any kind in real property, and not just real estate licensees.





PROTECTED CLASSES



The broad prohibitions include discrimination in:

- ❑ offering residential and commercial property for sale or lease





PROTECTED CLASSES



The broad prohibitions include discrimination in:

- ❑ granting mortgage loans



PROTECTED CLASSES

The broad prohibitions include discrimination in:

- ❑ appraising residential real estate





PROTECTED CLASSES

The broad prohibitions include discrimination in:

- ❑ offering membership or participation, in multiple-listing, or other brokers' organizations.





APPLICABLE REAL ESTATE

Massachusetts' anti-discrimination laws apply to the following types of real estate:

- ❑ Multiple dwellings (three or more independent family units), or contiguously located housing accommodations, including publicly assisted housing





APPLICABLE REAL ESTATE

- ❑ Single-family residences that are directly, or through an agent, offered to the public for sale, lease, or rental, by advertising in a newspaper, or otherwise by signs and notices located on the premises, or elsewhere, by listing with a broker, or by other means of public offering



APPLICABLE REAL ESTATE

**Massachusetts' anti-discrimination laws
apply to the following types of real estate:**

- ❑ Commercial space





PROHIBITED ACTIVITIES

The following activities are specifically outlawed:





PROHIBITED ACTIVITIES

- ❑ Refusing to rent, lease, sell, or negotiate the sale of any property, or deny or withhold from any person or group of persons, such accommodations, because of the person's protected class



PROHIBITED ACTIVITIES

- ❑ Discriminating against any person or group in the terms, conditions, or privileges, involved with the possession or acquisition of property, or in the furnishings of facilities and services in connection, therewith, or because a person possesses a trained guide dog as a result of blindness or hearing impairment





PROHIBITED ACTIVITIES

- ❑ Making any inquiry or record regarding the race, creed, color, national origin, sex, sexual orientation, age, ancestry, or marital status of a person seeking to rent, lease, or buy property, or concerning the fact that the person is a veteran or a member of the armed forces, is blind or hearing impaired, or has any other handicap (see below)



PROHIBITED ACTIVITIES

- ❑ Making false representations regarding the availability of suitable housing, including failing to show all properties listed for sale or rent that are within the requested price range





PROHIBITED ACTIVITIES

Discrimination is illegal if its purpose is to relieve the owner of the responsibility for removing or covering lead paint. See Chapter 16 for information regarding environmental issues.

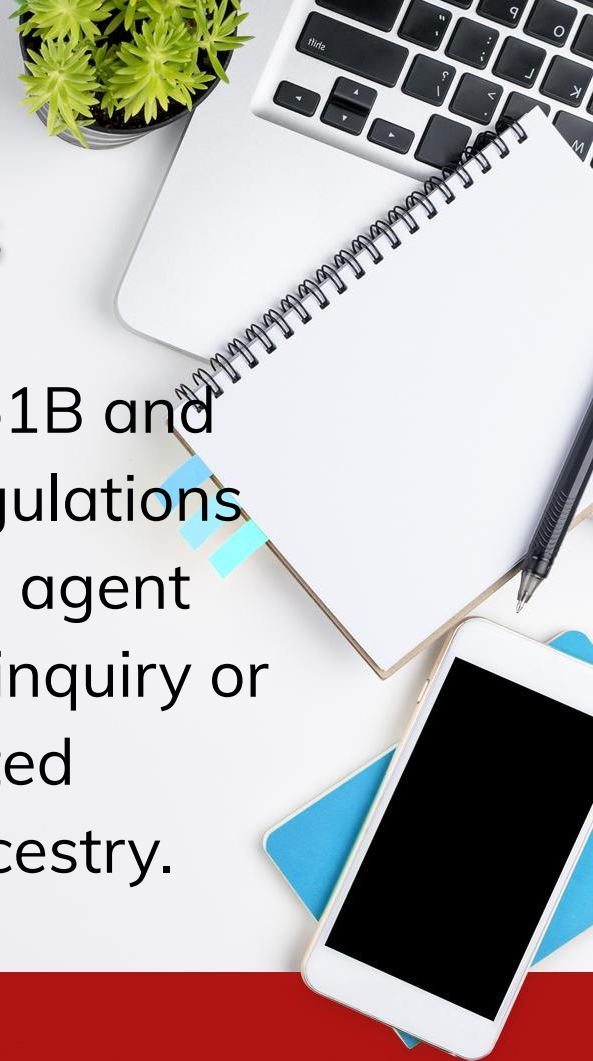




LINDER V. BOSTON FAIR HOUSING

*COMMISSION 84 MASS APPEALS
COURT 1125 (2013)*

Massachusetts General Laws Chapter 151B and the Boston Fair Housing Commission Regulations make it illegal for any licensed real estate agent “to cause to be made any written or oral inquiry or record,” concerning any of the the protected classes, including national origin and ancestry.



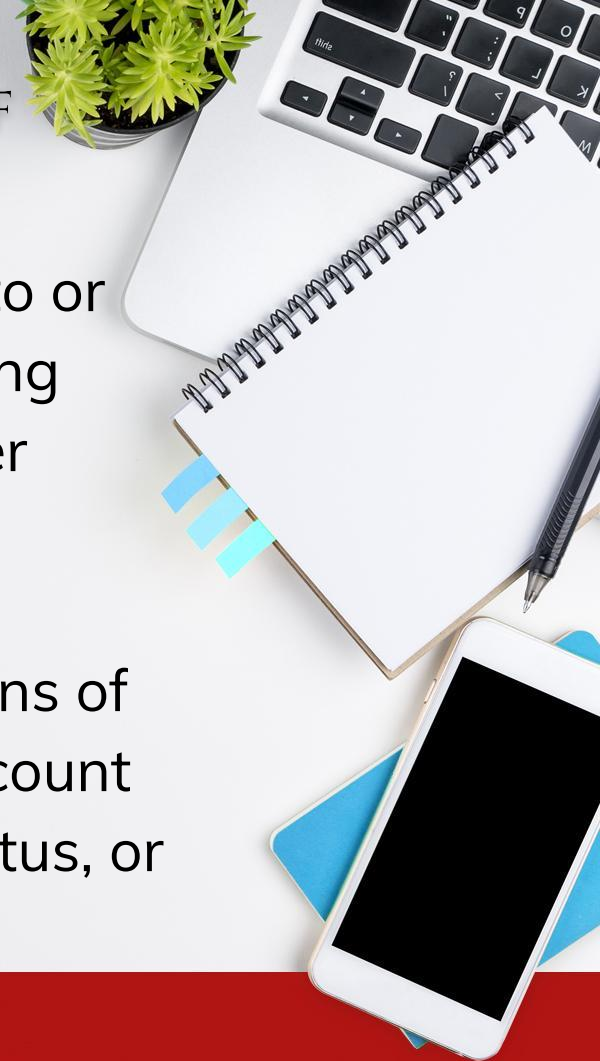


Paul Linder, a licensed real estate broker posed a seemingly innocent question to prospective tenants James and Gladys Stokel: “Where are you from?” The Stokels replied “Venezuela.” The Stokels went on to find an apartment a month later without further incident. However the Stokels found the question “insulting and upsetting” and feared that they were victims of discrimination, particularly because the Stokels had recently been denied an apartment based on “where they were from” and had filed an unrelated discrimination lawsuit against a different company.



SECTION 806 [42 U.S.C. 3606] DISCRIMINATION IN PROVISION OF BROKERAGE SERVICES

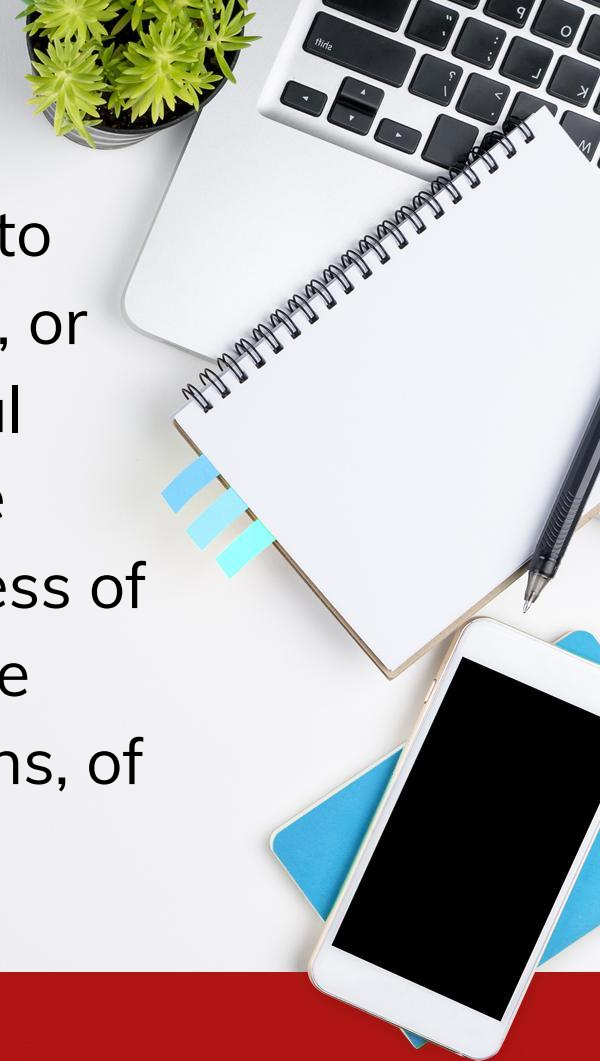
“It shall be unlawful to deny any person access to or membership or participation in any multiple-listing service, real estate brokers’ organization, or other service, organization, or facility, relating to the business of selling or renting dwellings, or to discriminate against him in the terms or conditions of such access membership or participation, on account of race, color, religion, sex, handicap, familial status, or national origin.”





M.G.L. C. 151B § 4 3C

It shall be unlawful practice “for any person to deny another person access to, membership, or participation, in a multiple listing service, real estate brokers’ organization, or other service organization or facility, relating to the business of selling or renting dwellings, or to discriminate against such person in the terms or conditions, of such access membership or participation on account of:





M.G.L. C. 151B § 4 3C

☐ Race





M.G.L. C. 151B § 4 3C

 Color





M.G.L. C. 151B § 4 3C

☐ Religion





M.G.L. C. 151B § 4 3C

☐ Sex





M.G.L. C. 151B § 4 3C

❑ Handicap





M.G.L. C. 151B § 4 3C

- ❑ Sexual orientation
 - ❑ which shall not include persons whose sexual orientation involves minor children as the sex object





M.G.L. C. 151B § 4 3C

☐ Children





M.G.L. C. 151B § 4 3C

❑ National origin





M.G.L. C. 151B § 4 3C

❑ Genetic information





M.G.L. C. 151B § 4 3C

☐ Ancestry





M.G.L. C. 151B § 4 3C

☐ Age





EXCEPTIONS

While an owner is generally required to bear the reasonable expense of modifying structures to make them accessible to handicapped persons, (including those with mobility hearing or sight impairments), he is not required to pay for unreasonable modifications.





EXCEPTIONS

A modification or accommodation is considered unreasonable if it imposes an undue hardship on the owner based on such factors as the:





EXCEPTIONS

- ❑ Cost and extent of the modification or accommodation



EXCEPTIONS



- ❑ Modifications effect on altering the marketability of the housing



EXCEPTIONS

- ❑ Type and size of the property





EXCEPTIONS



- ❑ Availability of federal tax deductions.



EXCEPTIONS

Reasonable modifications in making housing accessible for persons impaired in mobility, hearing, and sight, include but are not limited to:





EXCEPTIONS

- ❑ installing raised numbers





EXCEPTIONS

- ❑ installing a doorbell that flashes a light





EXCEPTIONS

- ❑ lowering a cabinet





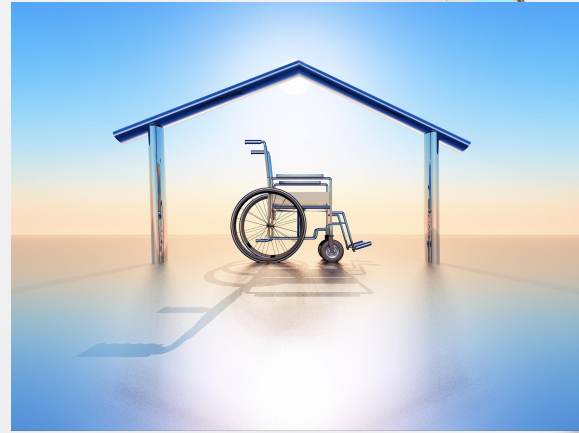
EXCEPTIONS

- ❑ ramping a front entrance of five or fewer vertical step



EXCEPTIONS

- ❑ widening a doorway





EXCEPTIONS

- ❑ installing a grab bar





EXCEPTIONS

- ❑ No owner is required to bear the cost of modifying more than 10% of the units in her property to make them fully accessible to a person using a wheelchair.





EXCEPTIONS

- ❑ No additional rent or other charge for handicapped-accessible housing may be imposed.





BLOCKBUSTING

- ❑ The practice of blockbusting is prohibited by Massachusetts law.





BLOCKBUSTING

- ❑ Blockbusting is the act of encouraging people to sell or rent their homes, by claiming that the entry of a protected class of people into the area will have some sort of negative impact on property values.





REDLINING

- ❑ Massachusetts law prohibits the practice of redlining.





REDLINING

- ❑ Redlining is the practice of refusing to make mortgage loans or issue insurance policies in specific areas, for reasons other than the economic qualifications of the applicants.





STEERING

- ❑ Massachusetts law prohibits the practice of steering.



STEERING

- ❑ Steering is the channeling of homeseekers to particular neighborhoods. It also includes discouraging potential buyers from considering certain areas.





NOTICES



- ❑ M.G.L. c. 151B § 7 requires that a notice stating that the agency or office complies with the provisions of Massachusetts laws against discrimination must be conspicuously displayed in every real estate agency and rental office.

NOTICES

- ❑ The display also may include a summary of unlawful activities (see Figure 15.2).





NOTICES

- ❑ Any real estate agency or rental office that fails to comply with this requirement is subject to a fine of up to \$100, and for a subsequent violation, occurring within 60 days of the first, up to \$1 000.





ENFORCEMENT

Because many of the Massachusetts law provisions against discrimination are similar to those of the Federal Fair Housing Act of 1968, the Massachusetts regulations have been ruled “*substantially equivalent to the federal law.*”





ENFORCEMENT

For this reason, all fair housing complaints in Massachusetts are referred to and investigated by the *Massachusetts Commission Against Discrimination*, an agency that reports directly to the governor's office.





BEYOND THE CHAPTER...

- ❑ Read the Key Point Review in the Unit.

C. ADVERTISING AND TECHNOLOGY

1. Advertising practices
 - a) Truth in advertising 13
 - b) Fair housing issues in advertising
2. Use of technology
 - a) Requirements for confidential information
 - b) Do-Not-Call List

REAL ESTATE ADVERTISING COMPLIANCE AND THE LAW

What are some Methods used to
Advertise Properties?

METHODS USED TO ADVERTISE PROPERTIES

Daily newspapers



METHODS USED TO ADVERTISE PROPERTIES

Local Newspapers




METHODS USED TO ADVERTISE PROPERTIES

Real Estate related newspapers




METHODS USED TO ADVERTISE PROPERTIES

Online Publications

 Agent Brokerage **Connect Las Vegas** Luxury Connect More ▾ Search


Kate ▾




7 essential tips for communicating with your sphere during crisis

Don't make the major mistake of not communicating with your clients and prospects during this time of uncertainty. It could define the rest of your career. Here's how to do it right


BY LINNETTE EDWARDS AND CAMERON PLATT | TODAY 2:26 A.M.




RE/MAX CEO: Leaders who are hiding right




SPONSORED CONTENT
5 steps to a successful




Compass lays off 15% of staff amid


Your account is courtesy of  **NRS** Council of Residential Specialists
The Proven Path to Success


TRENDING

Coronavirus clauses become ubiquitous as pandemic worsens 
BY JIM DALRYMPLE II | MAR 23

Homeowners may delay mortgage payments up to 1 year due to virus 
BY LILLIAN DICKERSON | MAR 23

LIVE
Live this week: the Inman Community Newsroom
BY INMAN | TODAY 7:31 A.M.

We talked to 21 multiple listing services about their coronavirus preparations. Here's what they said 
BY ANDREA V. BRAMBILA | MAR 19

Zillow suspends homebuying in all 24 Zillow Offers markets 
BY PATRICK KEARNS | MAR 23

We're here to help. Free 90-day trial for new subscribers.

CLICK HERE

METHODS USED TO ADVERTISE PROPERTIES

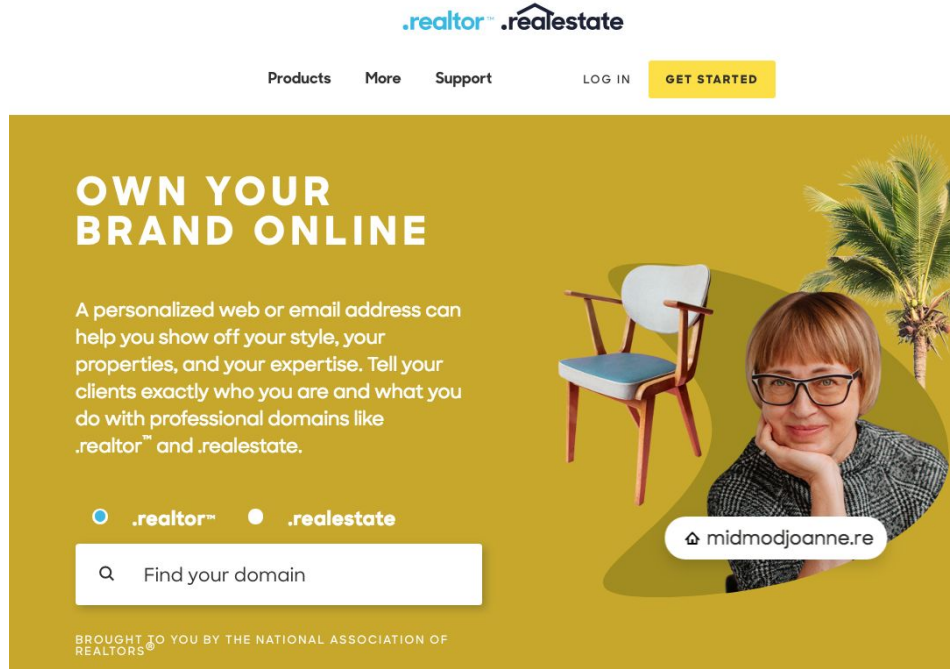
MLS

boston.com



METHODS USED TO ADVERTISE PROPERTIES

Company Website /Agent Website



The screenshot shows the landing page for .realtor and .realestate domains. The header features the logos for .realtor and .realestate, with navigation links for Products, More, Support, LOG IN, and a GET STARTED button. The main content area has a yellow background and features the headline "OWN YOUR BRAND ONLINE". Below this, a paragraph explains how a personalized web or email address can help showcase style and expertise. To the right, there is a graphic of a woman with glasses and a palm tree. At the bottom, there are domain selection options for .realtor and .realestate, a search bar with the placeholder "Find your domain", and a footer note stating "BROUGHT TO YOU BY THE NATIONAL ASSOCIATION OF REALTORS®".

OWN YOUR BRAND ONLINE

A personalized web or email address can help you show off your style, your properties, and your expertise. Tell your clients exactly who you are and what you do with professional domains like .realtor™ and .realestate.

.realtor™ .realestate

Find your domain

BROUGHT TO YOU BY THE NATIONAL ASSOCIATION OF REALTORS®

midmodjoanne.re

Domains that end in ".realtor"

TM

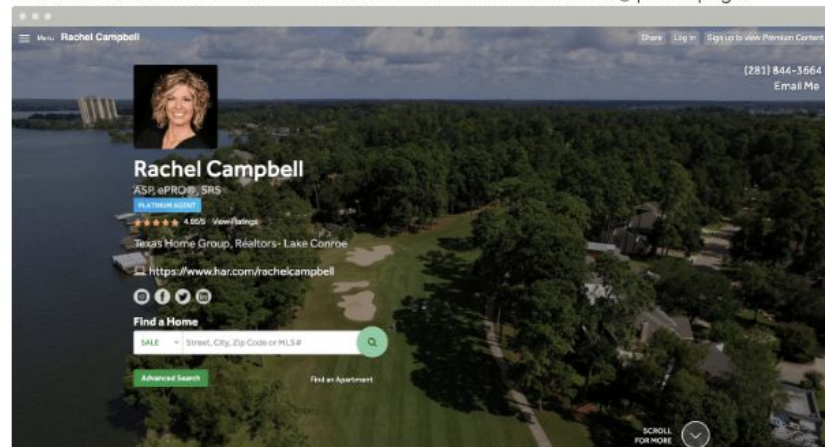
The **.realtor** top-level domain is our exclusive domain, available to individual members, firms, and boards of the National Association of REALTORS® in the US, International REALTOR® Members (IRMs), and the Canadian Real Estate Association (CREA).

There is no limit to how many domains you can get.

Example:

www.rachelcampbell.realtor

This website redirects to Rachel's Houston Association of REALTORS® profile page.



.realtor™

STARTING AT

\$39.95 per year

FIRST YEAR

Free for individual members

LOG IN TO START SEARCHING

METHODS USED TO ADVERTISE PROPERTIES

Social Media

The image shows a Facebook post from the page "BOLD Real Estate". The post features a large advertisement for a red van. The ad text reads: "TAKE IT AWAY BOLD! WE GO THE EXTRA MILE!" at the top. Below this is a side-profile image of a red van with the "BOLD REAL ESTATE" logo on its side. The van also displays the website "BOLDREALESTATE.COM", the slogan "BUY OR LIST WITH US AND USE THIS BOLD BUS", and the phone number "508.999.9800". At the bottom of the ad, it says "LIST WITH US, USE OUR BOLD BUS!". Below the ad is a black banner with the website "www.BOLDRealEstate.com" and the phone number "508-999-9800".

The Facebook interface on the right shows the post was published by Kate Lanagan (MacGregor) on October 6, 2019. It has 7 likes, 1 comment, and 1 share. A comment from Amy Tierce is visible, stating "Love it!" with 2 likes. The post also includes options to "Tag Products", "Add Location", and "Edit".

Handout material



METHODS USED TO ADVERTISE PROPERTIES

Direct Mail

- Properties for Sale
- Properties that have Sold

METHODS USED TO ADVERTISE PROPERTIES

Any Others?

WHAT IS THE PURPOSE OF AN ADVERTISEMENT?



Describe the property being sold, not the people who should buy the property.

FACES IN YOUR ADS!



CLIPART INSTEAD?!



WHAT IS THE PURPOSE OF AN ADVERTISEMENT?

Target marketing



PURPOSE OF ADVERTISING

How would the reader interpret the ad?



PURPOSE OF ADVERTISING

Loyalty to the seller in the advertisement.



THINK ABOUT IT...

Wording such as: make an offer;
reduced; motivated; price reduced;
owner anxious; seller relocating
may hurt the seller.

WHO IS THE RESPONSIBLE PARTY FOR THE ADVERTISEMENT?

The advertisement belongs to the
Broker.

- ❑ It does not matter who pays for it.

WHO IS THE RESPONSIBLE PARTY FOR THE ADVERTISEMENT?

❏ *It does not matter if no one pays for it!*



BROKER'S RESPONSIBILITY

The broker shall not advertise
in any way that is false or misleading



[illegible]

Cannot use Discriminatory advertising



FAMILY-FRIENDLY PARADISE

This exclusive Upper West Side, three-bedroom stunner has ample space for a nanny's room or home office for work-at-home professionals. Walking distance from Central Park. Amenities include a playroom for the kids and a quiet private garden. Board approval required. No smokers or students allowed.

Cannot write ads that cause illegal steering



WE SELL *the best Sunday mornings*

We know that you're not just looking for property: you're looking for a new home. Home is where you and your family will share years of special occasions including ritual Sunday morning sleep-ins.

LOWELL INTERNATIONAL REALTY is known for providing unparalleled white-glove service. Once we help you find your dream home, our agents cover the details so you can turn your thoughts to the things that will make your house a home.



Lowell
INTERNATIONAL REALTY
lowellinternationalrealty.com

CALL ME TODAY
LANI KAHN DRODY, PRESIDENT
305.520.5420

INTEGRITY, EXPERIENCE and MASTERFUL SALES ABILITY
1537 SAN REMO AVENUE, CORAL GABLES, FL 33146

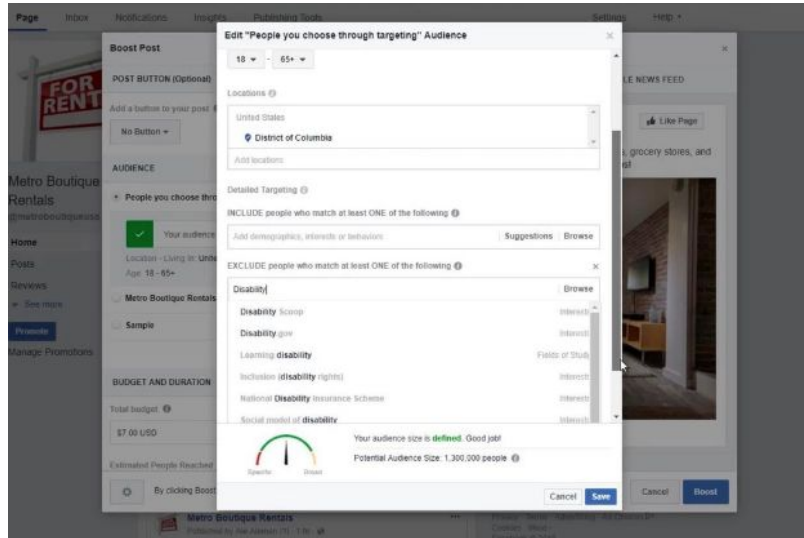


Be careful of websites -
stick to describing the property-
not neighborhood or 'ideal candidates'.

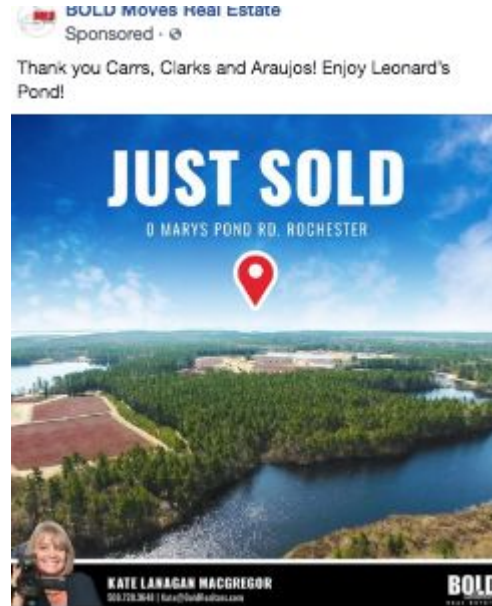
WHAT DOES THIS MEAN TO YOU?



SOCIAL MEDIA- EDIT- PEOPLE YOU CHOOSE THROUGH TARGETING




SOCIAL MEDIA- EDIT- PEOPLE YOU CHOOSE THROUGH TARGETING



SOCIAL MEDIA- BOOST A POST

our system explore more opportunities to show your ads. [Learn more](#)

**Audience**

Create Audience

Who should see your ad?

☒ People you choose through targeting [Edit](#)

Location - Living In: **United States: Mattapoissett Massachusetts**

Age: **28 - 39**

☐ People who like your Page

☐ People who like your Page and their friends



☐ People in your local area

☐ Custom Audiences

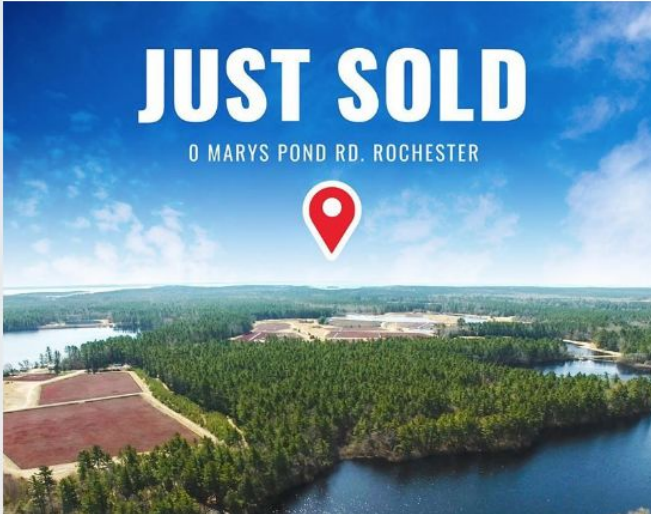
[See All \(16\)](#)

Instagram


☒ Run ad on Instagram

**BOLD Moves Real Estate**
Sponsored · 

Thank you Carrs, Clarks and Araujos! Enjoy Leonard's Pond!



SOCIAL MEDIA- EDIT- PEOPLE YOU CHOOSE THROUGH TARGETING

Create Audience 

Select the location, age, gender and interests of people you want to reach with your ad.

Name

Gender ⓘ

All

Men

Women

Age ⓘ

28 ▼

 -

39 ▼

Locations ⓘ

United States

Mattapoisett, Massachusetts ▼

Add locations

Detailed Targeting ⓘ

TARGETING

Create Audience

Marys Pond

Gender

All

Men

Women

Age

28

-

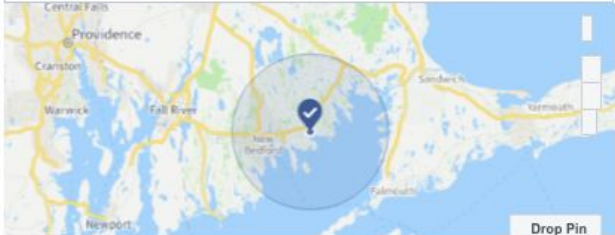
39

Locations

United States

Mattapoisett, Massachusetts + 10mi

Add locations



Drop Pin

Specific

Broad

Your audience selection is **too specific** for your ads to be shown. Try making it broader.

SOCIAL MEDIA- EDIT- PEOPLE YOU CHOOSE THROUGH TARGETING

4. Prohibited Content

1. Community Standards

Ads must not violate our [Community Standards](#). Ads on Instagram must not violate the [Instagram Community Guidelines](#).

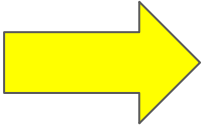
2. Illegal Products or Services

Ads must not constitute, facilitate, or promote illegal products, services or activities. Ads targeted to minors must not promote products, services, or content that are inappropriate, illegal, or unsafe, or that exploit, mislead, or exert undue pressure on the age groups targeted.

3. Discriminatory Practices

Ads must not discriminate or encourage discrimination against people based on personal attributes such as race, ethnicity, color, national origin, religion, age, sex, sexual orientation, gender identity, family status, disability, medical or genetic condition.

[Learn more](#)



Review HUD List of words not
acceptable

SAMPLE ADVERTISEMENTS

able-bodied

active

adult building

adult community

adult living

adults only

African

African American

agile

American

Asian American

AFDC approved

bachelor apartment/pad

bachelor couple

black

blind

SAMPLE ADVERTISEMENTS

board/membership
required
Catholic
Caucasian
Chicano
child
children OK
Chinese

Christian
churches
colored
couples
couples only
cripples
contemporary

SAMPLE ADVERTISEMENTS

lifestyles

country club

deaf

desirable

neighborhood/area

elderly

employed, must be

empty-nesters

English speaking

ethnic neighborhood

exclusive

executive neighborhood

family neighborhood

fat

SAMPLE ADVERTISEMENTS

first-time home buyers	heterosexual
foreigners	his and hers
gays	homosexual
gentleman's farm	immigrants
golden agers	independent living
Handicapped	Indian
healthy only	integrated
Hispanic	interracial
handyman's special	

SAMPLE ADVERTISEMENTS

Irish

Ideal for retiree

Ideal for anyone...

Jewish

Job references required

landlord description

Latino

living alone

lesbian

luxurious neighborhood

mature people

mature individual

mature person(s)

Married

membership approval

membership required

mentally handicapped

SAMPLE ADVERTISEMENTS

mentally ill	neighborhood,
Mexican	descriptions
Mexican-American	newlyweds
middle aged	No Blacks
mixed community	No Children
Mormon	No Crippled
Mosque	No Deaf
mother-in-law apartment	No Drinkers
mother-daughter suite	No impaired

SAMPLE ADVERTISEMENTS

No Soc. Sec.

No White

not for handicapped

number of people

preferred

older person

one child

one person

oriental

parish, close to

parish, name of

physically fit

play area, no

Polish

professional home

professional neighborhood

SAMPLE ADVERTISEMENTS

quality area	Saint (name of church)
quiet streets	seasonal workers
quiet neighborhood	no section 8,
rent calculated per person	secure
retarded	segregated
retired persons	senior discount
retirees	senior housing
restrictions	seniors welcome
retirement community	shrine

SAMPLE ADVERTISEMENTS

single person

single(s) only

sleeps

special rate

secluded neighborhood

SSI

starter home

straights

synagogues, close to

tenant description

traditional neighborhood

two-family/three family

US citizen

unemployed

vacation rental sleeps #

Walk to

SAMPLE ADVERTISEMENTS

>> **ALWAYS INSIDE**

REAL ESTATE TRANSACTIONS. REAL ESTATE NEWS

HOME of the WEEK



GORGEOUS with all the amenities you'd expect of a home costing twice as much. Beautiful curb appeal. Elegantly finished with fabulous floors - Limestone, Travertine and plush carpet. Chef's granite island kitchen. Stainless appliances, rich cabinetry and a French exit to the bistro patio. Lovely loft. Downstairs king-sized master. Walk-in closet, private exit, sitting area, soak tub and tiled shower. Bonus room. All baths updated with chic designer lighting and framed mirrors. Beautiful park-like yard. Pool with waterfall, elevated dining patio, spa, artificial grass, putting green, split stone BBQ and citrus. In the heart of the Magic 85254 Zip Code. Cross Streets: Bell Rd & 56th St. Open Today 1-4pm.

>> **FEATURE HOME** 17246 N. 56th Way

Bedrooms: 3 | Bathrooms: 3 | Square Footage: 2,653 | Price: \$450,000

Those Callaways

480-596-5751

www.ThoseCallaways.com

SAMPLE ADVERTISEMENTS

white only

working, must be

welfare

young

Youthful

Protestant

Puerto Rican

perfect for...

prefer

private community

professional

prestigious

privileged


public assistance

Review guidelines for advertising
properties using people

Attractive and well maintained
includes new balconies and easy access



Property sales are more about people than property. We are the team that knows both
customers and buyers of 100,000 homes better than anyone else. www.obos.no

 **OBOS**-real estate

Find your dream home today, start searching below!

After many requests for a template designed for real estate we are happy to release Real Estate! The search and other real estate functionality come from the JoomlaManager component available from joomanager.com. We have a coupon available for 20% the purchase of JoomlaManager available for club members as the component is not included in the site shaper.



Start searching!



CODE BLUE!

SURVIVAL TACTICS FOR
REAL ESTATE EMERGENCIES!



**FOR
SALE**

CODE OF ETHICS

OUR PROMISE OF PROFESSIONALISM TO YOU

CODE BLUE!

Survival Tactics In Real Estate Emergencies.



ARTICLE 12

REALTORS® shall be honest and truthful
in their real estate communications and
shall present a true picture in their
advertising, marketing, and other
representations.



KATE LANAGAN MACGREGOR
508.728.3648 | Kate@AgentRising.com



LINDA KODY
978.686.1954 | LKody@Comcast.net

CODE BLUE!

Survival Tactics In Real Estate Emergencies.



ARTICLE 12,CONT

REALTORS® shall ensure that their status as real estate professionals is readily apparent in their advertising, marketing, and other representations, and that the recipients of all real estate communications are, or have been, notified that those communications are from a real estate professional. *(Amended 1/08)*



KATE LANAGAN MACGREGOR
508.728.3648 | Kate@AgentRising.com



LINDA KODY
978.686.1954 | LKody@Comcast.net

CODE BLUE!

SURVIVAL TACTICS IN REAL ESTATE EMERGENCIES

- ❑ Standard of Practice 12-5
 - ❑ Realtors® shall not advertise nor permit any person employed by or affiliated with them to advertise real estate services or listed property in any medium (e.g., electronically, print, radio, television, etc.) without disclosing the name of that Realtor®'s firm in a reasonable and readily apparent manner either in the advertisement or in electronic advertising via a link to a display with all required disclosures. *(Adopted 11/86, Amended 1/16)*



KATE LANAGAN MACGREGOR
508.728.3648 | Kate@AgentRising.com



LINDA KODY
978.686.1954 | LKody@KodyCo.com

CODE BLUE!

SURVIVAL TACTICES IN REAL ESTATE EMERGENCIES

- ❑ Standard of Practice 12-9
 - ❑ REALTOR® firm websites shall disclose the firm's name and state(s) of licensure in a reasonable and readily apparent manner.
 - ❑ Websites of REALTORS® and non-member licensees affiliated with a REALTOR® firm shall disclose the firm's name and that REALTOR®'s or non-member licensee's state(s) of licensure in a reasonable and readily apparent manner. *(Adopted 1/07)*



KATE LANAGAN MACGREGOR
508.728.3648 | Kate@AgentRising.com



LINDA KODY
978.686.1954 | LKody@KodyCo.com

ILLEGAL BLIND ADVERTISING



717 THOMBROOKE COURT

3BR/2BA • MLS#112556

\$164,900

Suzanne Montgomery

561-7725

AGENTS WHO PLACE ADS:

Must:

Identify the Broker's full name, or
in the case of a licensed company,
the company's full name in all of
the advertisements

Websites and links must identify
Broker's or Company's full name
on all web pages and links.

WHAT ABOUT EMAILS?

MLSPIN? NEW SYSTEM!

“Just so you know

Not one time ...

during multiple emails, Phone calls, and viewings.

(never a mention not even once that she was an agent anywhere anytime) ...It's something we feel isn't right and we have discussed and feel it is only right for our agent to receive some sort of compensation for his time also...

RESULT: Reduced commission and 'paid' their agent

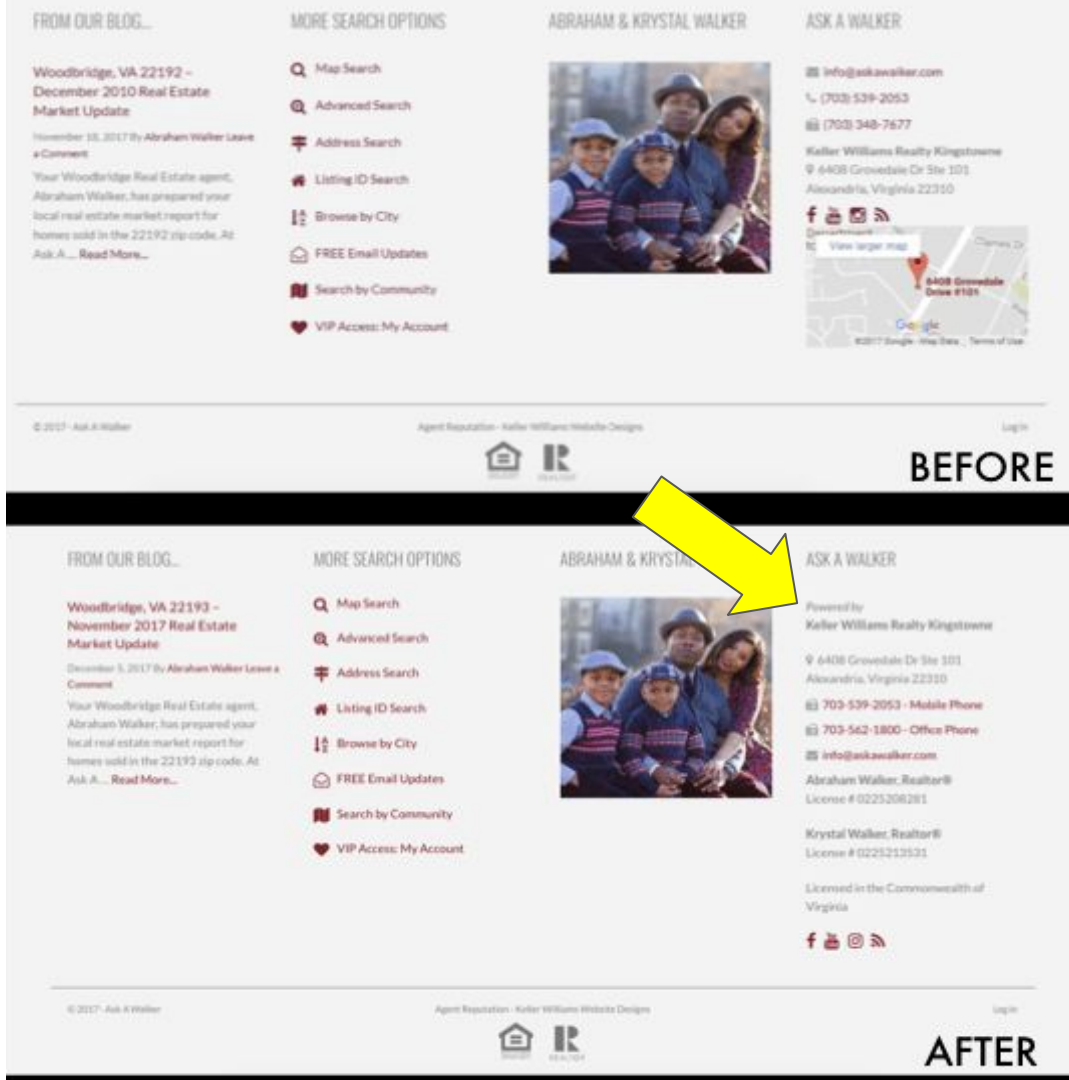
METHODS USED TO ADVERTISE PROPERTIES

Realtor fined \$450 for marketing violation warns colleagues of mistake

Facebook post sparks conversation over NAR's ad rules and how they are regulated

BY [MARIAN MCPHERSON](#) Staff Writer Inman News

FACEBOOK BUSINESS PAGES



**SIGNS AND BANNERS MUST
INDICATE COMPANY NAME,
(*ADDRESS AND COMPANY
TELEPHONE NUMBER?*)**



APARTMENT RENTALS

- ❑ No Blind Advertising-ads must fully identify the broker.
- ❑ No Bait and Switch-properties advertised must exist.

TRUTH IN LENDING

REGULATION Z

- ❑ Strict guidelines when it comes to advertising real estate.
- ❑ APR-If specifics trigger terms are used then all requirements must be disclosed.

THERE ARE PENALTIES FOR NONCOMPLIANCE!

- 1) Down-payment
- 2) monthly payment
- 3) term of the loan
- 4) dollar figure of finance charge

OPEN HOUSE DISCLOSURE

Requirement to disclose
relationship at the open house

OPEN HOUSE DISCLOSURE



OPEN HOUSE AND GUEST SIGN IN

We are here to help! Please let us know if you are working with a Buyer's Agent. The Realtor, Tracey Lee, currently works as a Designated Seller's Agent. If you were to proceed with working with Tracey to purchase this home, she will be acting as a Dual Agent. Please let Tracey inform you of her responsibilities and how this affects you moving forward.

*She will provide you with the proper paperwork to explain it all! **Make it a BOLD day!***

NAME	EMAIL	ADDRESS	PHONE	HOW DID YOU HEAR?	Who is Buyers Agent?

PROMOTION OF OUT OF STATE PROPERTIES

No broker shall offer for sale in the Commonwealth an interest in real property which is located in a land development of another state unless the owner or the developer registers such property with the board.

PROMOTION OF OUT OF STATE PROPERTIES

Once the board registers an out of state property development the owner or developer of such development must note the fact of such registration in all its subsequent advertisements in the Commonwealth.

INDUCEMENTS

When advertising inducements the agent must indicate the full identity of the broker and appropriate contact information

PENALTIES FOR PRACTICING WITHOUT A LICENSE

Whoever, without being licensed acts a broker or salesperson or advertises that he or she is a broker or salesperson shall be punished by a fine of not more than \$500

ADVERTISING TEAMS

FROM REALTOR MAGAZINE

Shout the name of your team
from the rooftops, but don't
ignore the brokerage you're
affiliated with.

September 13, 2017 by [Bruce Aydt](#)

Q: I have a team, and I'd like to make my team, rather than my brokerage, the focus of my advertising and marketing. Is that okay?

A: You can make your team the focus, but you must also make the name of the brokerage you're affiliated with readily apparent to anyone seeing your advertising or marketing. The NAR Code of Ethics is clear on that, and some states require it as well.

FAQ'S FROM BOARD OF REGISTRATION

Who is on our Board from REALTORS®

- Kevin Sears
- Peter Ruffini
- Kimberly Allard



ADVERTISING QUESTION!

Questions often arise related to the applicability of regulations to online social media advertising. 254 CMR 3.09 requires that “All advertisements shall include the name of the real estate broker.”

Online social media advertisement is a common form of advertisement not contemplated at the time when these regulations were adopted. On certain social media platforms it may be impossible to comply with the regulatory requirement due to a lack of space.

Can this regulation be satisfied by including in all such advertisements a link to a display with the required disclosure? 254 CMR 3.09 makes is clear that “all advertisements shall include the name of the real estate broker.”

ANSWER!

254 CMR 3.09 makes is clear that
“all advertisements shall include the
name of the real estate broker.”

If there is a corporate entity then that entity, or its properly and municipally filed d/b/a must be included somewhere **conspicuously** in that advertisement.

If it is sole proprietorship then the actual Broker's name (or d/b/a) must be also be **conspicuously** placed in the advertisement. Only using the broker of record's name for a licensed entity runs afoul of this rule.

DEFINITION: CONSPICUOUS

To see or notice easily

In Practice:

- As big or bigger font than the agent
- **Same or darker color lettering**

ADVERTISING QUESTION!

254 CMR 3.09 provides that, “All advertisements shall include the name of the real estate broker.” In this context, can the regulation be satisfied by including the name of the real estate brokerage or the broker of record for that brokerage.

ANSWER!

254 CMR 3.09 makes is clear that “all advertisements shall include the name of the real estate broker.” If there is a corporate entity then that entity, or its properly and municipally filed d/b/a must be included somewhere conspicuously in that advertisement.

If it is sole proprietorship then the actual Broker's name (or d/b/a) must be also be conspicuously placed in the advertisement. Only using the broker of record's name for a licensed entity runs afoul of this rule.

254 CMR 3

(6) Salespersons Cannot Be Self-Employed.

A licensed salesperson must be engaged by a licensed broker and a licensed salesperson shall not conduct his own real estate business.

TEAM QUESTION!

Clarify Real Estate Teams
Advertising -

ANSWER!

Currently there are no rules or regulations specifically pertaining to “Teams” and advertising requirements. Many states have begun introducing laws and regulations specific to teams as it is becoming a more prevalent practice. Many of our members have inquired as to what rules they need to keep in mind when working as a team.

ADVERTISING QUESTION!

As a licensed salesperson affiliated with a broker may I advertise my services?

ANSWER!

No, you may not do so. The Board's regulations specifically state that salespeople cannot advertise, which includes web pages. It is the broker who can advertise and may list his affiliated brokers and salespeople, provided that the advertisement clearly notes the name of the broker running the advertisement.

The Board has seen a number of situations where advertisements, including web pages, only list a salesperson without noting the name of the broker with whom the salesperson is affiliated, which is in direct violation of 254 CMR 3.09(a) and (b).

FACT SHEET: ADVERTISING

A broker shall not advertise in any way that is false or misleading.

(a) Broker Identification.

No broker may advertise real property to purchase, sell, rent, mortgage or exchange through classified advertisement or otherwise unless he/she affirmatively discloses that he/she is a real estate broker.

No broker shall insert advertisements in any advertising publication or other means where only a post office box number, telephone, facsimile, electronic mail number or street address appears.

All advertisements shall include the name of the real estate broker.

(b) Salespersons Prohibited From Advertising.

Salespeople are prohibited from advertising the purchase, sale, rental or exchange of any real property under their own name.

**RAGIN V. HARRY MACKLOWE
REAL ESTATE CO., INC.:
SECOND CIRCUIT AWARDS
COMPENSATORY DAMAGES AND
INJUNCTIVE RELIEF AGAINST
MANAGEMENT COMPANY FOR
RACIALLY DISCRIMINATORY
ADVERTISING**

DISCRIMANATORY ADVERTISEMENTS

The Second Circuit addressed alleged violations of the Fair Housing Act based on racially discriminatory advertising. The court affirmed that: (1) the plaintiffs had standing; (2) the defendants were liable; (3) the district court correctly granted limited compensatory, and no punitive, damages; and (4) the injunction was proper in scope.

SAMPLE ADVERTISEMENTS

From 1985 to 1988, defendant ran nearly thirty-five ads in The New York Times, none of which depicted black models. The plaintiffs, a fair-housing agency and four African Americans, saw the ads between August 1985 and late 1988

SUGGESTED RESOURCES

87PP "Real Estate Broker"

definition

87CCC Penalty (penalty for hold
themselves out as a broker)

advertising

254 CMR 3.00 Professional Standards of Practice

(9) Advertising

a) Broker Identification

b) Salesperson Prohibited from Advertising

c) Discriminatory Advertising Prohibited

Out of State Promotional Land Sales

254 C.M.R 6.00

87AAA section K

D. LICENSEE AND RESPONSIBILITIES

1. Employee
2. Independent Contractor
3. Due diligence for real estate transactions

BROKER ONLY

4. Supervisory responsibilities (BROKER ONLY)

- a) Licensees
- b) Unlicensed personnel

E. ANTITRUST LAWS

1. Antitrust laws and purpose
2. Antitrust violations in real estate

UNIT 8

REAL ESTATE BROKERAGE





REAL ESTATE BROKERAGE

- ❑ Within a brokerage, no matter how large or small it is, each real estate professional has an individual business.
- ❑ Economics and personnel decisions are part of running a business.
- ❑ A successful real estate professional needs to think like a businessperson.





UNIT OBJECTIVES

- ❑ Describe the fundamentals of real estate brokerage and licensing laws.





UNIT OBJECTIVES

- ❑ Describe the purpose and basic elements of antitrust laws including price fixing, boycotts, and allocation of markets.





UNIT OBJECTIVES

- ❑ Explain how real estate professionals should use technology in real estate practice to comply with laws and ethical standards.





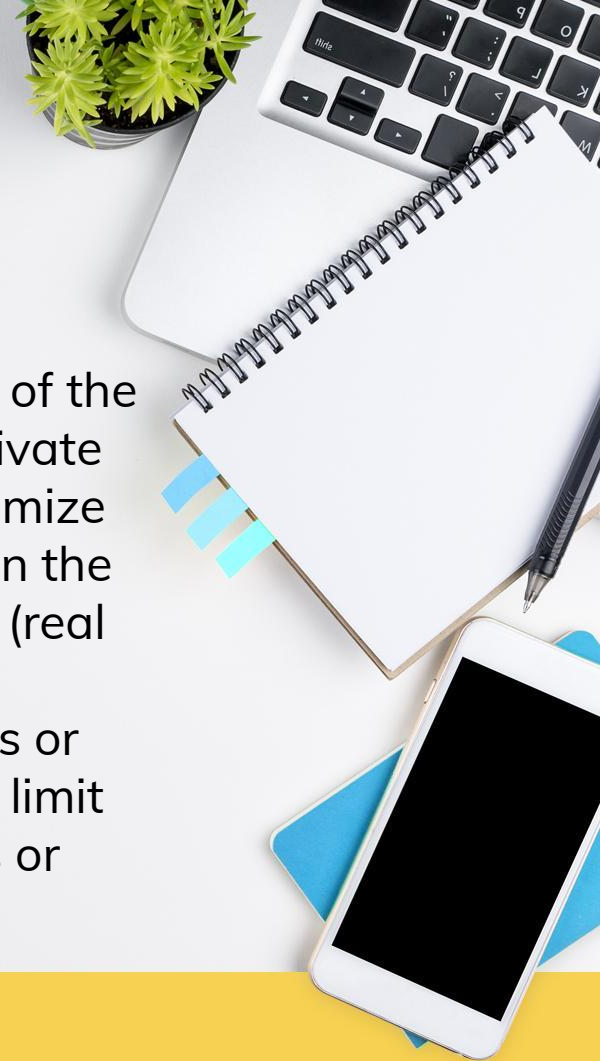
KEY TERMS TO DEFINE AND RECORD

❑ Antitrust Laws





KEY TERMS TO DEFINE AND RECORD



❑ Antitrust Laws

- ❑ Laws designed to preserve the free enterprise of the open marketplace by making illegal certain private conspiracies and combinations formed to minimize competition. Most violations of antitrust laws in the real estate business involve either price-fixing (real estate professionals conspiring to set fixed compensation rates) or allocation of customers or markets (real estate professionals agreeing to limit their areas of trade or dealing to certain areas or properties).



KEY TERMS TO DEFINE AND RECORD

❑ Boycott



KEY TERMS TO DEFINE AND RECORD

❑ **Boycott**

- ❑ When individuals or businesses withhold their patronage to a business as a protest or to reduce competition.




Branch Office





Branch Office

-  A secondary place of business apart from the principal or main office from which real estate business is conducted. A branch office usually must be run by a licensed real estate professional.



Brokerage



❑ Brokerage

- ❑ The bringing together of parties interested in making a real estate transaction.



Commingling



❑ **Commingling**

- ❑ The illegal act by a real estate professional of placing client or customer funds with personal funds. By law, real estate professionals are required to maintain a separate trust or escrow account for other parties' funds held temporarily by the real estate professional.



Commission



❑ Commission

- ❑ Payment to a real estate professional for services rendered, such as in the sale or purchase of real property; usually a percentage of the selling price of the property.



Conversion



❑ Conversion

- ❑ The illegal use of money received on behalf of the principal.



Disclaimer



❑ Disclaimer

- ❑ A statement indicating no legal responsibility for information; no warranties or representations have been made.

Do Not Call Registry



❑ Do Not Call Registry

- ❑ A national registry, managed by the Federal Trade Commission, that lists the phone numbers of consumers who have indicated their preference to limit the telemarketing calls they receive.

Electronic Contracting



❑ **Electronic Contracting**

- ❑ A process of integrating information electronically in a real estate transaction between clients, lender, and title and closing agents.



Electronic Signatures in Global and National Commerce Act (E-Sign)



- ❑ **Electronic Signatures in Global and National Commerce Act (E-Sign)**
 - ❑ An Act that makes contracts (including signatures) and records legally enforceable regardless of the medium in which they are created.



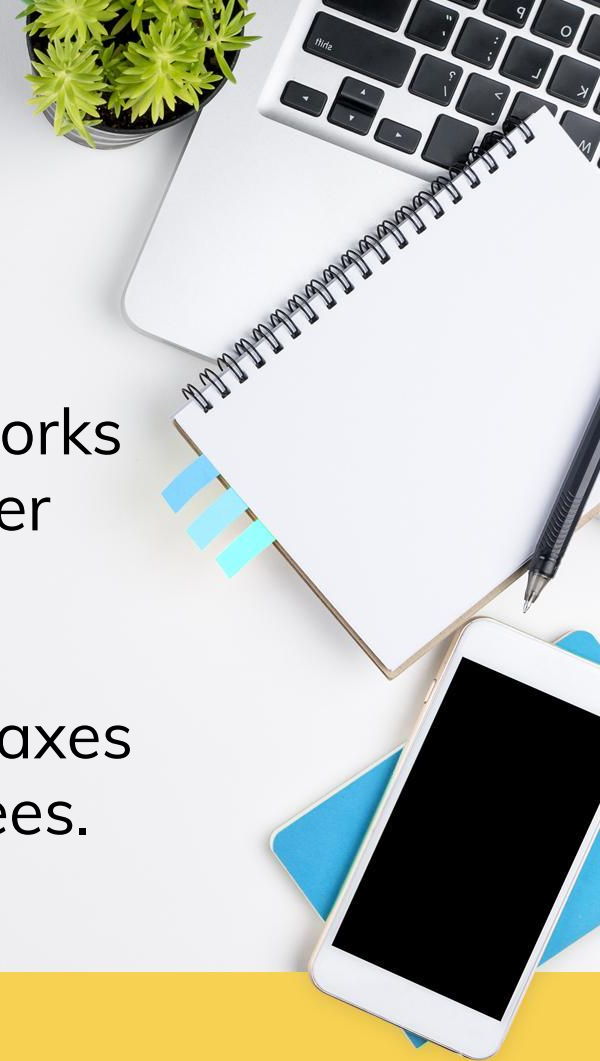


 Employee



❑ Employee

- ❑ For tax purposes, someone who works as a direct employee of an employer and has employee status. The employer is obligated to withhold income taxes and Social Security taxes from the compensation of employees. See also independent contractor.



❏ Independent Contractor





❑ Independent Contractor

- ❑ Someone who is retained to perform a certain act but who is subject to the control and direction of another only as to the end result and not as to the way in which the act is performed. Unlike an employee, an independent contractor pays for all expenses and Social Security and income taxes and receives no employee benefits. Most real estate sales associates are independent contractors, meeting the Internal Revenue Service definition for a qualified real estate agent.

Internet Data Exchange (IDX) Policy



❑ Internet Data Exchange (IDX) Policy

- ❑ Policy that allows all multiple listing service (MLS) members to restrict or promote internet access to MLS property listings.



❏ Managing Broker



❏ Managing Broker

- ❏ The real estate professional who is responsible for supervision of the real estate professionals who act on behalf of the brokerage; may also be called a supervising broker.



Minimum Level of Services





❑ Minimum Level of Services

- ❑ The services that real estate professionals must provide to clients, as prescribed differently by certain states; for example, assisting clients in negotiation and answering questions from clients about offers, counteroffers, and contingencies.

❏ Multiple Listing Service (MLS)



❑ Multiple Listing Service (MLS)

- ❑ A marketing organization composed of member real estate professionals who agree to share their listing agreements with one another in the hope of procuring ready, willing, and able buyers for their properties more quickly than they could on their own. Most multiple listing services accept exclusive right-to-sell or exclusive agency listings from their member real estate professionals.



Procuring Cause



❑ **Procuring Cause**

- ❑ The effort that brings about the desired result. Under an open listing, the real estate professional who is the procuring cause of the sale receives the commission.



❑ Ready, Willing, and Able Buyer



- ❑ **Ready, Willing, and Able Buyer**
 - ❑ Person who is prepared to buy property on the seller's terms and is ready to take positive steps to consummate the transaction.



Unbundling Services



- ❑ **Unbundling Services**
 - ❑ Offering only the real estate services that a client requires.



Uniform Electronic Transactions Act (UETA)



- ❑ **Uniform Electronic Transactions Act (UETA)**
 - ❑ Sets forth rules for entering into an enforceable contract using electronic means.





BROKERAGE AND REAL ESTATE LICENSING LAWS

❑ Purpose of License Laws

- ❑ Establish basic requirements for licensees
- ❑ Define which activities require licensing
- ❑ Describing standards of conduct and practice for licensees
- ❑ Enforcing standards through disciplinary system



REAL ESTATE BROKERAGE

A real estate **broker** is *licensed* to buy, sell, exchange, or lease real property for others and to charge a fee for those services.





RELATIONSHIP OF BROKER AND SALESPERSON

- ❑ A real estate salesperson is licensed to perform real estate activities **on behalf of a licensed real estate broker.**



- ❑ The broker for whom the salesperson works is called the employing broker, and both will be subject to the terms of an employment agreement, even when the salesperson is an independent contractor for tax and other purposes.





INDEPENDENT CONTRACTOR VS EMPLOYEE

Employee:

- ❑ Rules for working hours, office routines, attendance at meetings, sales quotas, dress codes

Independent Contractor:

- ❑ No employee benefits
- ❑ Set own rules





BROKER'S COMPENSATION

- ❑ Specified in contract with clients
 - ❑ Commission
 - ❑ Co-broker's fee(i.e. Buyers agent)
 - ❑ Procuring cause
 - ❑ Ready, willing, and able buyer





MODELS FOR COMPENSATION

- ❑ 100% commission plan
- ❑ Commission splits
- ❑ No matter how the sales associate's compensation is structured, as a rule *only the employing real estate broker can pay it.*





FEE FOR SERVICE

- ❑ Minimum level of services
- ❑ Requirements vary by state



ANTITRUST LAWS

- ❑ Price-fixing
- ❑ Group boycott
- ❑ Allocation of customers
- ❑ Allocation of markets
- ❑ Tie-in agreements





TECHNOLOGY IN REAL ESTATE PRACTICE

- ❑ NAR Internet Data Exchange (IDX) policy
- ❑ Smartphones
- ❑ Email/Texting
- ❑ Social Media
- ❑ Internet Advertising



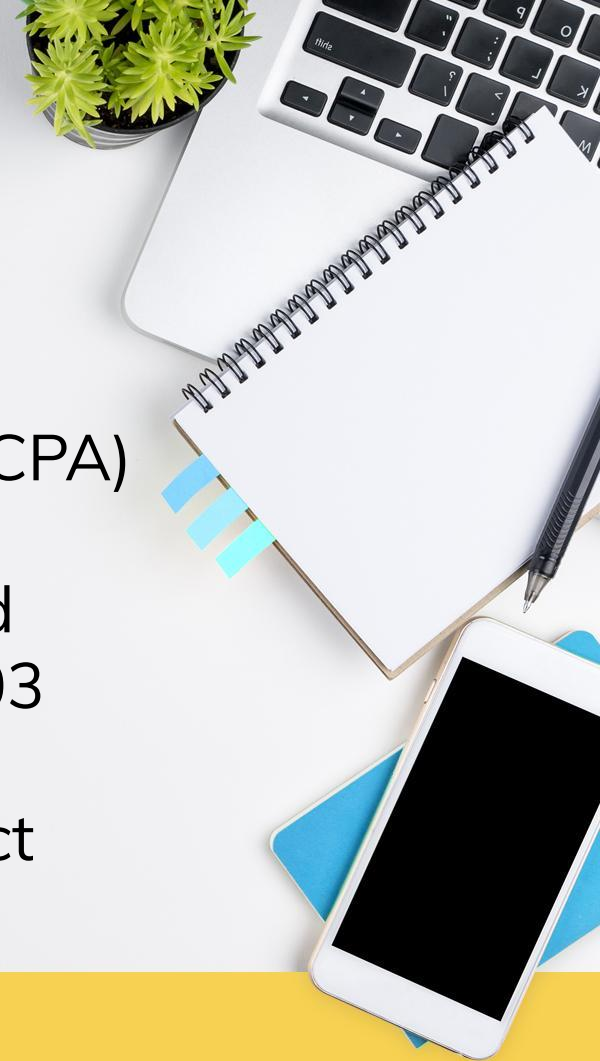
ELECTRONIC CONTRACTING

- ❑ Uniform Electronic Transaction Act (UETA)
- ❑ Electronic Signatures in Global and National Commerce Act (E-Sign)



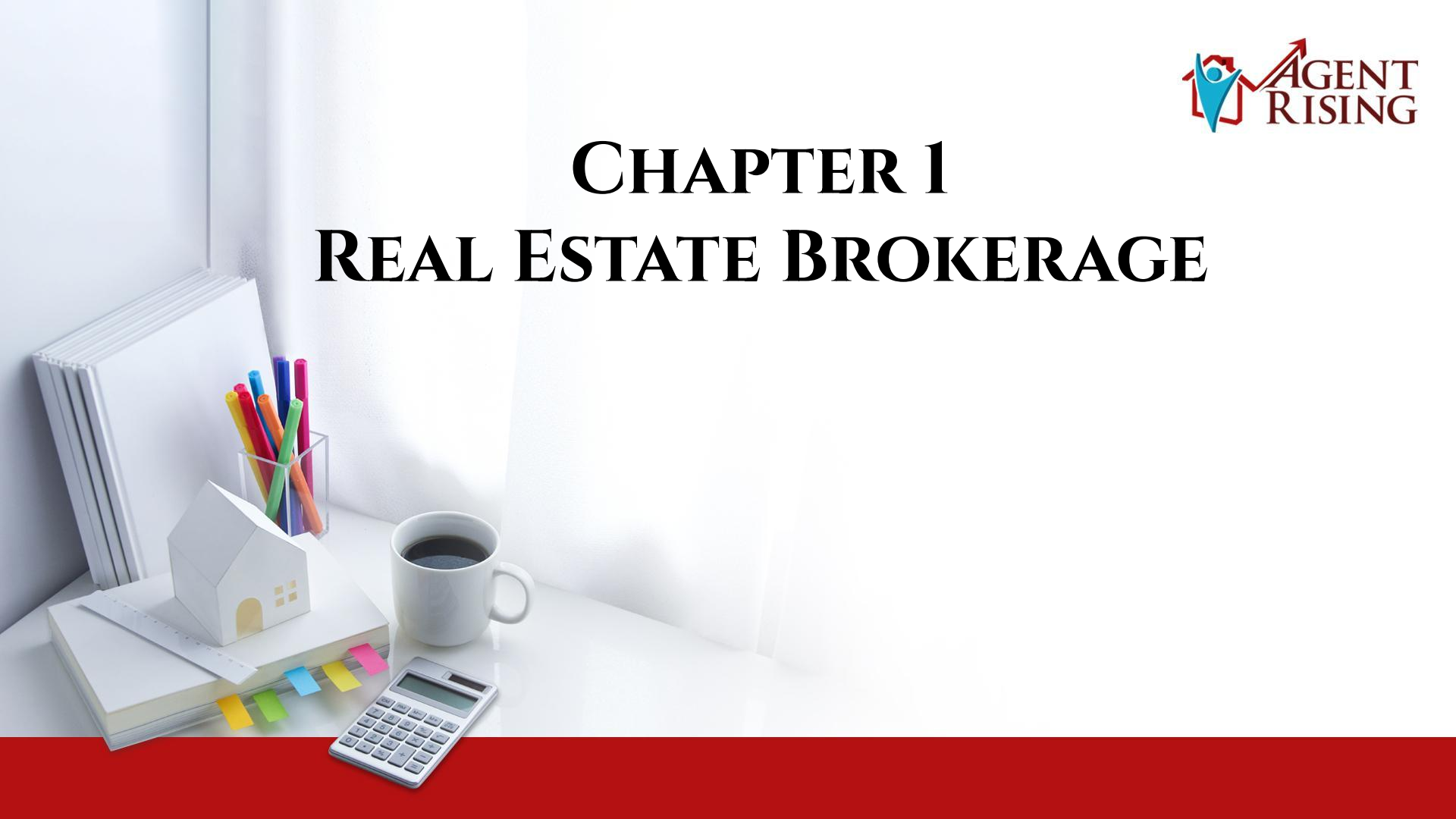
PROHIBITED COMMUNICATIONS

- ❑ National Do Not Call Registry
- ❑ Telephone Consumer Protection Act (TCPA)
- ❑ Junk Fax Prevention Act
- ❑ Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (CAN-SPAM Act)
- ❑ Children's Online Privacy Protection Act (COPPA)



CHAPTER 1

REAL ESTATE BROKERAGE





REAL ESTATE BROKERAGE

Massachusetts law distinguishes between two types of real estate professionals:

- ❑ Real estate brokers
- ❑ Real estate salespersons.





THE LAW OF AGENCY



- ❏ The law of agency defines the duties and responsibilities between the real estate agent and the consumer. This relationship between the principal, (buyer or seller) and the agent, results from a contract of employment.

THE LAW OF AGENCY

- ❑ When an agency relationship is created, the **principal** is called the **client**. Agents work for clients.



THE LAW OF AGENCY

- ❑ The **customer** is the **third party** for whom some level of service is provided. Agents work with customers.





CREATION OF AN AGENCY RELATIONSHIP

An agency relationship may be created in one of three ways:

- ❑ By written agreement





An agency relationship may be created in one of three ways:

- ❑ By oral agreement



An agency relationship may be created in one of three ways:

- ❑ By implications





CREATION OF AN AGENCY RELATIONSHIP

- ❑ Although Massachusetts does not require a listing agreement or a buyer agency agreement to be in writing, good business practices dictate the use of a signed listing/buyer contract.





FIDUCIARY DUTIES OF AN AGENT OLDCAR

❑ Obedience





FIDUCIARY DUTIES OF AN AGENT OLDCAR

❑ Loyalty





FIDUCIARY DUTIES OF AN AGENT OLDCAR

❑ Disclosure





Fiduciary Duties of an Agent OLDCAR

❑ Confidentiality





Fiduciary Duties of an Agent OLDCAR

☐ Accountability





Fiduciary Duties of an Agent OLDCAR

☐ Reasonable Care





Disclosure of Brokerage Relationship

The Massachusetts Licensee-Consumer Relationship Disclosure must be provided in the following circumstances:

- ❑ At the first personal meeting





Disclosure of Brokerage Relationship

The Massachusetts Licensee-Consumer Relationship Disclosure must be provided in the following circumstances:

- ❑ When dealing with a prospective buyer or seller





Disclosure of Brokerage Relationship

The Massachusetts Licensee-Consumer Relationship Disclosure must be provided in the following circumstances:

- ❑ When discussing a specific property





Disclosure of Brokerage Relationship

Tradition Agency Business Model





Disclosure of Brokerage Relationship

Designated Agency Business Model





Disclosure of Brokerage Relationship

Open House Disclosure Requirements





Types of Agency Relationships

❑ Seller's Agent





Types of Agency Relationships

❑ Buyers' Agent





Types of Agency Relationships

- ❑ Single Agency





Types of Agency Relationships

- ❑ Disclosed Dual Agency





Types of Agency Relationships

❑ Subagent





Types of Agency Relationships

❑ Facilitator/Non-agent





Types of Agency Relationships

- ❑ Designated Buyer's Or Seller's Agent





Agency Termination

- ❑ Expiration of agreement





Agency Termination

- ❑ Mutual agreement to terminate, or rescission





Agency Termination

- ❑ Completion of performance under agreement





Agency Termination

- ❑ Death or insanity of buyer's/
seller's agent or client principal





Agency Termination

- ❑ Impossibility of performance (e.g., destruction of property)





Agency Termination

- ❑ Incapacity (i.e., mentally incapable), or bankruptcy of either party





Agency Termination

- ❑ Breach by one of the parties, (in which case the breaching party might be liable for damages)





Compensation

A real estate broker works under a contractual agreement with his employer (seller and/or buyer). In Massachusetts, this agreement may be created in one of three ways:

- ❑ Orally





Compensation

☐ In writing





Compensation

- ❑ By implication, where the broker and the seller behave as if they have an agreement





Compensation

- ❑ A written agreement between the broker and the principal is not necessary to create an enforceable brokerage contract.





Compensation

- ❑ The statute of frauds requirement of a written agreement, applies to conveyances of property, but it does not apply to employment agreements, such as listing contracts.





Compensation

- ❑ Note, however, that an exclusive-right-to-sell listing agreement must be in writing to be enforceable in court. Brokers and salespersons are advised to always execute a written contract.





Tristram's Landing v. Wait

The Massachusetts Supreme Court in *Tristram's Landing v. Wait*, 367 Mass. 622, 327 N.E.2d 727 (1975), held that a broker is entitled to a commission, only when the following three conditions are met:





Tristram's Landing v. Wait

- ❑ The broker produces a purchaser, ready, willing, and able to buy, on the terms fixed by the owner.





Tristram's Landing v. Wait

- ❑ The purchaser enters into a binding contract with the owner to purchase the property.





Tristram's Landing v. Wait

- ❑ The purchaser completes the transaction, by closing the title in accordance with the provisions of the contract.





Tristram's Landing v. Wait

- ❑ Under a brokerage agreement, a real estate broker is entitled to a commission from the seller, only if these three requirements are met. This is called the Tristram's Landing rule.





Procuring Cause

- ❑ In some cases, a broker may claim a commission by showing that he was the **procuring cause** of a sale, even though the broker did not actually complete the terms of the employment agreement.





Procuring Cause

- ❑ Generally, the mere introduction of a potential buyer to a property, does not entitle the broker to a commission.





Procuring Cause

- ❑ The broker needs to demonstrate that he was the efficient, effective, or final cause or force, bringing about the actual sale.



Procuring Cause

- ❑ This requires that the agent has set into operation, a continuing and uninterrupted chain of events, resulting in the agreed objective of the parties: the sale.





Procuring Cause

- ❑ Introducing a seller to a prospective buyer, or interesting a customer in a property that she later buys, may satisfy that test.





Procuring Cause

- ❑ The broker's case is particularly strong, if the seller impedes, or precludes the broker, from negotiations or involvement in the sale.





Multiple Commissions

When one broker is the procuring cause and another broker succeeds in getting the seller and the buyer to sign the sales contract, the owner could end up having to pay more than one commission.





Attachment

- ❑ When a broker is entitled to a commission and the seller refuses to pay, a writ of attachment may be filed against the seller's property.



Attachment

- ❑ An attachment is a legal writ or proceeding, by which property is made subject to a lien, pending the outcome of a suit.





Consumer Protection Law

- ❑ In addition to the obligations placed on the broker by the fiduciary relationship, Massachusetts brokers must comply with the provisions of the Massachusetts Consumer Protection Act (MCPA; M.G.L. c. 93A).





Consumer Protection Law

- ❑ The purpose of the MCPA is to level the playing field between consumers and businesses in all areas, not just real estate.





Consumer Protection Law

- ❑ The MCPA outlaws unfair and deceptive acts or practices in the conduct of any trade or commerce, including advertising, offering for sale, rent, or lease; or selling, renting, leasing, or distributing any service or property, whether real or personal, tangible or intangible.





Consumer Protection Law (cont)

In addition to this broad statement of liability, the MCPA lists specific actions considered to be misrepresentations. These include, but are not limited to:





Consumer Protection Law (cont)

- ❑ making false claims about a product's construction, durability, safety, or strength





Consumer Protection Law (cont)

- ❑ making false claims concerning the ease with which a product can be repaired or maintained





Consumer Protection Law (cont)



- ❑ making false claims about financing terms or availability



Consumer Protection Law (cont)

- ❑ advertising that something has a quality, value, or usability that it does not have





Consumer Protection Law (cont)

- ❑ substituting different goods for those advertised (i.e., bait and switch)





Consumer Protection Law (cont)

- ❑ offering guarantees without disclosing the nature and extent of the guarantees.





Affirmative Disclosure

- ❑ Equally important under the MCPA, is the broker's duty to disclose all facts relating to the sale.





Affirmative Disclosure

- ❑ In the past, sellers and brokers were required, under common law, to disclose only defects they knew about, that could not be discovered in a normal inspection of the premises.





Affirmative Disclosure

- ❑ Now, however, it is illegal to fail to disclose to a buyer or prospective buyer, any fact that might influence the buyer or prospective buyer not to enter into the transaction, whether or not the buyer or prospective buyer requests the information.





Home Inspection Law

- ❑ Under the Home Inspection Law of Massachusetts (M.G.L. c. 112 § 87YY1/2), real estate agents are prohibited from making direct referrals.





Home Inspection Law

- ❑ Upon request, they may provide assistance to a buyer in accessing the information on licensed home inspectors, including providing a complete list of home inspectors, prepared by the Consumer Affairs Board.





Persons Affected by the Law

- ❑ The MCPA (93A) applies to all listing, selling, and cooperating brokers, and all salespersons affiliated with these brokers, as either employees, or independent contractors.





Persons Affected by the Law

- ❑ Sellers, developers, and builders, also come under the act's authority. However, the law does not apply to owners who sell their homes privately.



Enforcement

- ❑ The attorney general of Massachusetts has the power to issue rules and regulations for interpreting and enforcing the act.



Enforcement

- ❑ Although the attorney general may intervene, whenever a violation occurs, usually this only happens when a violation involves a large number of consumers.



Enforcement

- ❑ Individuals who have sustained losses as a result of unfair or deceptive practices, may bring a lawsuit themselves





Enforcement

- ❑ 30-Day Demand Letter





30 Day Demand Letter

- ❑ A consumer must first give the alleged violator, 30 days written notice of the claim, describing the unfair practice and the resulting loss, so that the accused can investigate the claim and offer to settle it out of court.



Enforcement

- ❑ Damages
 - ❑ If the consumer rejects the offer, and a court finds that it was indeed reasonable, the consumer may recover no more than the amount of the offer.





Recommendations

- ❑ If the broker knows of a problem or discovers one during an inspection, he must disclose that information to the buyer or prospective buyer, identify its source, and state whether or not he has verified it.





Recommendations

- ❑ When the broker makes any sort of claim or representation, he should disclose both the source, and whether or not he has made an attempt to personally verify that information.





Recommendations

- ❑ The broker cannot be held responsible for the truthfulness of the claims, if he has not tried to verify them.





Recommendations

- ❑ However, if the broker has tried to verify the claims, or received information that could be used for verification, he must say so.





Recommendations

- ❑ The broker is not required to conduct any investigation of property that is beyond his level of competence.





Sex Offender Law

- ❑ Any people over the age of 18 may request sex offender information from their local police department, or by writing to the Sex Offender Registry Board, provided they are seeking it for their own protection; that of a child under the age of 18; or another person for whom the person requesting the information has responsibility, care, or custody.





Sex Offender Law

Information is available only if the offender has a duty to register, and has been classified by the Board as a Level 2 or a Level 3 offender:

- ❑ A low-risk offender is classified as Level 1.
- ❑ A moderate-risk offender is classified as Level 2.
- ❑ A high-risk offender is classified as Level 3.





Massachusetts Privacy and Security Laws

Any person who receives, stores, maintains, or processes (or has access to), personal information on a resident of Massachusetts in connection with providing services, goods, or employment, must have a Written Information Security Program (WISP) in place to protect any personal information collected (201 CMR 17.00) (M.G.L. c. 93H).





Personal Information

The regulation defines personal information as “a resident’s first name and last name, or first initial and last name, in combination with any 1 or more of the following data elements, that relate to such resident:





Personal Information

- ❑ Social Security number





Personal Information

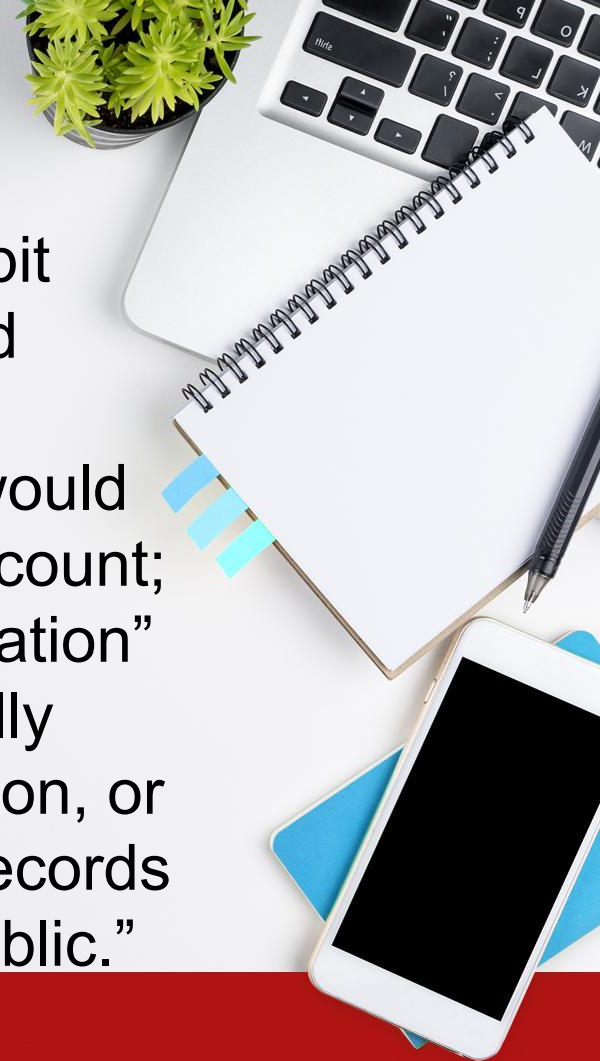
- ❑ driver's license number or state-issued identification card number





Personal Information

- ❑ financial account number, or credit or debit card number, with or without any required security code, access code, personal identification number or password, that would permit access to a resident's financial account; provided, however, that "Personal information" shall not include information that is lawfully obtained from publicly available information, or from federal, state or local government records lawfully made available to the general public."





Breach of Information

In addition, M.G.L. c. 93H requires that any person or business that knows or has reason to know of a breach in security, must file a written notice with the attorney general and the director of the Office of Consumer Affairs.





Breach of Information

The notice must contain “the nature of the breach of security or unauthorized acquisition or use, the number of residents of the commonwealth affected by such incident at the time of notification, and any steps the person or agency has taken or plans to take relating to the incident.”





Breach of Information

In accordance with Section 4 of Chapter 93A, a violation of M.G.L. c. 93H allows the attorney general to bring an action against a person or business, to cure any violation of this chapter, and for any other relief that may be appropriate.





Breach of Information

The Office of Consumer Affairs and Business Regulation has provided several documents to assist businesses in their efforts to comply with the regulation:





Breach of Information

- ❏ Frequently Asked Questions:
www.mass.gov/ocabr/docs/idtheft/201cmr17faqs.pdf





Breach of Information

- ❑ 201 CMR 17.00:
[www.mass.gov/ocabr/docs/idtheft/
201cmr1700reg.pdf](http://www.mass.gov/ocabr/docs/idtheft/201cmr1700reg.pdf)





Breach of Information

- ❑ A Small Business Guide:
Formulating a Comprehensive
Written Information Security
Program:

[www.mass.gov/ocabr/docs/idtheft/
sec-plan-smallbiz-guide.pdf](http://www.mass.gov/ocabr/docs/idtheft/sec-plan-smallbiz-guide.pdf)





Breach of Information

- ❏ Compliance Checklist:
www.mass.gov/ocabr/docs/idtheft/compliance-checklist.pdf



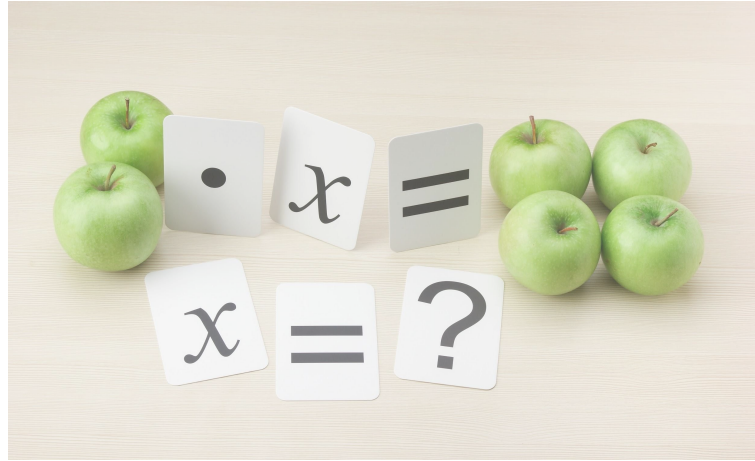


Breach of Information

- ❑ Requirement for Security Breach Notification under M.G.L. c. 93H:
<https://malegislature.gov/Laws/GeneralLaws/PartI/TitleXV/Chapter93h/Section1>



MATH BASICS



... Yard by yard, it's too hard!



Chapter 1



Rounding Numbers

When rounding you must first identify the place you are rounding to (etc: dollar, hundred, or thousand)

Then if the number in that place holder is

<5 round down

>5 round up



Rounding Numbers: Example

1. Round to the nearest dollar

\$37.25

2. Round to the nearest hundred dollars

\$456.76

3. Round to the nearest thousand dollars

\$7833.56

4. Round to the nearest 500,000 dollars

\$675,934.12



Rounding Numbers: Answers

1. Round to the nearest dollar

$$\text{\$}37.25 = \text{\$}37.00$$

2. Round to the nearest hundred dollars

$$\text{\$}456.76 = \text{\$}500.00$$

3. Round to the nearest thousand dollars

$$\text{\$}7833.56 = \text{\$}8,000.00$$

4. Round to the nearest 100,000 dollars

$$\text{\$}675,934.12 = \text{\$}700,000.00$$



Chapter 2



Fractions, Decimals, and Percents

When adding and subtracting fractions the denominator (bottom number) must be the same ex: $\frac{3}{8} + \frac{7}{8} = \frac{10}{8}$

If they don't you must find it using a common denominator

$$\text{Ex: } \frac{2}{3} + \frac{5}{9} = \frac{6}{9} + \frac{5}{9} = \frac{11}{9}$$

When multiplying the denominators do not need to be the same, you multiply the numerators and then denominators to get your new answer ex: $\frac{1}{6} \times \frac{3}{4} = \frac{3}{24}$

Fractions, Decimals, and Percents cont.

To find the decimal of a fraction you divide the denominator by the numerator

$$\text{Ex: } \frac{3}{4} \rightarrow 0.75$$

To find the percent, you must convert a decimal

To do this move the decimal place over two spots to the right



Fractions, Decimals, and Percents Examples

Add the two fractions $7/8 + 1/2 =$

Multiply the two fractions $6/7 \times 2/4 =$

Convert the fraction to a decimal $5/8 =$

Convert the decimal to a percent $.347 =$



Fractions, Decimals, and Percents answers

Add the two fractions $7/8 + 1/2 = 7/8 + 4/8 = \mathbf{11/8}$

Multiply the two fractions $6/7 \times 2/4 = \mathbf{12/28}$
simplify $\mathbf{3/7}$

Convert the fraction to a decimal $5/8 = \mathbf{0.625}$

Convert the decimal to a percent $.347 = \mathbf{34.7\%}$



Related example

A lot costs \$40,000 and sells for \$48,000.
What is the percentage for profit?



Related example answer

A lot costs \$40,000 and sells for \$48,000. What is the percentage for profit?

$$48,000 - 40,000 = 8,000$$
$$= 1.2$$

$$48,000/40,000$$

$$8,000/40,000 = .2$$

$$1.2 - 1 = 0.2$$

20% Profit

20% Profit



Related Example

A commercial lot sells for \$60,000 making a 25% profit. What was the cost for the lot?



Related Example Answer

A commercial lot sells for \$60,000 making a 25% profit. What was the cost for the lot?

$$100\% + 25\% = \$60,000$$

$$125\% = \$60,000$$

$$\$60,000 / 1.25 = \$48,000$$



Chapter 3



Using percent in real estate

Realtors use percents to find commission, profits, losses, and many other daily problems.

As we have previously gone over, here are percentage basics

$$25\% = 0.25$$

$$0.75 = 75\%$$

$$1/2 = 1 \div 2 = 0.5$$



related example

A broker's listing agreement specifies that 7% commission is paid on the sale price. A sales associate for the firm lists and sells the property and is to receive 55% of the total commission. How much will the sales associate earn after selling the property for \$262,000?



Related example answer

A broker's listing agreement specifies that 7% commission is paid on the sale price. A sales associate for the firm lists and sells the property and is to receive 55% of the total commission. How much will the sales associate earn after selling the property for \$262,000?

Sales Commission: $\$262,000 \times 0.07 = \$18,340$

Sale's Associate Commission: $\$18,340 \times 0.55 =$
 $\$10,087$



Related Example

Your competitor sold a house for \$89,800. The seller said that he paid a sale commission of \$4,041. What sale commission rate did your competitor charge?



Related Example Answer

Your competitor sold a house for **\$89,800**.
The seller said that he paid a sale commission
of **\$4,041**. What sale commission rate did your
competitor charge?

$$\$4,041 / \$89,800 = 0.045$$

$$0.045 \rightarrow 4.5\%$$



Related Example

A client is considering the purchase of a commercial property for \$1,522,500 cash. She will not buy unless a reasonable probability exists that the property will produce a 16% first-year net return on investment. How much net income must the property produce in the first year to qualify for the purchase?



Related Example answer

A client is considering the purchase of a commercial property for **\$1,522,500** cash. She will not buy unless a reasonable probability exists that the property will produce a **16% first-year net return on investment**. How much net income must the property produce in the first year to qualify for the purchase?


$$\text{\$1,522,500} \times 0.16 = \text{\$243,600}$$

Related example

The monthly interest is \$70 on a 6% APR loan. What is the loan amount?



Related example answer

The monthly interest is \$70 on a 6% loan.
What is the loan amount?

\$70 single month interest x 12 months = \$840
int. for 1 year

$\$840 \div 0.06 = \$14,000$ loan



Related example

You borrow 80% of the value of a property at an annual interest rate of 6%. The first monthly payment of \$423.49 includes \$400 of interest. What is the value of the property.



Related example answer

You borrow 80% of the value of a property at an annual interest rate of 6%. The first monthly payment of \$423.49 includes \$400 of interest. What is the value of the property.

$\$400 \text{ monthly interest} \times 12 \text{ months} = \$4,800$
int. for 1 year

$\$4,800 \div 0.06 \text{ rate} = \$80,000 \text{ loan amount}$

$\$80,000 \text{ loan} \div 0.80 = \$100,000$





Related example

The seller wants to clear \$100,000. Seller closing costs are estimated at \$3,000. The broker charges a 5% commission. What must the property sell for

(Hint add closing costs before finding commission)



Related example answer

The **seller wants to clear \$100,000**. Seller **closing costs are estimated at \$3,000**. The **broker charges a %5 commission**. What must the property sell for?

(Hint add closing costs before finding commission)

$$\$100,000 + \$3,000 = \$103,000$$

100% value - 5% commission = 95 % owner's gains

$$\$103,000 \div 0.95 = \$108,421.05 \text{ value}$$

Chapter 4



Legal descriptions and area problems

Area- the amount of surface contained within a described boundary, stated in square units, such as square feet

Base- the side of a geometric figure on which the figure should rest

Height- the perpendicular distance from a geometric figure to the highest point

Area = Base x Height

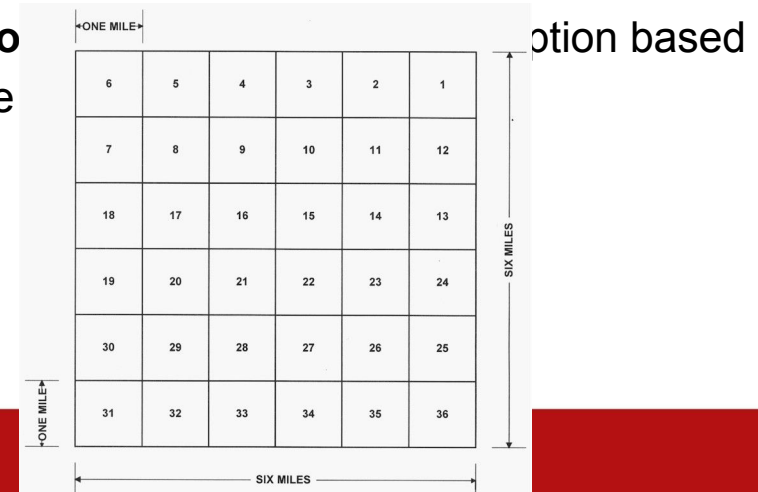
****Know how many sq. feet in acre (43,560). How many feet in a mile (5,280)****

Legal descriptions and area problems

Lot and Block: a method of legal description that identifies lots within a recorded subdivision plat map

Metes and Bounds: A method of legal description used to describe regular and irregular shaped parcels

Government survey method
system of base



MEASUREMENTS TO KNOW

LINEAR MEASURE

12 INCHES = 1 FOOT

3 FEET = 1 YARD

5,280 FEET = 1 MILE

AREA MEASURE

1 FOOT X 1 FOOT = 1 SQUARE
FOOT

43,560 SQUARE FEET = 1 ACRE

1 MILE X 1 MILE = 1 SQUARE MILE
= 640 ACRES

1 SECTION = 640 ACRES

36 SECTIONS (6 MILES X 6 MILES)
= 1 TOWNSHIP



Chapter 5



MORTGAGE MATH

AMORTIZED MORTGAGE: PERIODIC PAYMENTS COVER BOTH INTEREST ON THE OUTSTANDING BALANCE AND A PARTIAL REPAYMENT OF PRINCIPAL

ASSUMPTION MORTGAGE: THE TAKING OVER OF AN EXISTING MORTGAGE BY A BUYER



MORTGAGE MATH

DOC STAMP TAX NOTES: TAX REQUIRED
ON PROMISSORY NOTES

INTANGIBLE TAX: REQUIRED PRIOR TO
RECORDING NEW MORTGAGE

INTEREST: COST OF USING SOMEONE
ELSE'S MONEY



MORTGAGE MATH

MORTGAGE: A WRITTEN AGREEMENT THAT
PLEDGES REAL PROPERTY AS SECURITY FOR
PAYMENT OF A DEBT

PRINCIPAL: THE AMOUNT OF MONEY BORROWED

RATE OF INTEREST: THE ANNUAL PERCENT THAT
MUST BE PAID TO USE THE MONEY

TIME: THE TERM OR DURATION A BORROWER HAS
USE OF MONEY EXPRESSED IN YEARS (OR
PART OF A YEAR)



CALCULATIONS

WHEN THREE ELEMENTS IN A
MORTGAGE PROBLEM ARE KNOWN, THE
FOURTH CAN ALWAYS BE CALCULATED

$$I = P \times R \times T$$

$$P = I / (R \times T)$$

$$R = I / (P \times T)$$

$$T = I / (P \times R)$$



EXAMPLE

WHAT IS THE INTEREST ON \$10,000
AT 8% PER YEAR FOR 1 YEAR?



EXAMPLE

WHAT IS THE INTEREST ON \$10,000 AT 8%
PER YEAR FOR 1 YEAR?

INTEREST= PRINCIPAL x RATE x TIME

$$= 10,000 \times 8\% \times 1 \text{ YEAR}$$

$$= 10,000 \times .08 \times 1$$

$$= \$800$$



DIFFERENCES IN TIME

IF THE AMOUNT OF TIME IS NOT 1yr, WE HAVE TO EXPRESS IT IN TERMS OF YEARS

Chart

2 YEARS = 2

1 YEAR = 1

18 MONTHS = 1.5

9 MONTHS = 0.75

6 MONTHS = 0.5

3 MONTHS = 0.25

1 MONTH = 0.0833



EXAMPLE

WHAT IS THE PRINCIPAL AMOUNT
BORROWED IF A 9% RATE OF INTEREST
RESULTS IN PAYMENT OF \$135 INTEREST
FOR A PERIOD OF 6 MONTHS?



EXAMPLE

WHAT IS THE PRINCIPAL AMOUNT
BORROWED IS A 9% RATE OF INTEREST
RESULTS IN PAYMENT OF \$135 INTEREST
FOR A PERIOD OF 6 MONTHS?

$$P = I / (R \times T)$$

$$= 135 / (9\% \times 6 \text{ MONTHS})$$

$$= 135 / (0.09 \times 0.5)$$

$$= 135 / 0.045$$



AMOUNT OF DOWN PAYMENT

**SELLING PRICE x % REQUIRED DOWN =
DOWN PAYMENT**

EXAMPLE: WHAT IS THE DOWN PAYMENT
FOR A HOME APPRAISED AT \$84,000 AND
REQUIRING A 20% DOWN PAYMENT?

84,000 x 0.20

= \$16,800 DOWN PAYMENT



EXAMPLE

YOU ARE A BROKER AND HAVE PLACED IN ESCROW A 10% EARNEST MONEY DEPOSIT ON THE APPRAISED VALUE OF A HOUSE. A MORTGAGE COMPANY HAS AGREED TO LEND THE BUYER \$58,800, WHICH IS 80% OF THE APPRAISED VALUE OF THE PROPERTY. HOW MUCH EARNEST MONEY DO YOU HAVE IN ESCROW?



ANSWER

YOU ARE A BROKER AND HAVE PLACED IN ESCROW A 10% EARNEST MONEY DEPOSIT ON THE APPRAISED VALUE OF A HOUSE. A MORTGAGE COMPANY HAS AGREED TO LEND THE BUYER \$58,800, WHICH IS 80% OF THE APPRAISED VALUE OF THE PROPERTY. HOW MUCH EARNEST MONEY DO YOU HAVE IN ESCROW?



$$\$58,800 \text{ (TOTAL)} \div 0.80 \text{ (RATE)} = 73,500$$

EXAMPLE

A BUYER HAS MADE AN EARNEST MONEY DEPOSIT OF \$5,000 ON A HOME SELLING FOR \$79,500. A BANK HAS AGREED TO LEND THE BUYER 75% OF THE SALE PRICE. HOW MUCH ADDITIONAL CASH MUST THE BUYER FURNISH TO COMPLETE THE REQUIRED DOWN PAYMENT?



EXAMPLE

A BUYER HAS MADE AN EARNEST MONEY DEPOSIT OF \$5,000 ON A HOME SELLING FOR \$79,500. A BANK HAS AGREED TO LEND THE BUYER 75% OF THE SALE PRICE. HOW MUCH ADDITIONAL CASH MUST THE BUYER FURNISH TO COMPLETE THE REQUIRED DOWN PAYMENT?

$\$79,500 \text{ SALE PRICE} \times 0.75 = 59,625 \text{ LOAN AMOUNT}$

$79,500 - 59,625 = 19,875 \text{ DOWN PAYMENT}$

$19,875 - 5,000 \text{ EARNEST MONEY} = 14,875$



DISCOUNT POINTS

THE BORROWER IS CHARGED AN UPFRONT FEE TO INCREASE THE ACTUAL YIELD TO THE LENDER WITHOUT SHOWING AN INCREASE IN THE INTEREST RATE ON THE MORTGAGE. THE AMOUNT CHARGED FOR THE DISCOUNT POINTS IS BASED ON THE LOAN AMOUNT.



RULE OF THUMB 1 DISCOUNT POINT WILL

EXAMPLE

DIFFERENCE IN RATES:

CURRENT MARKET RATE - STATED
(CONTRACT) INTEREST RATE

$$8\frac{1}{4}\% - 7\frac{1}{2}\% = \frac{3}{4}\% \text{ DIFFERENCE}$$

CONVERT TO EIGHTHS OF PERCENT

$$\frac{3}{4}\% = \frac{6}{8}\%$$

CONVERT TO DISCOUNT POINTS



CALCULATE COST OF DISCOUNT POINTS CHARGED

CONVERT DISCOUNT POINTS TO
DISCOUNT RATE

$$6 \text{ POINTS} \times 1\% \text{ PER POINT} = 6\%$$

CALCULATE THE AMOUNT OF DISCOUNT

$$\text{TOTAL LOAN AMOUNT} \times \text{DISCOUNT RATE} \\ = \text{AMOUNT OF DISCOUNT}$$

$$60,000 \text{ (LOAN)} \times 0.06 = \$3,600 \text{ COST OF DISCOUNT}$$



EXAMPLE

A BANK HAS AGREED TO LEND \$87,900 AT 6½% INTEREST FOR 30 YEARS. THE BORROWER IS CHARGED 2 DISCOUNT POINTS. HOW MUCH WILL THE BORROWER BE REQUIRED TO PAY FOR THE DISCOUNT POINTS?



EXAMPLE

A BANK HAS AGREED TO LEND \$87,900 AT 6½% INTEREST FOR 30 YEARS. THE BORROWER IS CHARGED 2 DISCOUNT POINTS. HOW MUCH WILL THE BORROWER BE REQUIRED TO PAY FOR THE DISCOUNT POINTS?

$$\$87,900 \text{ LOAN AMOUNT} \times 0.02 = \$1,758$$



Chapter 6



REAL ESTATE TAXES

AD VALOREM TAX: A TAX BASED ON THE VALUE OF THE ITEM BEING TAXED

ASSESSED VALUATION: THE VALUE ESTABLISHED FOR PROPERTY TAX PURPOSES

HOMESTEAD EXEMPTION: A REDUCTION IN THE ASSESSED VALUE ALLOWED FOR ONE'S PRINCIPAL RESIDENCE



REAL ESTATE TAXES

MILL: ONE ONE-THOUSANDTH OF A DOLLAR AND ONE TENTH OF A CENT;
USED IN EXPRESSING TAX RATES ON A PER-DOLLAR BASIS



MILL EXAMPLE

CONVERT MILLS TO DECIMALS

$$1 \text{ MILL} = 0.001$$

$$10 \text{ MILLS} = 0.010$$

$$100 \text{ MILLS} = 0.100$$



MILLS

CONVERT DECIMALS TO MILLS

0.016589

0.003014

0.03554



MILLS

CONVERT DECIMALS TO MILLS

$0.016589 = 16.589 \text{ MILLS}$

$0.003014 = 3.014 \text{ MILLS}$

$0.03554 = 35.54 \text{ MILLS}$



Depreciation

Building reproduction cost new - accrued depreciation + land value = property value

Effective age / total economic life = age life accrued depreciation



Question

The city tax rate is 9 mills, the county rate is 8.5 mills, the school board rate is 6 mills. the property is homestead. the assessed value is \$285,000.

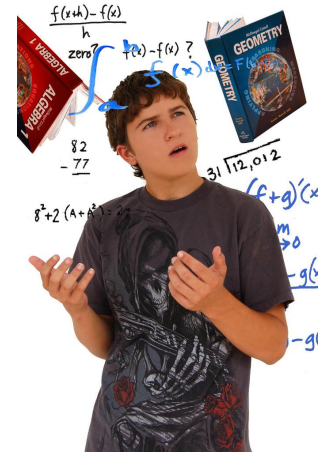
total millage = $9 + 8.5 + 6 = 23.5$ mills or 0.0235

taxable value $285,000 - 25,000 = 260,000$



Questions

Solve at your own risk!



other 10 percent. A sales associate sold 60 acres of land at \$900 per acre with a gross sale commission of 10 percent of the sale price. What is the broker's commission?

- a) \$1,800 b) 2700 c) \$4,500 d) \$4,700



How to do it: $50 \text{ acres} \times \$900 \text{ per acre} = \$45,000$
total sale price; $\$45,000 \text{ sale price} \times .10$
commission = $\$4,500$ total commission; $\$4,500 \times$
.60 broker's share = $\$2,700$ broker's commission



A broker earned a \$8,120 commission for selling a residential lot at \$52,000. What was the sale commission rate?

- a) .06
- b) .08
- c) .60
- d) 16.67



a) .06 or 6 percent

How to do it: \$3,120 commission ÷
\$52,000 sale price = .06 rate or 6
percent



What is the annual premium for an insurance policy in the amount of \$25,000 if the cost is \$.60 per \$100?

- a) \$15 b) \$150 c) \$416 d) \$500



b) \$150

How to do it: $\$.60 \div \$100 = .006$ premium rate;
 $.006 \times \$25,000$ policy = \$150 premium



perimeter of 380 feet and a sale price of \$4,500. She has allowed 126,720 square feet for required streets, sidewalks, and recreational facilities. How many salable lots are there?

- a) 14 b) 59 c) 45 d) 116



How to do it. 43,560 square feet per acre ×
12 acres = 522,720 total square feet –
126,720 square feet for streets, sidewalks,
etc. = 396,000 available square feet; 80
feet × 110 feet = 8,800 square feet per lot;
396,000 available square feet ÷ 8,800 = 45
lots



principal and interest is \$264.60. If his annual property taxes are \$780 and his homeowner's insurance premium is \$198, what is his total monthly payment, including taxes and insurance?

- a) \$329.60 b) \$346.10 c) \$379.10 d) \$527.60



How to do it: $\$780 \div 12 \text{ months} = \65.00 taxes
per month; $\$198 \text{ per year} \div 12 \text{ months} =$
 $\$16.50$; $\$264.60$ principal and interest payment
 $+ \$65.00 + \$16.50 = \$346.10$



An investor is considering the purchase of a duplex for \$215,500 cash. She wants an investment that will produce a first-year 12 percent net return on investment. How much net income must the duplex generate during the first year to produce this investor's required return on investment?

- a) \$9,625 b) \$11,550 c) \$12,500 d) \$25,860



d) \$25,860

How to do it: $.12 \text{ net return} \times \$215,500 \text{ purchase price} = \$25,860 \text{ net income}$



You have sold a residential property for \$98,500. Your employment contract specifies that you receive 55 percent of the total sale commission for properties you sell. If the rate of commission is 8 percent, what amount will you receive?

- a) \$3,546 b) \$3,940 c) \$4,334 d) \$7,880



How to do it: $\$98,500 \text{ sale price} \times .08$
commission rate = $\$7,880 \text{ total commission}$;
 $\$7,880 \text{ total commission} \times .55 \text{ sales}$
associate's share = $\$4,334 \text{ commission due}$
sales associate



You sell a home for a client and the client receives \$32,800 in cash after she pays off her mortgage. The mortgage payoff amount was \$80,000. The client paid six percent in commissions. What did you sell the house for?

- a. \$112,800 b. \$120,000 c. \$126,000
d. \$127,200



B. \$120,000

112,800

.94



A buyer has made an earnest money deposit of \$7,000 on a home selling for \$139,900. A bank has agreed to lend the buyer 80 percent of the sale price. How much additional cash must the buyer furnish to pay the total required down payment?

- a) \$7,000 b) \$11,920 c) \$20,980 d) \$27,980



c) \$20,980

How to do it: \$139,900 sale price \times .80 = \$111,920

loan; \$139,900 sale price $-$ \$111,920 loan = \$27,980

down payment; \$27,980 $-$ \$7,000 earnest money

deposit = \$20,980



Mr. Jones borrowed \$85,000 at 7.5 percent interest per year and paid a total of \$3,187.50 in interest.

How long was the term of this loan?

- a) 2 months b) 3 months c) 4 months d) 6 months



d) Six months

How to do it: \$85,000 loan \times .075 interest rate
= \$6,375 interest per year; \$6,375 interest \div
12 months = \$531.25 per month; \$3,187.50 \div
\$531.25 = 6 months



A seller received \$52,000 from the sale of his home. He paid \$2,500 in settlement costs in addition to an 8 percent commission. What is the selling price of the home? (Round to the nearest dollar.)

- a) \$54,500 b) \$56,522 c) \$58,860 d) \$59,239



d) \$59,239

How to do it: \$52,000 sale proceeds + \$2,500
settlement costs = \$54,500; $\$54,500 \div .92 =$
\$59,239.13 or \$59,239 sale price



institution is 75 percent. If a buyer wishes to acquire a property selling for \$129,500, what will her down payment need to be?

- a) \$1,727 b) \$5,180 c) \$32,375 d) \$97,125



c. \$32,375

How to do it: $\$129,500 \text{ sale price} \times .75 \text{ LTV} =$
 $\$97,125 \text{ loan}; \$129,500 \text{ sale price} - \$97,125$
 $\text{loan} = \$32,375 \text{ down payment}$



A property has an assessed value of \$125,500.
What is the property tax based on a rate of 25
mills?

- a) \$313.75 b) \$3,125 c) \$3,137.50 d) \$3,150



c) \$3,137.50

How to do it: $\$125,500 \times .025$ property tax rate =
\$3,137.50



The city is proposing to pave the streets in your neighborhood at a cost of \$40 per foot of frontage. The city will absorb 25 percent of the cost. Your lot has frontage on the street of 130 feet. Assuming there are homes on both sides of the street, what is the amount of your paving assessment?

- a) \$1,950 b) \$2,600 c) \$3,900 d) \$5,200



a) \$1,950

How to do it: $\$40.00 \times .75$ homeowner's share
= $\$30.00$ homeowner's cost per foot of
frontage; $\$30.00 \times 130$ feet of footage =
 $\$3,900 \div 2 = \$1,950$



The $N\frac{1}{2}$ of the $NE\frac{1}{4}$ of the $SW\frac{1}{4}$ and the $S\frac{1}{2}$ of the $SE\frac{1}{4}$ of a section contains how many acres?

- a) 2.5 b) 20 c) 80 d) 100



d) 100

How to do it: $640 \text{ acres} \div 4 \div 2 = 80 \text{ acres}$;

$640 \text{ acres} \div 4 \div 4 \div 2 = 20 \text{ acres}$; $80 + 20 =$

100 acres



September 10. The seller collected rent for September on the first of the month amounting to \$950. According to the sale contract, the buyer is due the rental income for the day of closing. What is the proration?

- a) \$285 debit to seller, \$285 credit to buyer
- b) \$633.33 credit to seller, \$633.33 debit to buyer
- c) \$665 debit to seller, \$665 credit to buyer
- d) \$665 credit to seller, \$665 debit to buyer



c) \$665 debit to seller, \$665 credit to buyer

How to do it: $\$950 \div 30 \text{ days} = \$31.666667/\text{day}$;

$\$31.666667 \times 21 \text{ days} = \665.00 ; Seller has

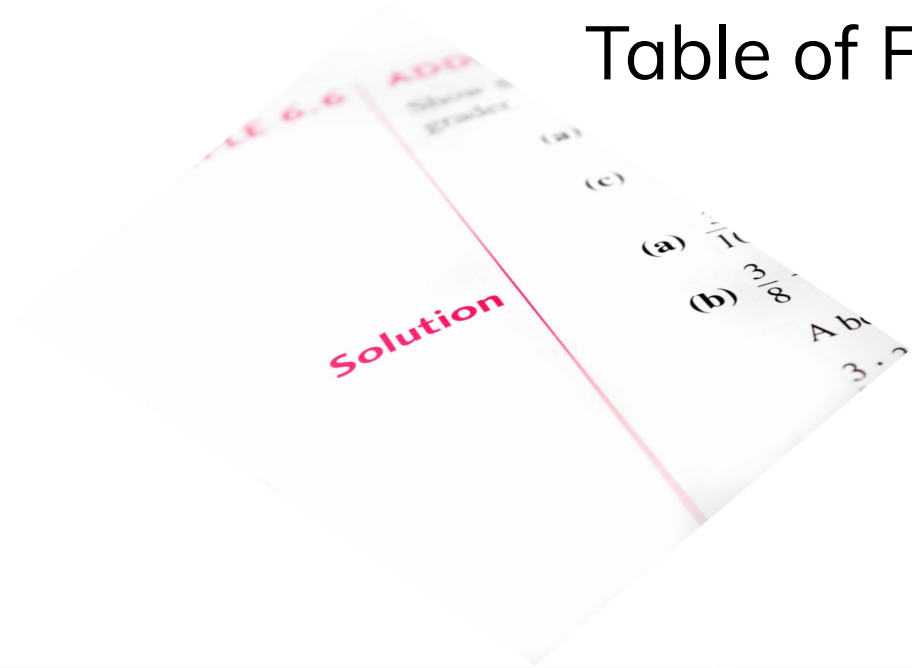
collected the rent in advance; Seller owes buyer;

Debit seller and credit buyer



MATH FORMULAS

Table of Formula Aids

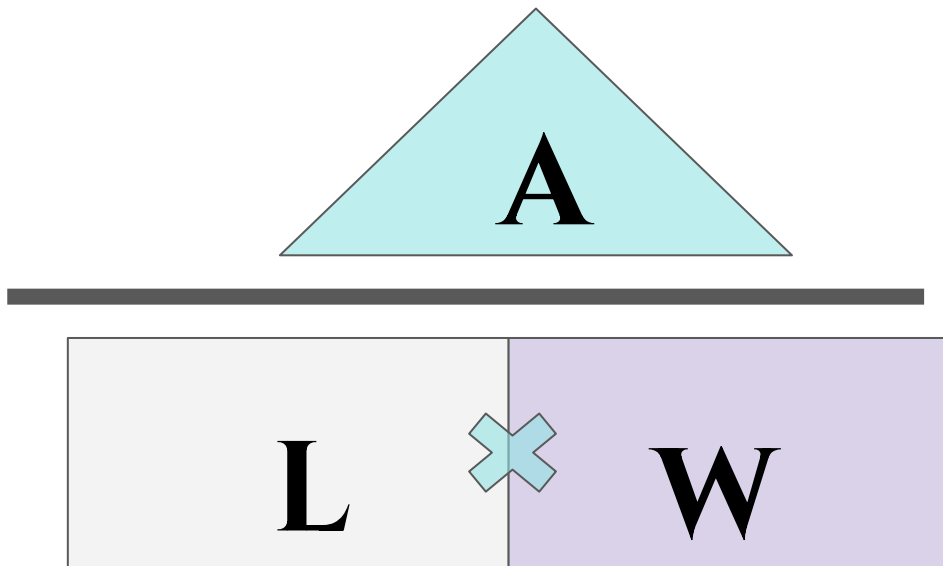


TIPS TO SOLVE

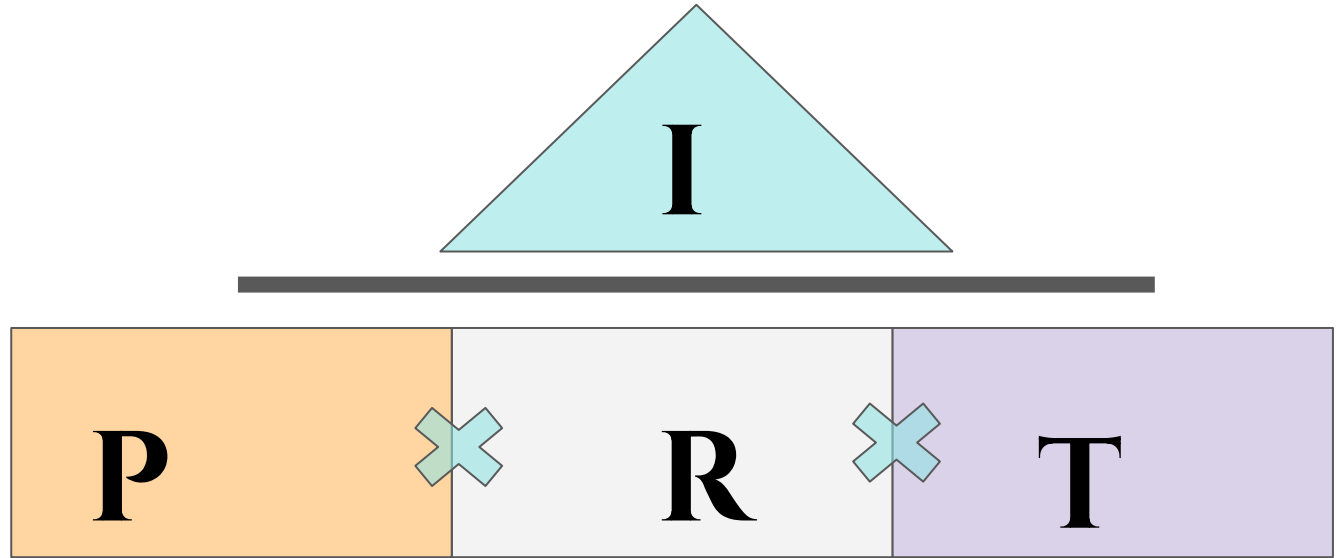
- ❑ Cover the item you are solving for
 - ❑ (The one you do not have!)
- ❑ Put the one you are solving for alone on one side alone
 - ❑ What is left is on the other!



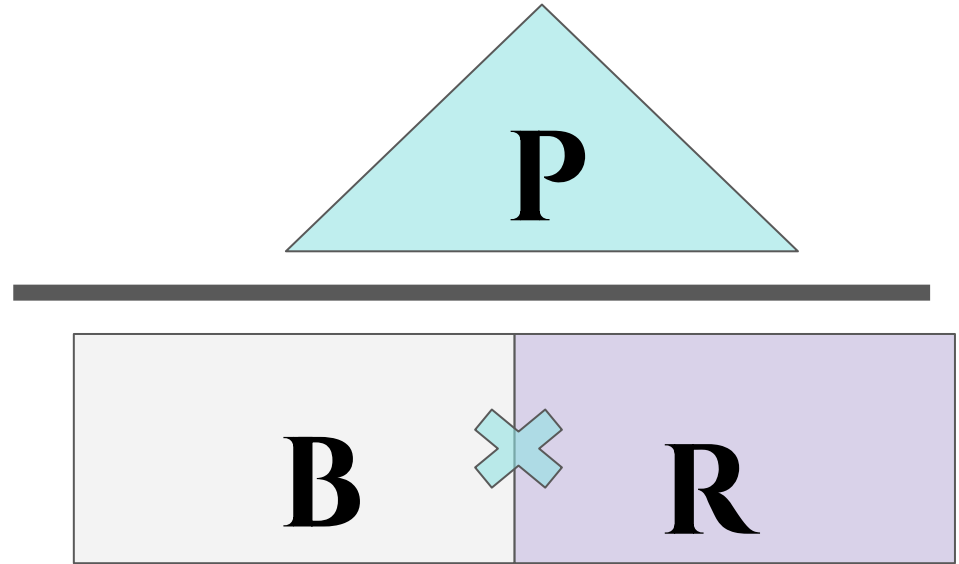
LENGTH X WIDTH = AREA



PRINCIPAL X RATE X TIME = INTEREST

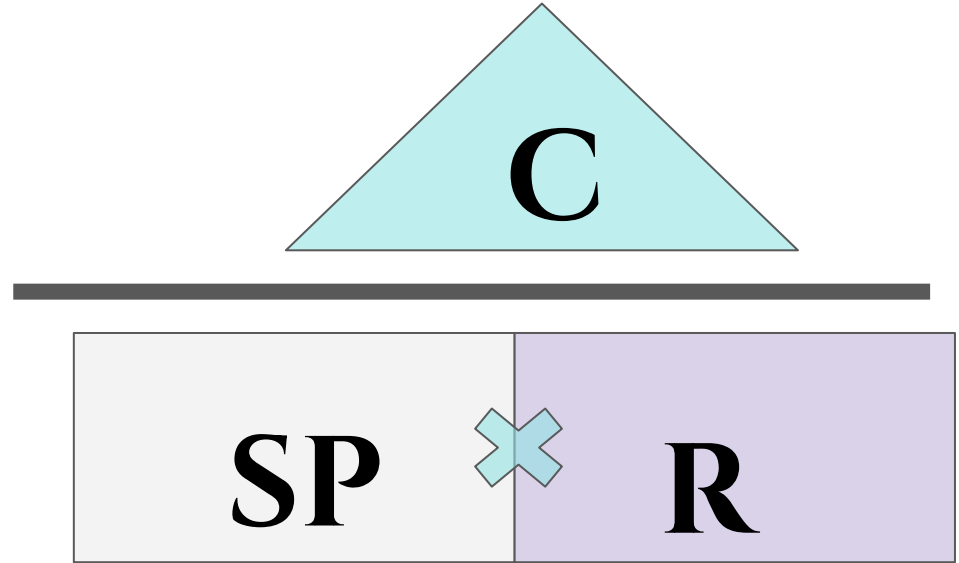


BASE X RATE = PRICE

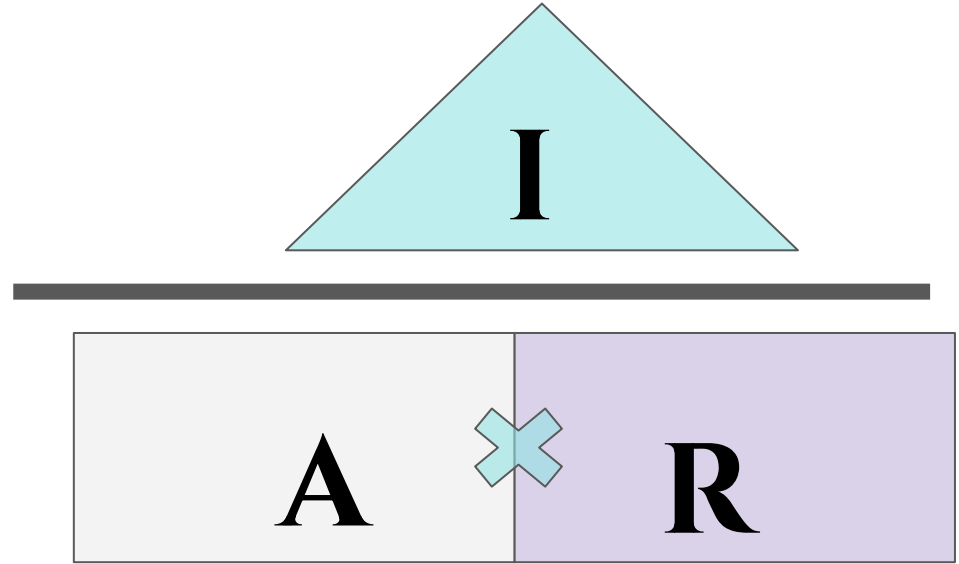


***NOTE: THESE (*) FORMULAS ARE
VARIATIONS OF THE BASIC FORMULA
 $B \times R = P$**

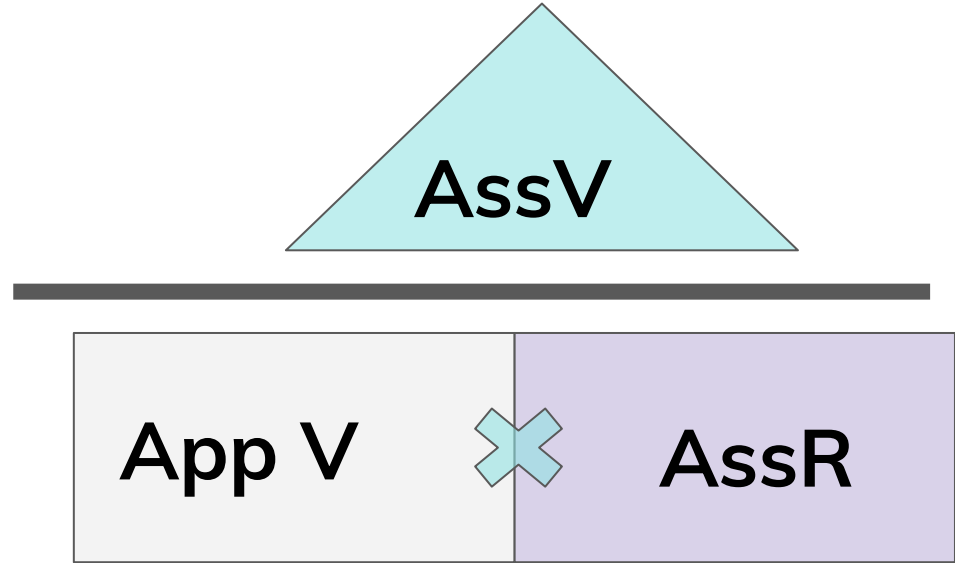
***SELL PRICE X RATE = COMMISSION**



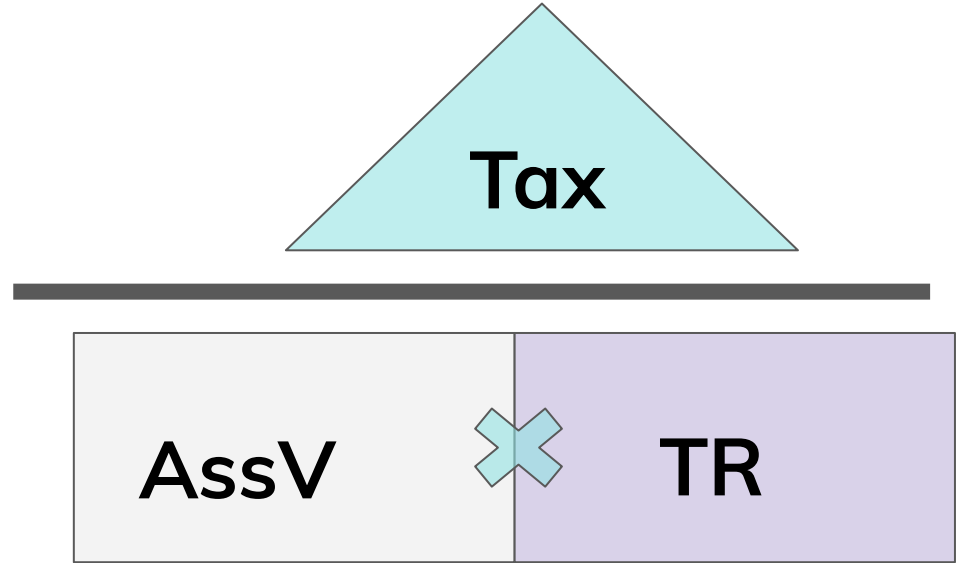
***AMOUNT X RATE = INTEREST**



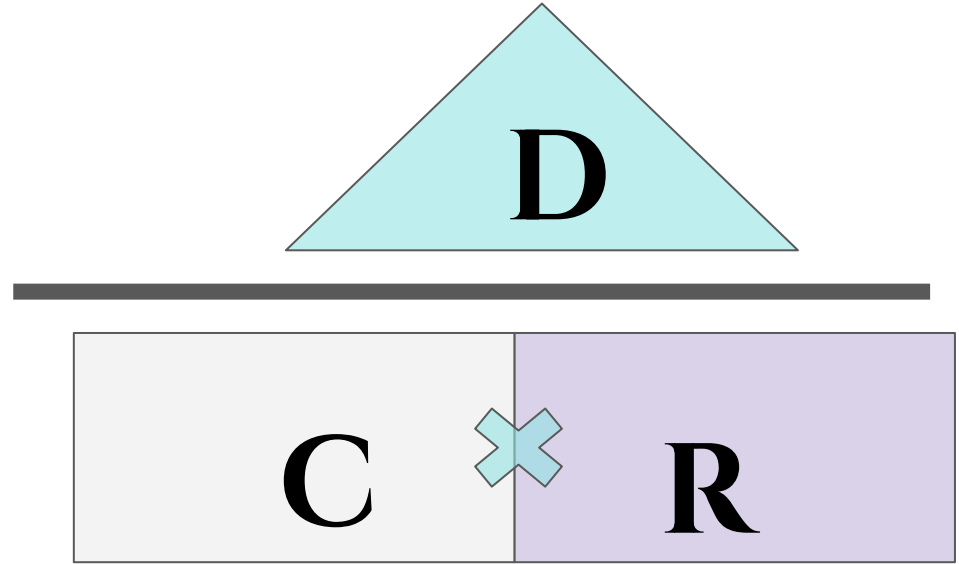
*** APPRAISED VALUE X ASSESSMENT RATE = ASSESSED VALUE**



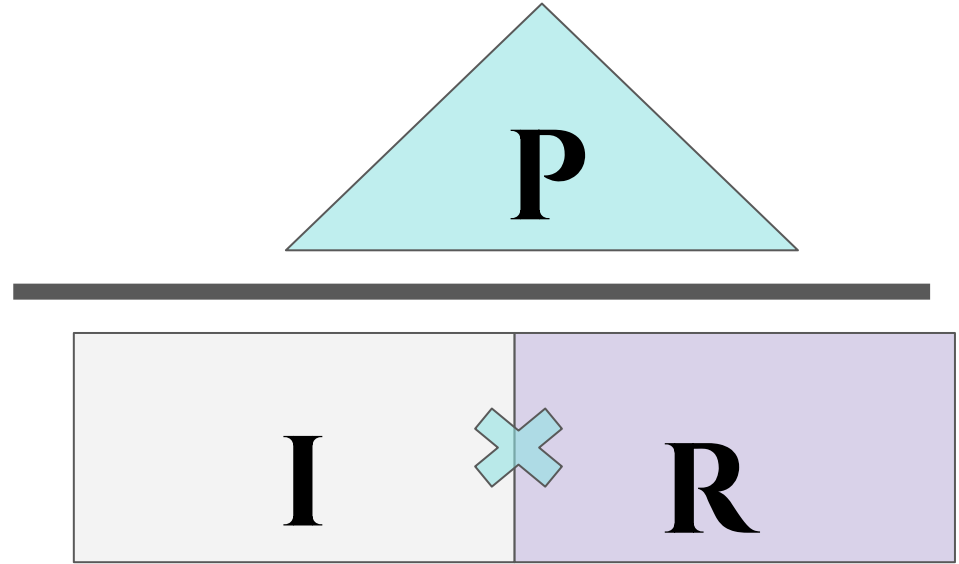
*** ASSESSED VALUE X TAX RATE = ANNUAL TAX**



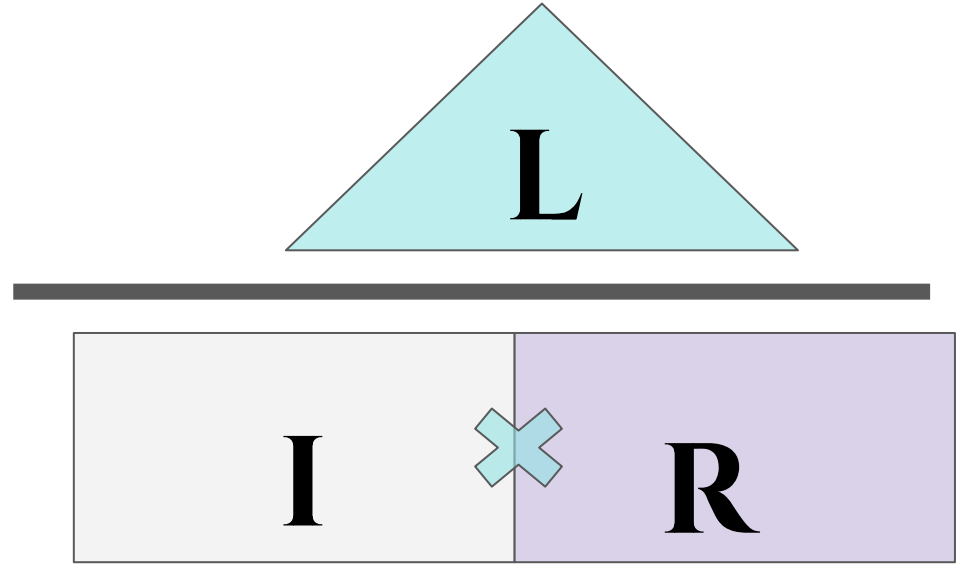
***COST X DEPRECIATION RATE = DEPRECIATION**



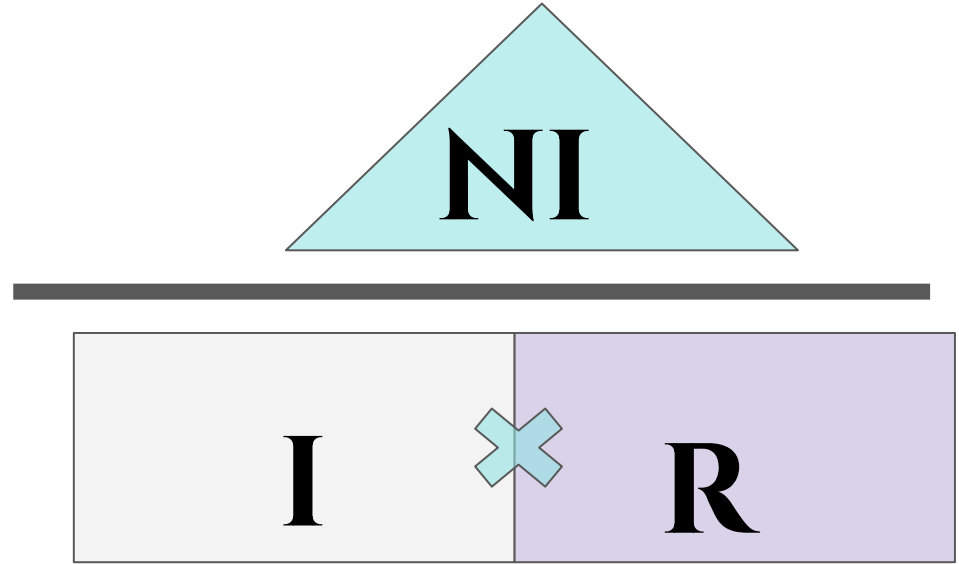
***INVESTMENT X RATE OF PROFIT = PROFIT**



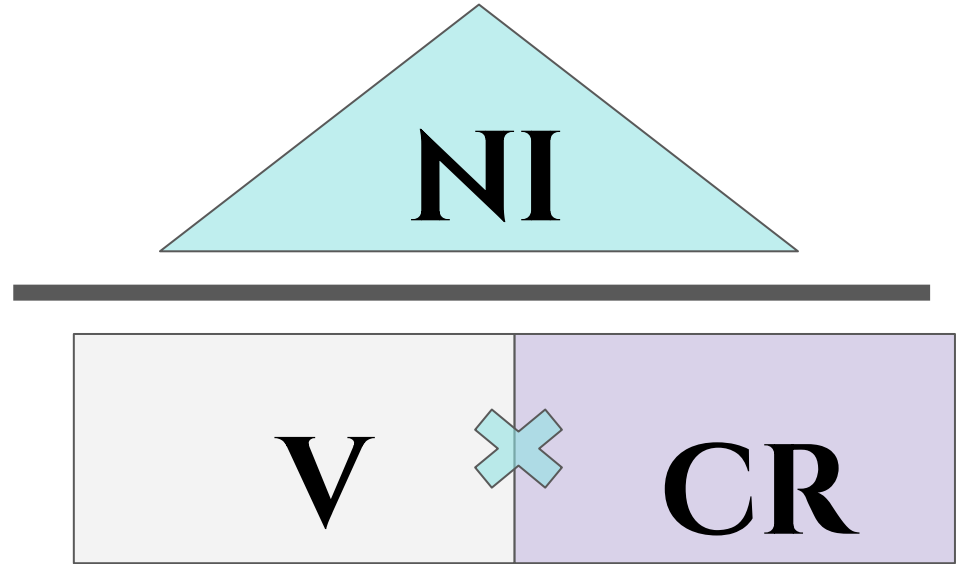
***INVESTMENT X RATE OF LOSS = LOSS**

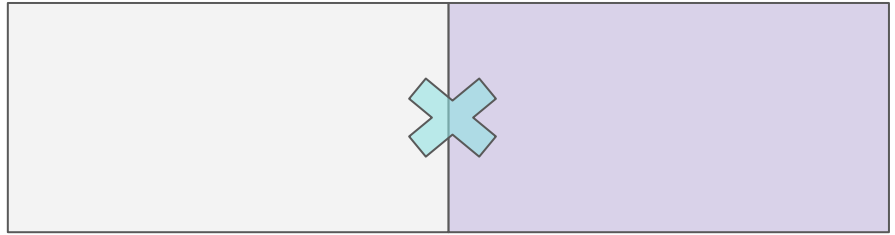
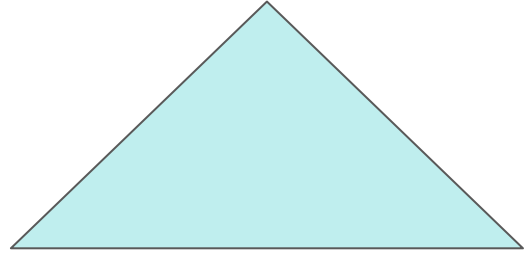


***INVESTMENT X RATE OF RETURN = NET INCOME**



***VALUE X CAPITALIZATION RATE = NET INCOME**





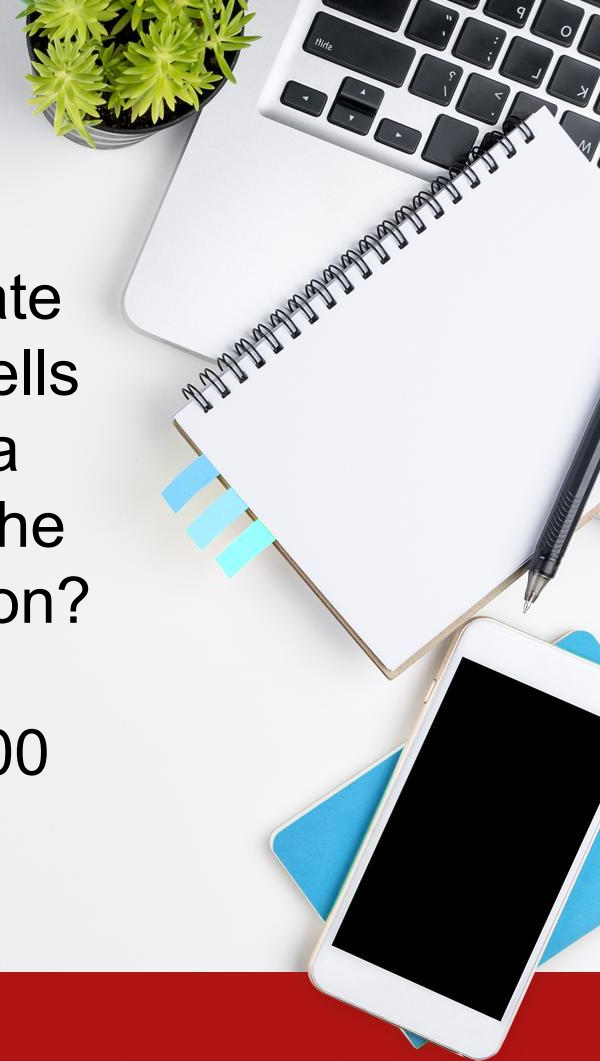
MATH QUESTIONS





A broker keeps 60 percent of sales commissions and pays the sales associate the other 40 percent. A sales associate sells 50 acres of land at \$900 per acre with a gross sale commission of 10 percent of the sale price. What is the broker's commission?

- a) \$1,800 b) 2700 c) \$4,500 d) \$4,700





How to do it: $50 \text{ acres} \times \$900 \text{ per acre} =$
 $\$45,000 \text{ total sale price; } \$45,000 \text{ sale price}$
 $\times .10 \text{ commission} = \$4,500 \text{ total}$
 $\text{commission; } \$4,500 \times .60 \text{ broker's share} =$
 $\$2,700 \text{ broker's commission}$





A broker earned a \$3,120 commission for selling a residential lot at \$52,000. What was the sale commission rate?

- a) .06 b) .08
- c) .60 d) 16.67





a) .06 or 6 percent

How to do it: \$3,120 commission ÷

\$52,000 sale price = .06 rate or 6 percent





What is the annual premium for an insurance policy in the amount of \$25,000 if the cost is \$.60 per \$100?

- a) \$15 b) \$150 c) \$416 d) \$500





b) \$150

How to do it: $\$.60 \div \$100 = .006$ premium
rate; $.006 \times \$25,000$ policy = \$150
premium





A developer is subdividing a 12-acre tract into lots measuring $80' \times 110'$. Each lot has a perimeter of 380 feet and a sale price of \$4,500. She has allowed 126,720 square feet for required streets, sidewalks, and recreational facilities. How many salable lots are there?

- a) 14 b) 59 c) 45 d) 116





c) 45

How to do it: 43,560 square feet per acre \times
12 acres = 522,720 total square feet –
126,720 square feet for streets, sidewalks,
etc. = 396,000 available square feet; 80 feet
 \times 110 feet = 8,800 square feet per lot;
396,000 available square feet \div 8,800 = 45
lots





Mr. Garcia's monthly mortgage payment for principal and interest is \$264.60. If his annual property taxes are \$780 and his homeowner's insurance premium is \$198, what is his total monthly payment, including taxes and insurance?

- a) \$329.60 b) \$346.10 c) \$379.10
d) \$527.60





b) \$346.10

How to do it: $\$780 \div 12 \text{ months} = \65.00 taxes
per month; $\$198 \text{ per year} \div 12 \text{ months} =$
 $\$16.50$; $\$264.60$ principal and interest
payment + $\$65.00 + \$16.50 = \$346.10$



An investor is considering the purchase of a duplex for \$215,500 cash. She wants an investment that will produce a first-year 12 percent net return on investment. How much net income must the duplex generate during the first year to produce this investor's required return on investment?

- a) \$9,625 b) \$11,550 c) \$12,500 d) \$25,860



d) \$25,860

How to do it: $.12 \text{ net return} \times \$215,500$
purchase price = \$25,860 net income





You have sold a residential property for \$98,500.
Your employment contract specifies that you receive 55 percent of the total sale commission for properties you sell. If the rate of commission is 8 percent, what amount will you receive?

- a) \$3,546 b) \$3,940 c) \$4,334 d) \$7,880



c) \$4,334

How to do it: \$98,500 sale price \times .08

commission rate = \$7,880 total commission;

\$7,880 total commission \times .55 sales associate's

share = \$4,334 commission due sales associate





You sell a home for a client and the client receives \$32,800 in cash after she pays off her mortgage. The mortgage payoff amount was \$80,000. The client paid six percent in commissions. What did you sell the house for?

- a. \$112,800 b. \$120,000
c. \$126,000 d. \$127,200





B. \$120,000

112,800

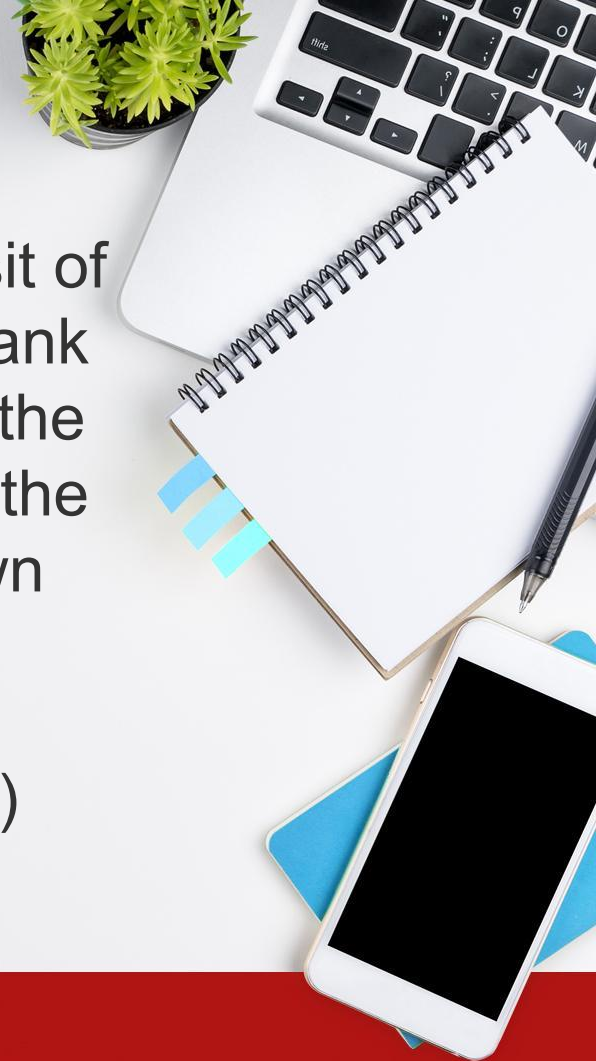
.94





A buyer has made an earnest money deposit of \$7,000 on a home selling for \$139,900. A bank has agreed to lend the buyer 80 percent of the sale price. How much additional cash must the buyer furnish to pay the total required down payment?

- a) \$7,000 b) \$11,920 c) \$20,980 d) \$27,980





c) \$20,980

How to do it: \$139,900 sale price \times .80 =

\$111,920 loan; \$139,900 sale price – \$111,920

loan = \$27,980 down payment; \$27,980 –

\$7,000 earnest money deposit = \$20,980





Mr. Jones borrowed \$85,000 at 7.5 percent interest per year and paid a total of \$3,187.50 in interest. How long was the term of this loan?

- a) 2 months b) 3 months c) 4 months d) 6 months



d) Six months

How to do it: \$85,000 loan \times .075 interest

rate = \$6,375 interest per year; \$6,375

interest \div 12 months = \$531.25 per month;

\$3,187.50 \div \$531.25 = 6 months





A seller received \$52,000 from the sale of his home. He paid \$2,500 in settlement costs in addition to an 8 percent commission. What is the selling price of the home? (Round to the nearest dollar.)

- a) \$54,500 b) \$56,522 c) \$58,860 d) \$59,239



d) \$59,239

How to do it: \$52,000 sale proceeds +
\$2,500 settlement costs = \$54,500; \$54,500
÷ .92 = \$59,239.13 or \$59,239 sale price





The loan-to-value ratio offered by a local financial institution is 75 percent. If a buyer wishes to acquire a property selling for \$129,500, what will her down payment need to be?

- a) \$1,727 b) \$5,180 c) \$32,375 d) \$97,125



c. \$32,375

How to do it: $\$129,500 \text{ sale price} \times .75 \text{ LTV}$
 $= \$97,125 \text{ loan}$; $\$129,500 \text{ sale price} -$
 $\$97,125 \text{ loan} = \$32,375 \text{ down payment}$





A property has an assessed value of \$125,500. What is the property tax based on a rate of 25 mills?

- a) \$313.75 b) \$3,125 c) \$3,137.50
d) \$3,150





c) \$3,137.50

How to do it: $\$125,500 \times .025$ property tax
rate = \$3,137.50





The city is proposing to pave the streets in your neighborhood at a cost of \$40 per foot of frontage. The city will absorb 25 percent of the cost. Your lot has frontage on the street of 130 feet. Assuming there are homes on both sides of the street, what is the amount of your paving assessment?

- a) \$1,950 b) \$2,600 c) \$3,900 d) \$5,200



a) \$1,950

How to do it: $\$40.00 \times .75$ homeowner's
share = $\$30.00$ homeowner's cost per foot
of frontage; $\$30.00 \times 130$ feet of footage =
 $\$3,900 \div 2 = \$1,950$





The $N\frac{1}{2}$ of the $NE\frac{1}{4}$ of the $SW\frac{1}{4}$
and the $S\frac{1}{2}$ of the $SE\frac{1}{4}$ of a section
contains how many acres?

- a) 2.5 b) 20 c) 80 d) 100



d) 100

How to do it: $640 \text{ acres} \div 4 \div 2 = 80$

acres; $640 \text{ acres} \div 4 \div 4 \div 2 = 20 \text{ acres}$;

$80 + 20 = 100 \text{ acres}$





A duplex is scheduled to close on September 10. The seller collected rent for September on the first of the month amounting to \$950. According to the sale contract, the buyer is due the rental income for the day of closing. What is the proration?

- a) \$285 debit to seller, \$285 credit to buyer
- b) \$633.33 credit to seller, \$633.33 debit to buyer
- c) \$665 debit to seller, \$665 credit to buyer
- d) \$665 credit to seller, \$665 debit to buyer



c) \$665 debit to seller, \$665 credit to buyer

How to do it: $\$950 \div 30 \text{ days} =$

$\$31.666667/\text{day}$; $\$31.666667 \times 21 \text{ days} =$

$\$665.00$; Seller has collected the rent in advance; Seller owes buyer; Debit seller and credit buyer





MASSACHUSETTS LICENSE LAW ***(CORRESPONDS WITH PAMPHLET)***

PSI MASS

(MASSACHUSETTS STATE REAL ESTATE LAWS AND REAL ESTATE BOARD RULES)

I. DUTIES AND POWERS OF THE BOARD OF REGISTRATION OF REAL ESTATE BROKERS AND SALESPERSONS (5%)(SALESPERSONS: 2 ITEMS; BROKERS: 2 ITEMS)

A. Examination of records

B. Sanctions

1. Fines

2. License suspension and revocation

II. LICENSING REQUIREMENTS (10%) (SALESPERSONS: 4 ITEMS; BROKERS: 4 ITEMS)

A. Activities requiring a license

B. Types of licenses

1. Active, inactive, and expired

C. License renewal and continuing education

D. Board notifications

III. REQUIREMENTS GOVERNING LICENSEES (33- 35%) (SALESPERSONS: 13 ITEMS; BROKERS: 14 ITEMS)

A. Advertising

B. Broker/salesperson relationship

C. Commissions

D. Disclosures

1. Consumer/Licensee Relationship
2. Conflict of interest
3. Rental fee disclosures

E. Agency and Non-Agency Relationships

F. Handling of documents

G. Handling of monies

H. Record Keeping (Broker only)

I. Home inspectors--licensee responsibility

IV. CONTRACTS (5%)(SALESPERSONS: 2 ITEMS; BROKERS: 2 ITEMS)

- A. Offer to Purchase
- B. Purchase and Sale agreement
- C. Leases
- D. Listing and Buyer Agreements

V. CONSUMER PROTECTION LAWS (10-12%)
(SALESPERSONS: 5 ITEMS; BROKERS: 4
ITEMS)

- A. Property disclosures
- B. Misrepresentation
- C. Privacy
- D. Sanctions and enforcements

- VI. ENVIRONMENTAL ISSUES AND
HAZARDOUS MATERIALS (10%)
(SALESPERSONS: 4 ITEMS; BROKERS: 4
ITEMS)
- A. Lead
 - B. Private sewage disposal
 - C. Smoke and carbon monoxide detection
 - D. Wetlands and rivers protection

VII. MASSACHUSETTS FAIR HOUSING LAW (10%) (SALESPERSONS: 4 ITEMS; BROKERS: 4 ITEMS)

- A. Protected classes that differ from Federal
- B. MA specific exceptions
- C. MA Commission Against Discrimination
- D. ADA and other accommodations

VIII. LANDLORD TENANT LAW (10%)
(SALESPERSONS: 4 ITEMS; BROKERS: 4
ITEMS)

- A. Rental deposits, Receipts and Statement of Condition
- B. State Sanitary Code
- C. Short-term Vacation or Recreational Rentals

IX. ADDITIONAL TOPICS

(5%)(SALESPERSONS: 2 ITEMS; BROKERS: 2 ITEMS)

A. Ownership

B. Condominiums, Cooperatives, and Timeshares

C. Registered Land



HOW TO MAXIMIZE THIS TRAINING MODULE

- ❑ Have your pamphlet open to the Topic
- ❑ Have your recorder (*iPhone voice command recommended*) ready to record, with proper title prepared.
- ❑ Read through the outline, while reviewing glossary as you follow in book
- ❑ Use this audio later for review

PSI MASS

(MASSACHUSETTS STATE REAL ESTATE LAWS AND REAL ESTATE BOARD RULES)

I. DUTIES AND POWERS OF THE BOARD OF REGISTRATION OF REAL ESTATE BROKERS AND SALESPERSONS (5%)(SALESPERSONS: 2 ITEMS; BROKERS: 2 ITEMS)

A. Examination of records

B. Sanctions

1. Fines

2. License suspension and revocation



DUTIES AND POWERS OF THE REAL ESTATE

BOARD OF REGISTRATION

The Governor shall appoint the board with the advice and consent of the Council

The Board shall have 5 Members

1. Citizens of the Commonwealth
2. 3 Members involved in the field of Real Estate for at least 7 years with a Broker license
3. 2 members are representatives from the public
4. The Governor shall designate the Chairperson (Kevin Sears)
5. Term of office is 5 years and members are eligible for re-appointment



AT LEAST 4 REGULAR MEETINGS PER YEAR

1. A quorum, or legal meeting, requires a minimum of 3 Board members
2. If the chairperson is absent, the most senior member will take charge
3. A written record shall be kept of all meetings, which shall be open to the public

The Board may make rules or Bylaws, that are consistent with other laws that they feel are necessary in the performance of their duties.



THE BOARD, OR ITS DESIGNEE, SHALL CONDUCT EXAMINATIONS FOR LICENSURE

1. Exams shall be prepared by the board or a designated independent testing service to determine competence of applicant to transact the business of a broker or salesperson. (PSI Exams)
2. Exams will be held a minimum of six times per year for broker and eight times per year for salesperson. (Daily)
3. There will be no limit on applicants on any given test date.

III. REQUIREMENTS GOVERNING LICENSEES (33- 35%) (SALESPERSONS: 13 ITEMS; BROKERS: 14 ITEMS)

A. Advertising

B. Broker/salesperson relationship

C. Commissions

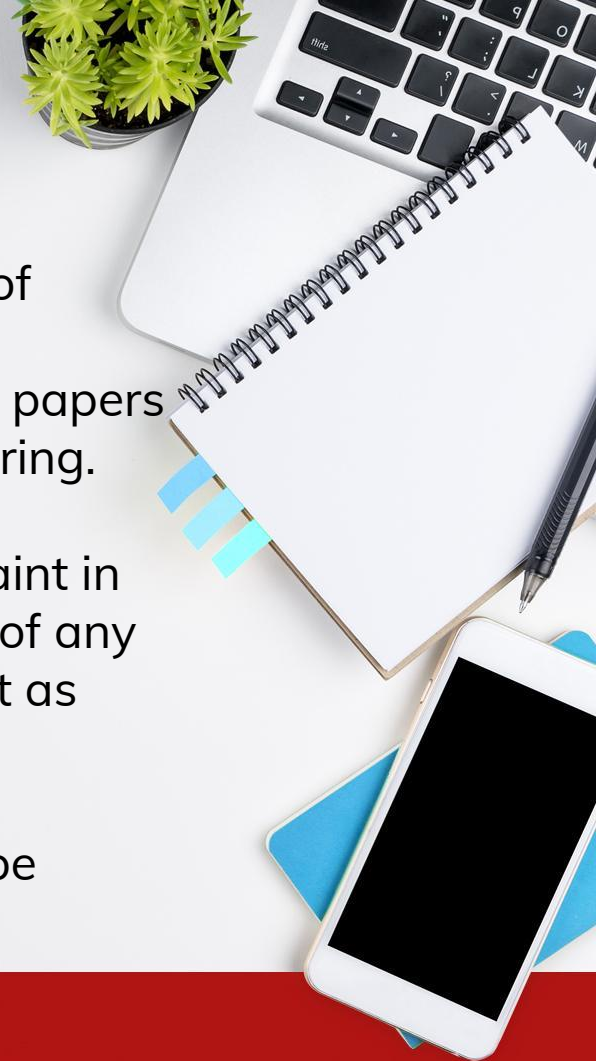


INVESTIGATIONS AND HEARINGS

1. The board may require, by summons, the testimony of witnesses.
2. The board may require, by summons, any books and papers for review in connection with an investigation or hearing.

The Board may, and upon the receipt of a verified complaint in writing from an aggrieved person, investigate the action of any broker or salesperson, or any person who attempts to act as such.

When a license has been suspended or revoked, it shall be delivered to the Board within 7 days of receipt of notice.





SUSPENSION, REVOCATION AND REFUSAL TO RENEW A LICENSE WHEN LICENSEE HAS...



- ❑ Knowingly made any substantial misrepresentations or use advertising that is false or misleading
- ❑ Acted in dual capacity of broker and undisclosed principal in the same transactions



SUSPENSION, REVOCATION AND REFUSAL TO RENEW A LICENSE WHEN LICENSEE HAS...



- ❑ Failed, within a reasonable time, to account for or remit any monies that belong to others, which have come into the broker's or salesperson's possession
- ❑ Paid a commission or fee to any person who is required to be licensed and is not



SUSPENSION, REVOCATION AND REFUSAL TO RENEW A LICENSE WHEN LICENSEE HAS...



- ❑ Accepted, given or charged any undisclosed commissions, rebate or profit
- ❑ Induced any party to have a contract or lease on real estate to break the same for personal gain of licensee



- ❑ Commingled money or other property of the principal with that of the licensee
- ❑ Failed to give both the buyer and seller a copy of the Purchase and Sales Agreement





- ❑ Solicited for sale or lease, or listed for sale or lease residential property on the grounds of an alleged change in value, due to the presence or prospective entry of persons of another race, economic level, religion or ethnic origin (this includes distributing material or making statements designed to induce a residential property, owner to sell or lease his property due to such change in the neighborhood)
 - ❑ Blockbusting= Panic Peddling





- ☐ Accepted from a potential seller a net listing
- ☐ Failed to comply with the requirements as set forth in the Promotional Sales of Out of state property (section CMR6.00 in RE License Laws)
- ☐ Obtained license by false or fraudulent representation
- ☐ Failed to notify Board of any change in business address
- ☐ Failing to fully disclose to the parties in a transaction of any interest in real property, in writing, that they have any kin or a financial interest
- ☐ As a broker, failing to disclose that you are a prospective purchaser of interest in real estate from someone who has approached the broker to act as their agent in the sale of property



- ☐ Failure to provide Board approved notice to the buyer and seller at the first personal meeting to discuss a specific property, that discloses the relationship of the brokers or salespersons and the principals (“Agency Disclosure”)
- ☐ Practiced while impaired by drugs, alcohol or other reason
- ☐ Practiced while license was expired, revoked, suspended, or otherwise not valid. (possible fine)
- ☐ Discriminated in providing services on the basis of age, marital status, gender, gender identity, sexual preference, race, religion, socioeconomic status or disability, Veteran status (MA Fair Housing)
- ☐ Assumed duties in an area for which not adequate preparation or competence
- ☐ Failure to comply with all the laws in MA or any other state licensed
- ☐ Failure to report to the board within 30 days any conviction of any misdemeanor or felony under law
- ☐ Fraudulently certifying that the continuing education requirement. (Board may suspend until requirements fulfilled)



Upon notification of a final finding from the Mass Commission on Discrimination that a licensed broker or salesperson has violated Chapter 151B, the board will

- ☐ Suspend license for 60 days.
- ☐ If found guilty again with 2 years
 - ☐ Suspend for 90 days
- ☐ Fine not less than \$1,000 or not more than \$2500.
- ☐ May also be liable for punishment under other laws of the Commonwealth.



The board may reconsider any decision it makes

Board decision will be by a majority vote, in writing, signed and sent to each interested party

Any person whose license is suspended, revoked or not renewed has the right to appeal



II. LICENSING REQUIREMENTS (10%) (SALESPERSONS: 4 ITEMS; BROKERS: 4 ITEMS)

A. Activities requiring a license

B. Types of licenses

1. Active, inactive, and expired

C. License renewal and continuing education

D. Board notifications



LICENSE REQUIREMENTS

Any person will need a broker's license, if he or she receives or expects to receive, a fee, commission or other consideration while acting on behalf of another person, and performs or attempts to perform any of the following:

- ☐ Sell, exchange, purchase, rent or lease, negotiate, make offers.
- ☐ list real estate to sell, or deal in options on real estate
- ☐ Any person, who advertises or represents himself as a person selling or leasing real estate
- ☐ Any person, who assists or directs in the procuring of prospects for the sale or lease (apartment searching is included) of real estate
- ☐ Any person, who assists in the negotiation or completion of any agreement, which may or may not result in a sale, exchange, purchase, lease, or renting or any real estate



A “Salesperson’s” license is required by any person, who performs any acts listed in the previous section.

The difference between a broker and a salesperson lies in the fact that a salesperson **cannot complete** any of the transactions listed. The salesperson must have the broker he or she works for complete the sale, exchange, purchase or lease.

A corporation, Limited Liability Company (LLC), society, association, Limited Liability Partnership (LLP) or partnership may be issued a broker’s license. The license can only be issued when at least one of the officers or partners acting as a representative of the organization has a broker’s license in his/her own name.





A non-resident individual (or non-resident corporation for broker's license) may receive a broker or salesperson's license in the commonwealth. The individual must:

- ☐ Conform to all sections of the license law
- ☐ File with the board of power of attorney, appointing the chair as the individual's true and lawful attorney
- ☐ The board may exempt from written examination any broker or salesperson licensed in another state if a similar exemption is given to licensed individuals from the commonwealth applying for a license in a said state.



the

following:

- ❑ To obtain a broker or salesperson's license, the applicant must take and pass a written exam given by the board. An attorney of the commonwealth is exempt from the exam, but must still obtain the license.
- ❑ Complete a classroom course with 40 hours minimum
- ❑ Applicants for a broker's license must, prior to exam, provide proof that the individual has been actively engaged with a real estate broker for three years
- ❑ Unless the applicant is an attorney of the state, or applying for a license as a non-resident, there is a one-year residency requirement for the broker's license
- ❑ An applicant for a broker's license shall post a bond in the sum of \$5,000 through a surety company.
- ❑ In the event of the death of a broker, who is the sole owner of the real estate business, his or her legal representative or designated individual approved by the board, may be issued a license
- ❑ Must be at least 18 years of age

14 ❑ Any person who fails the exam may retake the exam



RENEWAL

An individual's license has a two-year term being renewed on the licensee's birthday. In order to have the renewal day on the applicant's birthday, your first license will be valid for the number of months between issuance of the first license and whenever your next birthday occurs, plus two years

All fees are reviewed annually

The following is a list of those people EXEMPT from the license of law

- ☐ Any person, who acts for himself as owner, lessor, lessee, tenant or mortgage
- ☐ Any person, who is the regular employee of the owner, lessor, lessee, tenant or mortgagee, if the acts are performed in the regular course of the management of the real estate or investment
- ☐ Any person seeking to acquire or lease real estate for his or her own use
- ☐ Any person trying to negotiate or obtain a loan on a real estate for himself or his employees, if it is part of his regular duties
- ☐ A salaried managing agent of his/her regular employees
- ☐ A license auctioneer
- ☐ A person buying or selling any stock, bonds or beneficial interest in a trust
- ☐ A public officer performing his or her official duties
- ☐ A person, who has power of attorney from the owner of real estate, to act on his behalf
- ☐ An attorney acting on behalf of his or her client
- ☐ A receiver, trustee in a bankruptcy, executor, administrator, guardian
- ☐ A person selling real estate by court order
- ☐ Trustee or his regular employees
- ☐ Banks, credit unions and insurance companies or their regular employees



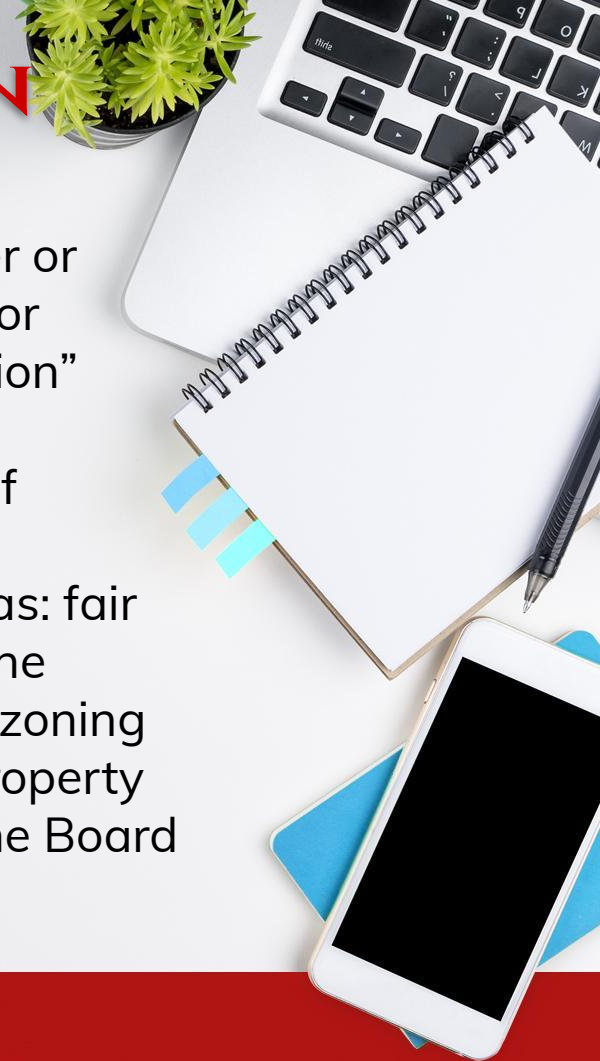
145 Fairhaven Rd., Mattapoisett, MA | 508.997.8844



CONTINUING EDUCATION

After January 1, 1999 all applicants for renewal of a broker or salespersons license shall satisfactorily complete courses or programs approved by the board. This “continuing education” requirements shall have been completed not more than twenty-four-months prior to license renewal. The course of programs shall be no less than twelve hours.

A minimum of six hours shall come from the following areas: fair housing, equal employment opportunity, accessibility for the disabled, agency law, environmental issues in real estate, zoning and building codes, real estate appraisal and financing, property tax assessments and valuation, and Board regulations. The Board will certify the curriculums.





At the time of renewal, that applicant will certify that the requirements have been met in accordance with the Board procedure. If, at the time of renewal the education requirement has not been met, the applicant may be granted “inactive status”. The inactive status will remain in effect until the applicant demonstrates completion of the requirement. An inactive licensee may not practice, but may receive a referral fee from a licensed active real estate broker.

Each authorized school shall maintain records of salespersons or brokers for a minimum of three years after completion of the continuing education.



LAWS AND STATUTES

There are many other laws and statutes that the broker and salesperson must abide by.

The following is an outline of some of the miscellaneous laws with which licensee should be familiar.

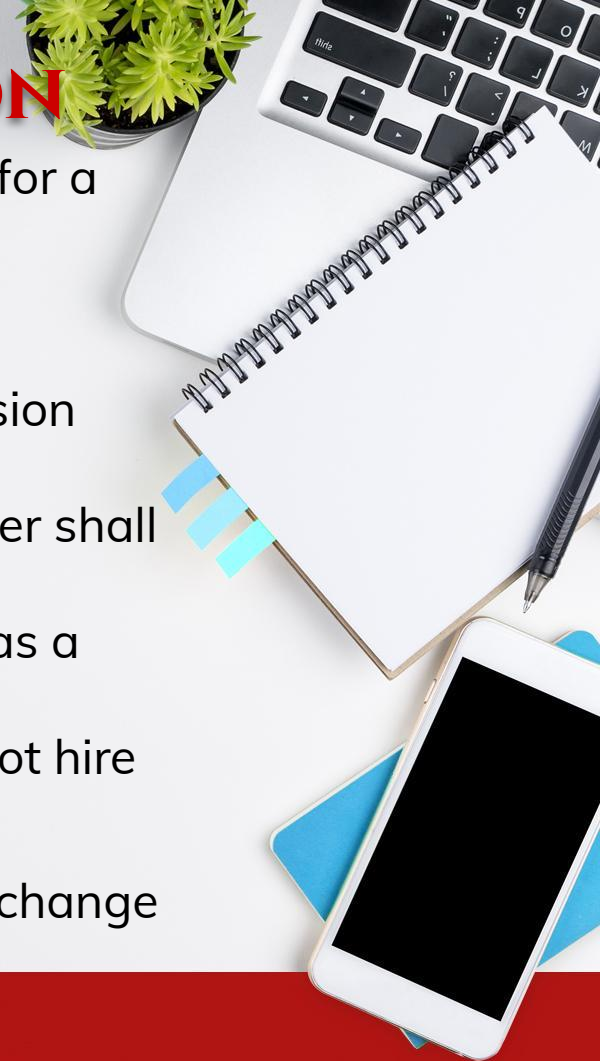
- ❑ Licensees are prohibited from placing “blind ads.” These are ads that do not disclose the fact that you are a licensed broker. Brokers must advertise “affirmatively” and include the brokers name in the advertisement.
- ❑ Individuals with a salesperson’s license cannot place their own ads
- ❑ There shall be **no** discriminatory advertising





SALESPERSON AFFILIATION

- ☐ An individual with a salesperson's license must work for a broker, and can have the status of an independent contractor or a regular employee.
- ☐ A salesperson can only work for one broker at a time
- ☐ A salesperson can only seek his or her fee or commission from the broker with whom he/she works
- ☐ Any broker, who has a salesperson working for him/her shall be responsible for any violations of the license law
- ☐ NO person shall recover any fees for acts performed as a broker or salesperson
- ☐ Any broker, who is employed by another broker, cannot hire salesperson to work for him/her
- ☐ A salesperson shall promptly notify the Board of any change of business address

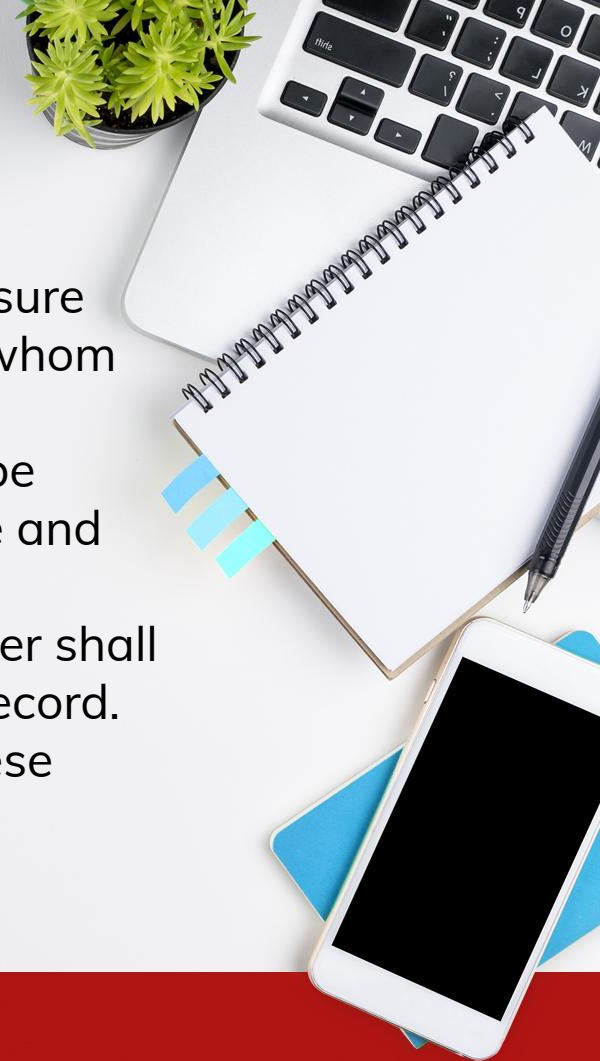




COMMISSION

Commissions are negotiable

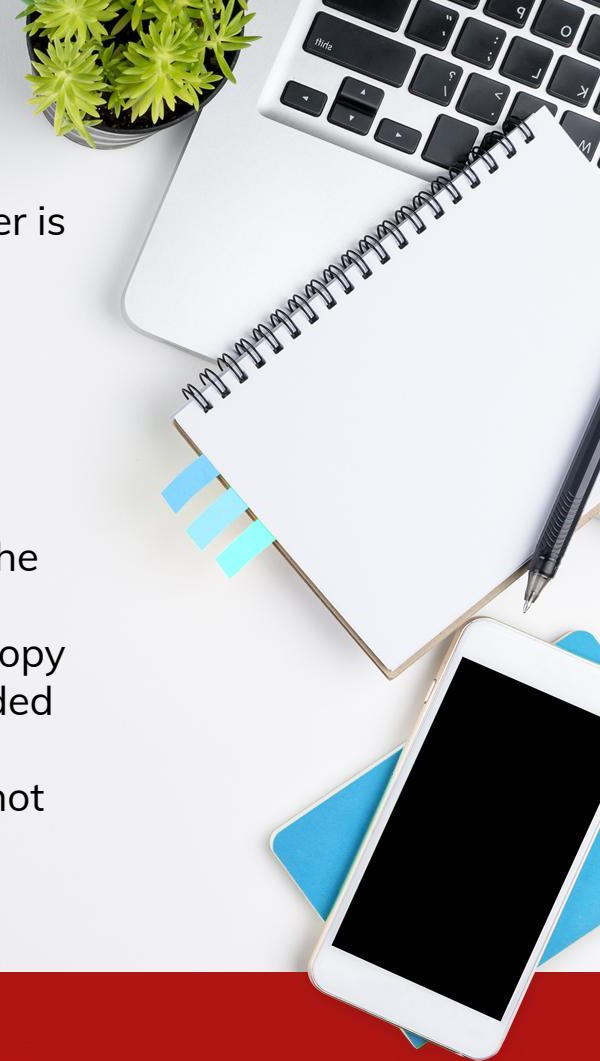
- ❑ It is necessary that the broker or salesperson makes sure that the principals in a transaction understand with whom the licensee's responsibility lies.
- ❑ Any offers received by a broker or salesperson shall be immediately conveyed to the owner of the real estate and all parties shall receive copies of any contracts.
- ❑ Any salesperson or broker employed by another broker shall immediately turn over any deposits to the broker of record. Unless agreed to in writing, the broker shall place these funds in a fiduciary bank account (escrow account) immediately.





ADDRESS

- ❑ All licensed brokers shall maintain a business address. If a broker is employed by another broker, the employing broker's business address shall be the address of record.
- ❑ If there is more than one broker at an address, the contractual relationship shall be forwarded to the board
- ❑ Licensed resident brokers shall display their licenses in a conspicuous place on the premises of the business
- ❑ No individual may hold a broker's and salesperson's license at the same time
- ❑ If a person is to sell real estate under a trade name, a certified copy of the business certificate from the city or town shall be forwarded to the board
- ❑ A license salesperson must work for a licensed broker, and cannot be self-employed
- ❑ Employing brokers shall notify the board of all brokers and salespersons working for them.





REAL ESTATE ATTORNEY



It is illegal for a broker or salesperson to advise against the use of an attorney in any real transaction

D. Disclosures

1. Consumer/Licensee Relationship
2. Conflict of interest
3. Rental fee disclosures

E. Agency and Non-Agency Relationships

F. Handling of documents

G. Handling of monies

H. Record Keeping (Broker only)

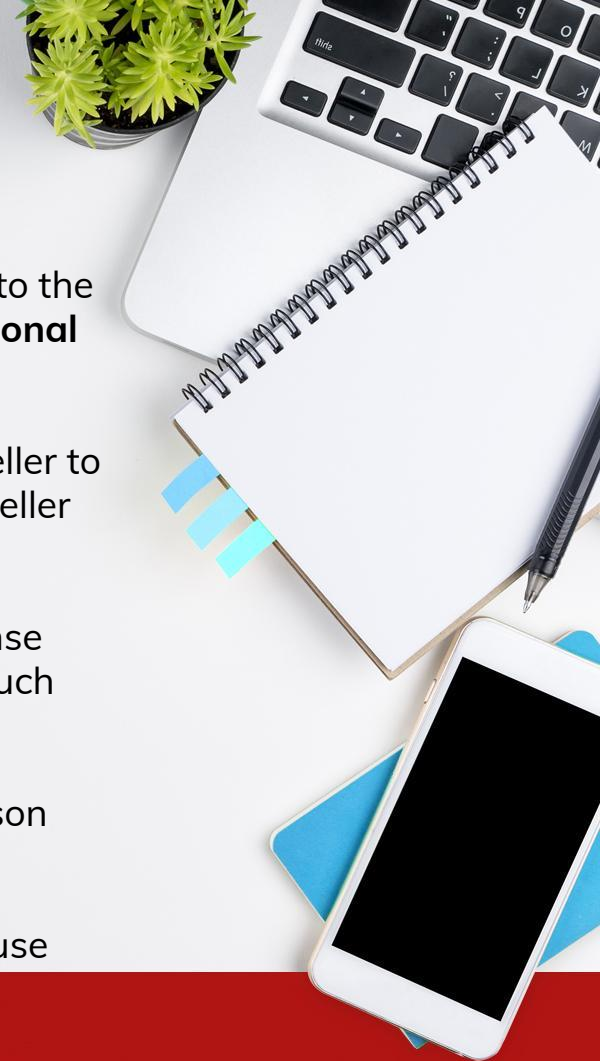
I. Home inspectors--licensee responsibility



AGENCY DISCLOSURES NOT A CONTRACT

An Agency Disclosure (MASSACHUSETTS MANDATORY LICENSEE-CONSUMER RELATIONSHIP DISCLOSURE) form developed and approved by the Board shall be presented to the prospective Purchaser or Seller of **Real Estate** at the time of the **first personal meeting** to discuss a **specific property whether live or online**.

- ☐ A Broker or Salesperson shall request a prospective Purchaser or Seller to sign and date such notice, provide the original to the Purchaser or Seller and keep a copy for three years in a separate account
- ☐ The Broker or Salesperson must also sign the notice, indicating license status as Broker or Salesperson, provide license number and date such notice
- ☐ If a prospective Purchaser or Seller will not sign, Broker or Salesperson shall make a note, sign and date and keep for three years
- ☐ There is no requirement to obtain a Disclosure Form at an Open House



V. CONSUMER PROTECTION LAWS (10-12%)
(SALESPERSONS: 5 ITEMS; BROKERS: 4
ITEMS)

- A. Property disclosures
- B. Misrepresentation
- C. Privacy
- D. Sanctions and enforcements



DUAL AGENCY, DESIGNATED AGENCY & SUBAGENCY- (VICARIOUS LIABILITY)

This section shall only apply to real estate brokers and salesmen for the intended purchase or sale of land with a building intended for use as 1 to 4 residential dwellings or the purchase or sale of land on which a building is intended to be constructed for use as 1 to 2 residential dwellings



DUAL AGENCY

Dual Agency, where the Broker or Salesperson represents both a buyer and a seller, requires informed written **consent** of both parties

Dual Agency written **consent** may be obtained when listing or buyer agency agreement is signed
Notice of Dual Agency must also be given to buyer and seller after listing is first shown

Dual Agency written consent is not required at an Open House, Agency relationship must be displayed at the Open House



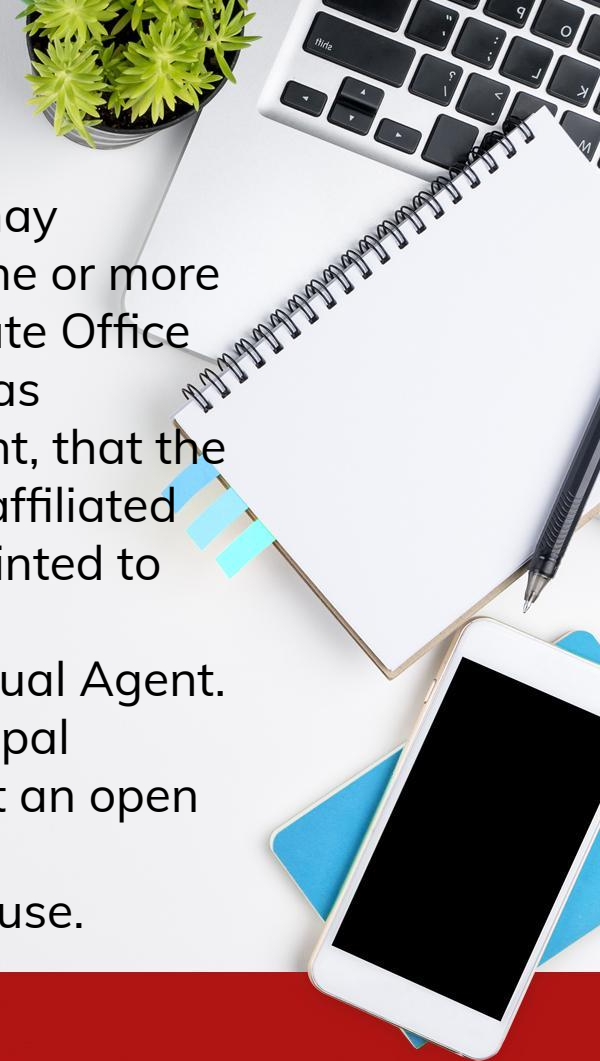


DESIGNATED AGENCY

With informed written consent, a Broker or salesperson may appoint one or more agents to represent the Seller, and one or more persons to represent the Buyer, within the same Real Estate Office. Designated Agency shall not be made, unless the party has consented at the commencement of the agency agreement, that the Designated Agency shall not extend to any other license affiliated with the broker, and shall be limited to the licensees appointed to act a Designated Agent.

The appointed agent (broker or salesperson) is then the Dual Agent. The appointing agent does not have to be the office principal. Written notice of each prospective buyer is not required at an open house.

The Agency relationship must be displayed at an open house.





VICARIOUS LIABILITY

No real estate broker or salesperson shall enter into an offer of Subagency agreement to another real estate broker or salesperson, without informing the seller about **Vicarious Liability**, and obtaining written consent of the seller.





FACILITATOR

A real estate broker or salesman may provide services as a **Facilitator**, who does not represent a buyer or seller, and who does not act in an agency capacity





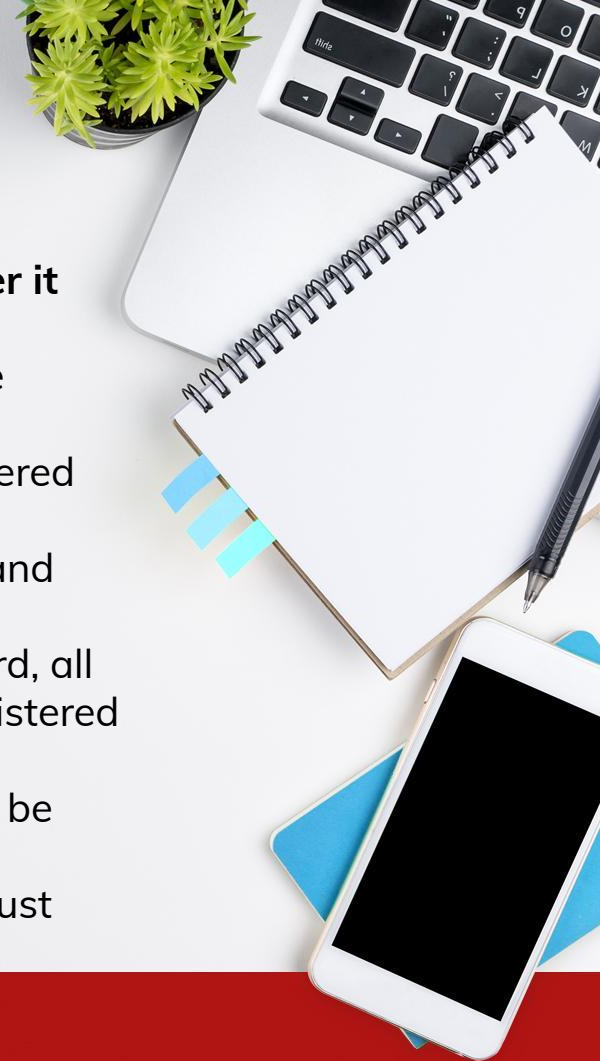
HOME INSPECTOR RECOMMENDATION

At the signing of the first contract to purchase real estate, real estate broker and sales persons shall distribute a brochure from the Office of Consumer Affairs, educating consumers about the home inspection process.

Real estate brokers and salesperson shall not recommend a specific home inspection company, but on request, may provide a complete list of home inspectors approved by the Board.
Buyers agents may recommend a specific home inspector or home inspection company



PROMOTION OF OUT OF STATE REAL PROPERTY



Any owner or developer of out-of-state land development **must register it with Board** and pay a filing fee and renew annually

- ☐ No Massachusetts Real Estate Broker may offer such out-of-state property sale, unless it has been registered with the Board
- ☐ The Board has the right to inspect an out-of-state property registered with the Board.
- ☐ Cost is to be paid by the developer. The board will issue a report and must be kept on file for one year after registration has expired.
- ☐ Once any out-of-state property has been registered with the Board, all subsequent advertising must note that the property has been registered with the Board.
- ☐ Any out-of-state property advertised in the Commonwealth must be advertised by a licensed Massachusetts Real Estate Broker
- ☐ Any Mass real estate broker, representing out of state property must notify the Board within seven days of accepting the client.

IV. CONTRACTS (5%)(SALESPERSONS: 2 ITEMS; BROKERS: 2 ITEMS)

A. Offer to Purchase

Real Name: **CONTRACT TO PURCHASE REAL ESTATE**

B. Purchase and Sale agreement

C. Leases

D. Listing and Buyer Agreements



APARTMENT RENTALS

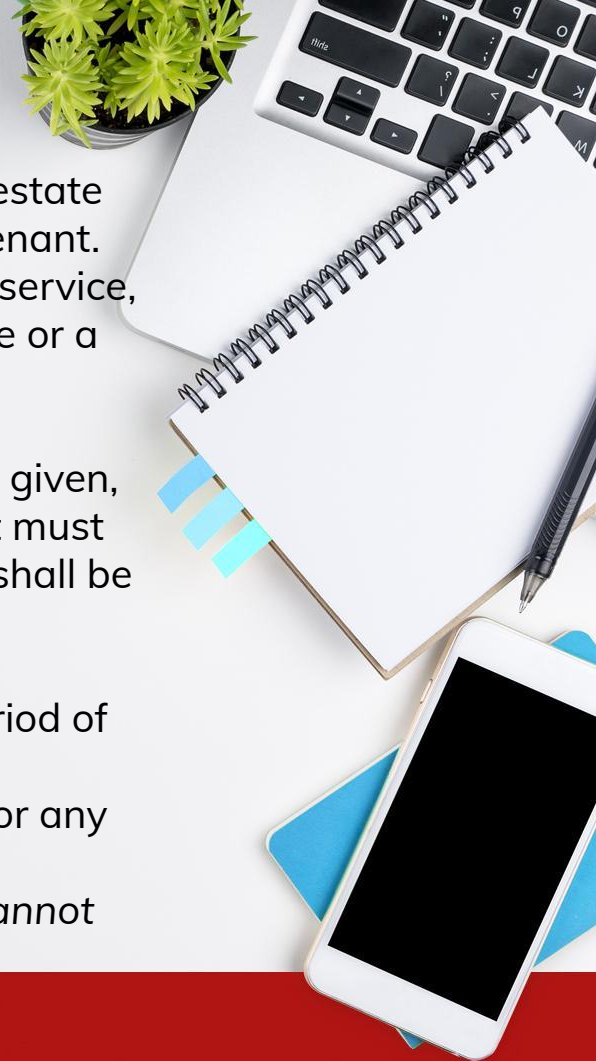
A written “Notice to Prospective Tenants” shall be given by the real estate broker, at the time of the first personal meeting, to the prospective tenant. Notice shall disclose that whether the **tenant** will pay a fee for such service, the amount of the fee, when and how it is to be paid and if the whole or a portion of the fee is payable, even if the tenancy is not created.

The notice, including the salesperson’s or broker’s name and license number, the prospective tenant’s name, and the date the notice was given, must be signed by both parties. If the tenant refuses to sign, the fact must be noted on the form by salesperson or broker. A copy of the notice shall be kept on file for at least three years.

Brokers shall maintain all listings and documents, pertaining to the availability of apartments at the time they were advertised, for a period of at least three years from the date the apartment was rented.

Brokers shall maintain a copy of any check, money order or receipt for any fees or payments.

Unless a prospective tenant agrees in writing, a real estate broker cannot charge a fee if a tenancy has not been created. MA Law





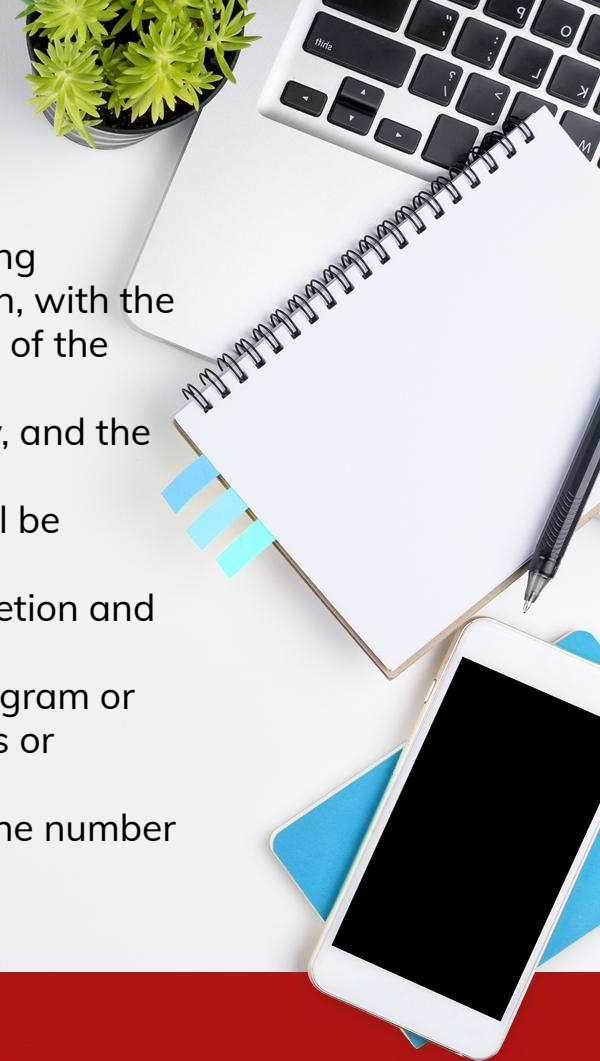
REAL ESTATE SCHOOLS

To provide instruction in real estate for the license preparation or continuing education classes, a school has to be authorized by the Board. Application, with the appropriate fee is to be made to the board, which approves the suitability of the location of the classes.

Each location, which the Board may limit, has to be authorized separately, and the certification is to be renewed every two years.

Each school shall designate one individual as “authorized agent”, who will be responsible for:

- a. maintaining records of students names, attendance, dates of completion and curriculum for at least two years
- b. Verify only those students who have successfully completed any program or course with the appropriate hours receive Board approved certified forms or certificates of completion
- c. Notify the board, within seven days, of any changes to address, phone number or the authorized agent of the school
- d. Having only qualified instructors teach





The board may suspend, revoke or refuse to renew any school authorization, if the school does not adhere to the regulations, including:

- a. Failure to maintain records, as required
- b. Failure to provide appropriate notice to the board of any changes to address, phone number or authorized agent
- c. Failure to provide Board with any requested information
- d. Failure to use the exact name of the school in ads, postings or any medium of communication
- e. Failure to have a qualified/authorized instructor teaching the appropriate curriculum,
- f. Obtaining school authorization through fraud or misrepresentation
- g. Discriminating against any individual on the basis of age, marital status, gender, sexual preference, race, religion, socioeconomic status or disability
- h. Failure to provide a student with appropriate certification of completion
- i. Providing certification of completion of any curriculum to someone who has not done so
- j. Combining any part of the salesperson, broker, continuing education or instructor classes into one offering
- k. Failure to offer Board approved curriculum



REAL ESTATE INSTRUCTOR

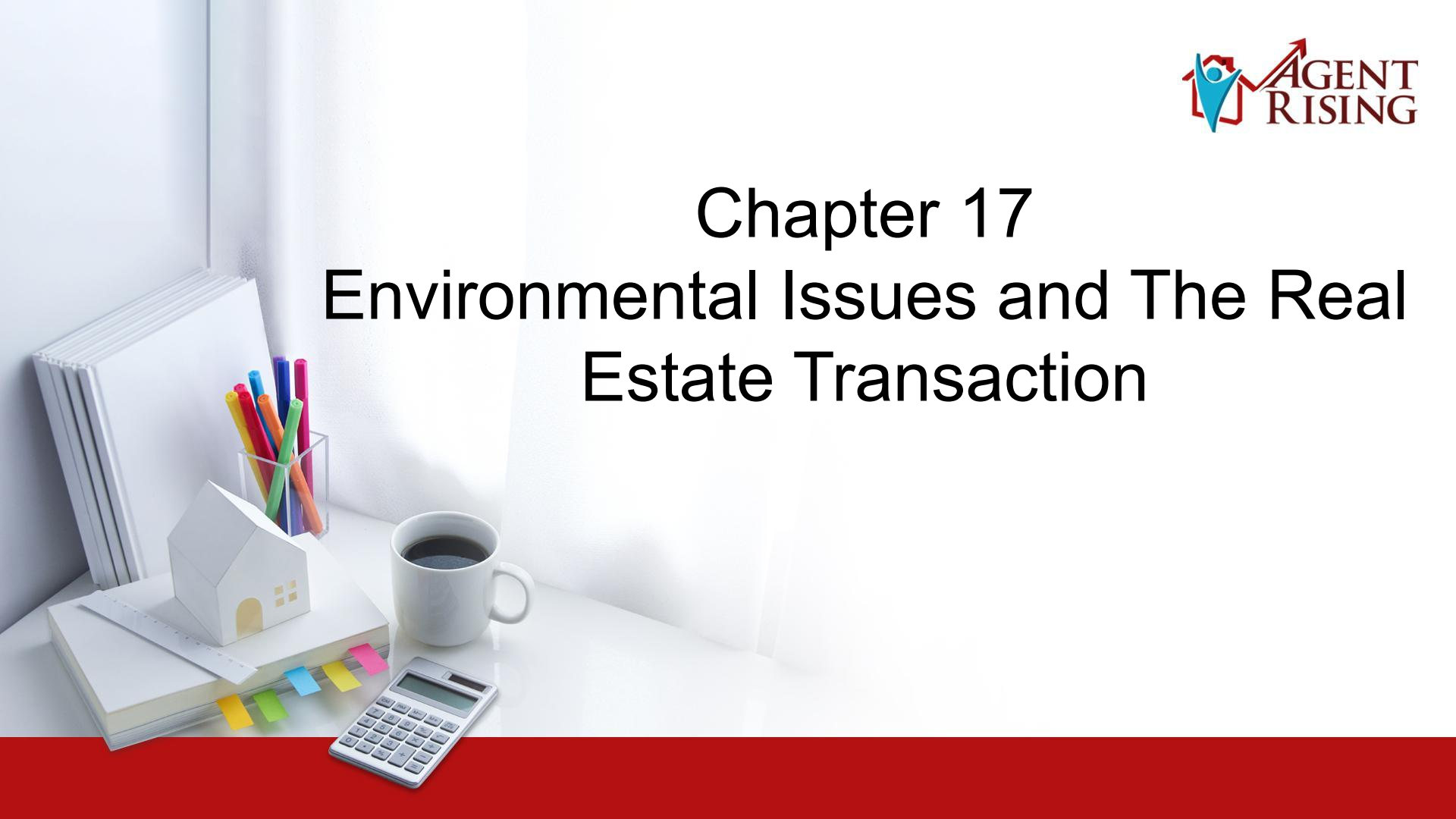
To become a Board Qualified Instructor and teach in an approved school, an individual must:

- a. Hold a current brokers license issued by the Board
- b. Have a minimum of two years work experience as a real estate broker, involving at least 25 hours per week
- c. Have co-taught or audited the curriculum in an authorized school
- d. Have a minimum of 30 hours of instruction, at an instructor training school approved by the Board
- e. The Board may issue an “authorization to act as an instructor” to anyone, who has completed the above requirements or the equivalent, as determined by the Board
- f. An instructor may employ specialists to teach particular portions of the salesperson or broker curriculum, who do not need to obtain authorization from the Board, but not for the whole course

- VI. ENVIRONMENTAL ISSUES AND
HAZARDOUS MATERIALS (10%)
(SALESPERSONS: 4 ITEMS; BROKERS: 4
ITEMS)
- A. Lead
 - B. Private sewage disposal
 - C. Smoke and carbon monoxide detection
 - D. Wetlands and rivers protection

Chapter 17

Environmental Issues and The Real Estate Transaction





ENVIRONMENTAL ISSUES

Balance of legitimate commercial and residential use with preserving vital resources.





ENVIRONMENTAL ISSUES

Quality of:

- ☐ air
- ☐ water
- ☐ soil





ENVIRONMENTAL ISSUES

Prevention *and* clean up





MASSACHUSETTS LAW

Attorney General is authorized to prevent or remedy damages to natural resources:

- ❑ destruction





MASSACHUSETTS LAW

Attorney General is authorized to
prevent or remedy damages to
resources:

❑ damage

natural





MASSACHUSETTS LAW

Attorney General is authorized to prevent or remedy damages to natural resources:

❑ impairment





MASSACHUSETTS LAW (Cont.)

The statutory definition includes air and water pollution, improper sewage disposal, use of toxic pesticides, and excessive noise.





MASSACHUSETTS LAW (Cont.)

Improper operation of dumping grounds; impairment of rivers, streams, floodplains, lakes, ponds, and other surface or subsurface water resources; and destruction of seashores, dunes, marine resources, underwater archeological resources, wetlands, open spaces, natural areas, parks, and historic districts or sites, are all addressed by statute





HAZARDOUS WASTE



The Massachusetts Oil and
Hazardous Material Release
Prevention and Response Act



HAZARDOUS WASTE

Comprehensive Environmental
Response, Compensation, and Liability
Act (CERCLA). (NATIONAL)





HAZARDOUS WASTE

If any toxic chemicals or petroleum products are on or under the soil of a property, the information should be given to a prospective buyer.





HAZARDOUS WASTE

If the owner suspects the presence of any hazardous waste, he should have an expert examine the site.





HAZARDOUS WASTE (Cont.)

In Massachusetts the site inspection for toxic substances is called a “21E” site inspection.





HAZARDOUS WASTE (Cont.)

If toxins are present, arrangements will be made for their removal by the proper state authority.





HAZARDOUS WASTE (Cont.)

*This environmental cleanup law is
sometimes called the Superfund.*





WHO IS RESPONSIBLE?

 manager





WHO IS RESPONSIBLE?

❑ transporter



WHO IS RESPONSIBLE?

- ❑ generator of hazardous wastes





WHO IS RESPONSIBLE?

- ❑ If the responsible party cannot be found



WHO IS RESPONSIBLE?

- ❑ site owner or landowner is responsible





WHO IS RESPONSIBLE?

- ❑ STATE will remediate then record a lien.





WHO IS RESPONSIBLE?

- ❑ This lien takes priority over all other recorded liens





WHO IS RESPONSIBLE?

- ❑ Because an automatic lien against the tainted land takes precedence over mortgages, most banks will demand that the property be inspected, before they commit to a loan.





WETLANDS

WETLANDS are legally protected property.





WETLANDS

Land in Massachusetts in a wetland or bordering a wetland is legally protected property.





WETLANDS

Wetlands Restriction Act, the Department of Environmental Protection may draw non encroachment lines around any waterway, in order to restrict harmful, or destructive activities, such as dredging, filling, or polluting.





WETLANDS (Cont.)

The Coastal Zone Management Act and Ocean Sanctuaries Act both restrict the use and development of the state's coastline, out to the three-mile territorial limit.





WETLANDS (Cont.)

The Scenic Rivers Act; the Clean Waters Act; and a wide array of air, water, and land pollution regulations, protect Massachusetts' wetlands from the detrimental effects of land development.





SCENIC ROADS

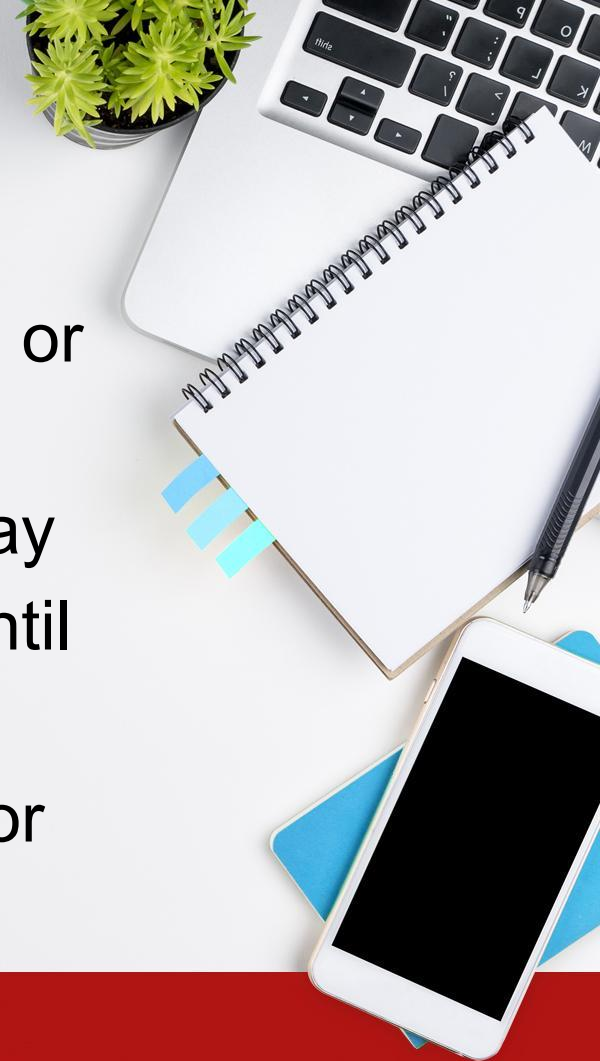
1973 LAW that recognizes that trees and stone walls that border local roads have scenic, aesthetic, and historic value.





SCENIC ROADS

Any repair, maintenance, reconstruction, or paving work that involves destruction of trees or stone walls, within the right-of-way of a rural road, may not be undertaken until the planning board has held a public hearing and granted written permission for the work to commence.





LEAD PAINT

Massachusetts first lead poisoning prevention law in 1971.





LEAD PAINT

Since 1971, Homeowners permanently control specified lead-based paint hazards in any housing unit in which a child under the age of six resides. The law was revised in 1987 in three ways.





LEAD PAINT

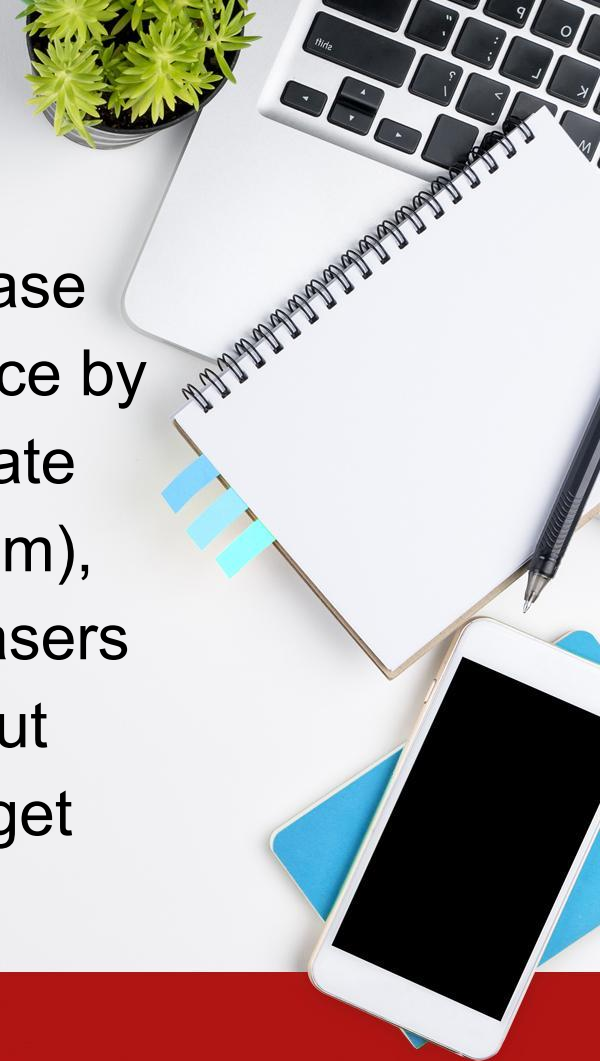
- ❑ First, improve the quality and safety of lead abatement work by requiring use of trained and licensed contractors, relocation of housing occupants during abatement, and daily and final cleanup in units undergoing abatement.





LEAD PAINT (Cont.)

- ❑ Second, the amendments sought to increase the number of units brought into compliance by providing financial assistance (a \$1000 state income tax credit, and a grant/loan program), and by mandating that prospective purchasers of residential premises receive notice about the lead law, and have the opportunity to get an inspection.





LEAD PAINT (Cont.)

- ❑ Third, the amendments embraced universal blood lead screening, mandating that physicians screen children, and that health insurers cover those costs.





1993 Amendments (Lead)

- ❑ 2 year interim controls





1993 Amendments (Lead)

- ❑ Encapsulants allowed





1993 Amendments (Lead)

- ❑ \$1500 per unit tax credit





1993 Amendments (Lead)

- ❑ Liability lessened with certification





1993 Amendments (Lead)

❑ Tenant Lead Law Notification





1993 Amendments (Lead)

- ❑ Short term vacation of 31 days exempt





Removed or Encapsulated

❏ window sills





Removed or Encapsulated

☐ stair risers





Removed or Encapsulated

 woodwork





Removed or Encapsulated

 doors





Removed or Encapsulated

❑ interior wall corners





Removed or Encapsulated

- ❑ Railings up to a height of five feet.





Removed or Encapsulated

- ❑ Any chipped or cracked plaster or paint must be removed.





Removed or Encapsulated

- ❑ Flat wall surfaces do not normally have to be de-leaded.





Removed or Encapsulated

In short the de-leading requirement applies to all “*mouthable*” surfaces, accessible to a child under the age of six.





Removed or Encapsulated

Owners or brokers of pre-1978 properties may not discriminate against potential buyers or tenants who have children.





Property Transfer Notification Certification

If property was constructed prior to 1978, the state-approved lead disclosure form entitled *Property Transfer Notification Certification* (see Figure 16.3), signed by the seller must then be signed by the prospective buyer or tenant, whether or not lead paint is present.





Property Transfer Notification Certification

The form certifies that the buyer has been informed of the existence of a lead paint hazard.





Property Transfer Notification Certification

Owners must declare on the form whether they have knowledge of the presence of lead paint.





Property Transfer Notification Certification

The buyer must also indicate whether the 10-day period for a lead inspection is being selected or waived.





Property Transfer Notification Certification

The listing and selling agents must sign the disclosure indicating they have informed the buyer and seller of the possible presence of lead.





Childhood Lead Poisoning Prevention Program

Real Estate Agents ALWAYS:

- ☐ Verbally inform purchasers of the lead law's abatement requirement and of their right to have a lead inspection of the property.





Childhood Lead Poisoning Prevention Program

Real Estate Agents ALWAYS:

- ❑ Provide a list of professionals who are licensed to perform lead paint inspections and abatement if requested.

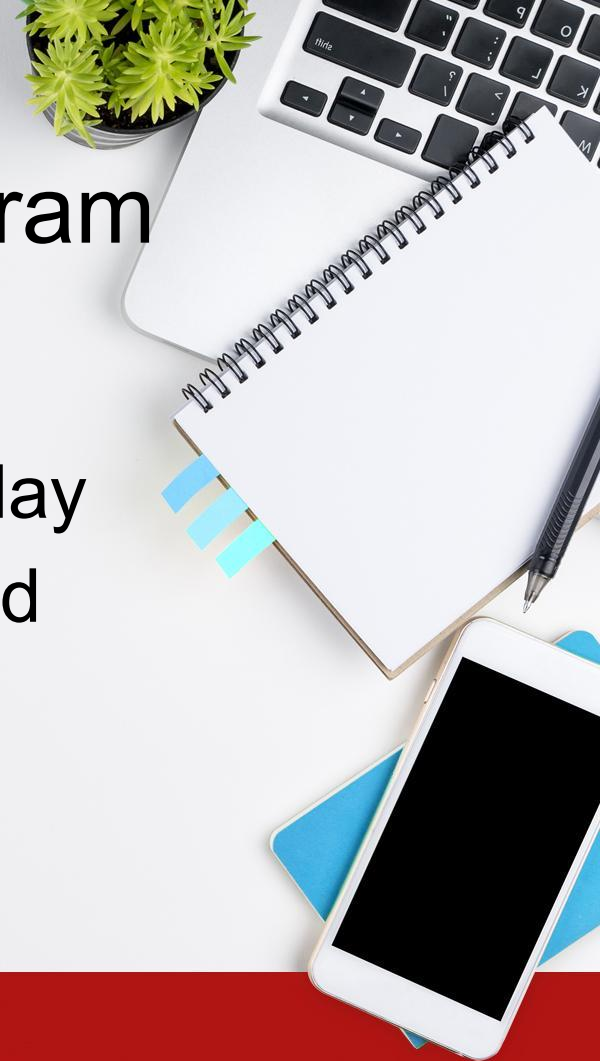




Childhood Lead Poisoning Prevention Program

Real Estate Agents ALWAYS:

- ❑ Allow the potential purchaser a 10-day opportunity to conduct lead paint and risk assessment inspections before the purchaser becomes obligated under a contract to purchase.





Childhood Lead Poisoning Prevention Program

- ❑ The P&S agreement may or may not be contingent on the property passing inspection.





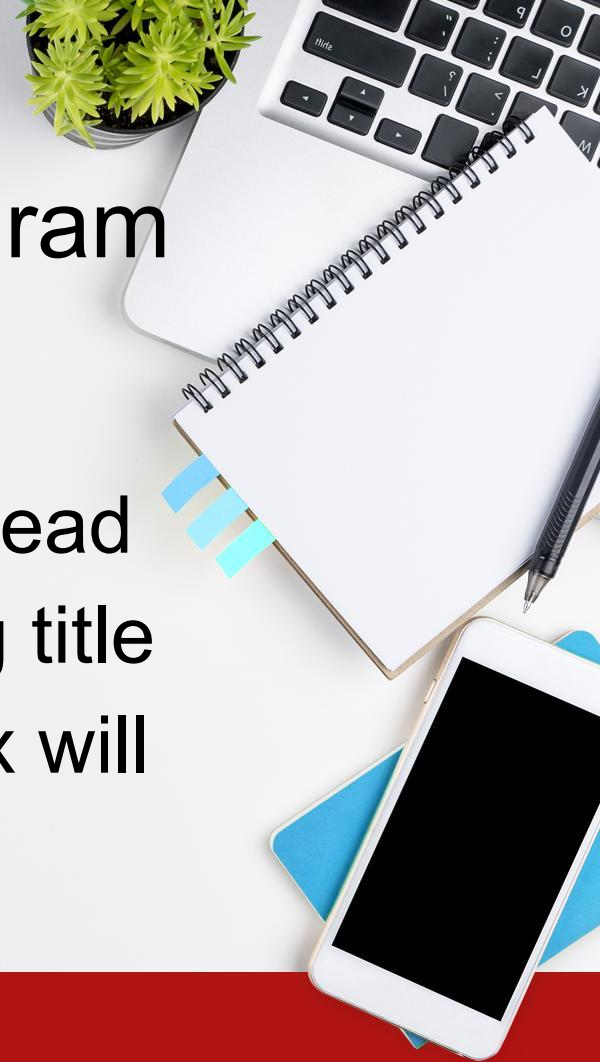
Childhood Lead Poisoning Prevention Program

- ❑ If no test is performed on a pre-1978 prior to closing, the purchaser has 90 days after closing to have the property inspected.





Childhood Lead Poisoning Prevention Program



- ❑ Purchaser is required to abate a lead hazard within 90 days of securing title to the property, if a child under six will live in it.



Childhood Lead Poisoning Prevention Program

Childhood Lead Poisoning
Prevention Program (CLPPP) packet
published by the Department of Public
Health





Renovations Repairs and Painting Pre-1978

A copy of the EPA's lead hazard information pamphlet, *Renovate Right: Important Lead Hazard Information for Families, Child Care Providers, and Schools*, must be provided for all property built before 1978 when renovating, repairing, or preparing, for painting rental housing space rented for child care facilities or schools.





Renovations Repairs and Painting Pre-1978

The EPA requires that licensed
contractors be trained and certified
and follow lead- safe work practices.





Renovations Repairs and Painting Pre-1978

They must follow three simple
procedures:

- ❑ contain the work area





Renovations Repairs and Painting Pre-1978



They must follow three simple
procedures:

- ❑ minimize dust



Renovations Repairs and Painting Pre-1978

They must follow three simple
procedures:

- ❑ clean up thoroughly.





ASBESTOS

Material in good repair and free from any defects, including but not limited to:

☐ holes





ASBESTOS

Material in good repair and free from any defects, including but not limited to:

☐ cracks





ASBESTOS

Material in good repair and free from any defects, including but not limited to:

☐ tears





ASBESTOS

Material in good repair and free from any defects, including but not limited to:

- ❑ or any looseness that may allow the release of asbestos dust





ASBESTOS

Material in good repair and free from any defects, including but not limited to:

- ❑ any powdered, crumbled, or pulverized asbestos material.





ASBESTOS

Anyone who handle asbestos-containing material must do so in a manner that does not cause or contribute to air pollution.





Underground Storage Tanks

Fuel Storage

- ❑ No person may construct, maintain, or use any tank or container of more than a 10000-gallon capacity for the storage of any fluid other than water, unless located underground with a permit from the marshal.





Underground Storage Tanks

Fuel Storage

- ❑ Permit needed for tank removal.





Underground Storage Tanks

Fuel Storage

- ❑ Must be drained, cleaned properly, and filled with sand, pea gravel, or removed.





Underground Storage Tanks

Fuel Storage

- ❑ Owners of underground storage tanks may be required to maintain a leak detection system, along with records, and reporting of leaks and corrective actions.





FUEL LINES

(Chapter 453 Acts of 2008) (M.G.L. c. 111 § 127B 1/2)

[https://malegislature.gov/Laws/SessionLaws/ Acts/2008/Chapter453](https://malegislature.gov/Laws/SessionLaws/Acts/2008/Chapter453) for more information.





FUEL LINES

Owners of residential property who
heat with oil must:





FUEL LINES

- ❑ Have the fuel supply line covered with a continuous, non-metallic sleeve





FUEL LINES

- ❑ Have an oil safety valve installed at the tank.





FUEL LINES

The upgrades are not required if:

- ❑ The burner is located above the fuel storage tank and the entire supply line is connected to the top of the tank





FUEL LINES

The upgrades are not required:

- ☐ If the heating system was installed after Jan. 1 1990





FUEL LINES

The upgrades are not required:

- ❑ Or if a new tank was installed and fuel lines and fuel safety valves were replaced.





Old Industrial or Waste Sites Chapter 206 of the Acts of 1998

In 2002 the Brownfields Legislation
became federal law.





Old Industrial or Waste Sites Chapter 206 of the Acts of 1998

Under the law, states and localities receive funds to clean up polluted industrial sites.





Old Industrial or Waste Sites Chapter 206 of the Acts of 1998

As of May of 2015, Massachusetts has received over \$111.4 million to assess and clean up properties that have been abandoned or underdeveloped because of contamination or the fear of contamination.





Smoke Detectors (M.G.L. c. 148 § 26F)

Massachusetts sellers are required to provide buyers with smoke detector compliance certificates before a property closing can occur.





Smoke Detectors (M.G.L. c. 148 § 26F)

- ❑ An appointment must be made with the local fire department for an inspection of the property and a fee must be paid.





Smoke Detectors (M.G.L. c. 148 § 26F)

- ❑ A fire official will examine the property to check that detectors are of the correct type, in the right location, and are working properly.





Smoke Detectors (M.G.L. c. 148 § 26F)

- ❑ A certificate will be signed by the official. The original certificate must be presented at the closing.





Smoke Detectors (M.G.L. c. 148 § 26F)

Owners of certain residential properties are required to install both ionization and photoelectric smoke detectors. These properties include the following:





Smoke Detectors (M.G.L. c. 148 § 26F)

- ❑ Residential buildings under 70 feet tall and containing less than six dwelling units





Smoke Detectors (M.G.L. c. 148 § 26F)

- ❑ Residential buildings not substantially altered since January 1, 1975 and containing less than six residential units





Smoke Detectors (M.G.L. c. 148 § 26F)

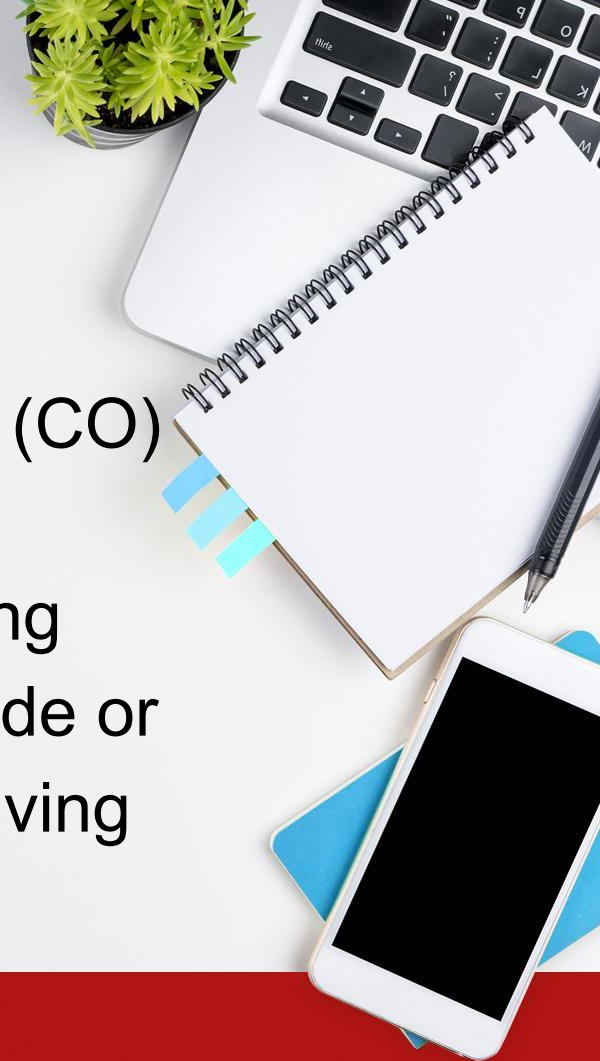
- ❑ All residential buildings sold or transferred after January 1, 2010 which are less than 70 feet tall, have less than 6 units, or have not been substantially altered since January 1 1975





Carbon Monoxide Detectors

In the commonwealth, carbon monoxide (CO) detectors are required for all residential dwellings equipped with fossil-fuel-burning equipment that produces carbon monoxide or that have enclosed parking attached to living areas.





Carbon Monoxide Detectors

- ❑ The law and regulations apply to all homes not just property that is being transferred.





Carbon Monoxide Detectors

- ❑ Inspections for compliance are performed prior to a closing by the local fire department





Carbon Monoxide Detectors

- ❑ If the inspection is done simultaneously with the smoke detector inspection there is no additional charge.





Carbon Monoxide Detectors

- ❑ Maximum fees are defined in the law for inspections performed separately.





Title 5: On-Site Sewage Disposal Systems

Few changes in real estate law have stirred as much controversy as Title 5 of the Massachusetts Environmental Code.





Title 5: On-Site Sewage Disposal Systems

Title 5 requires that all properties that have on-site sewage disposal systems are to have those systems inspected when a change in ownership of property is going to take place, or when an addition to the property is planned.





Title 5: On-Site Sewage Disposal Systems

Homes that are not connected to a sewer system, use cesspools or septic systems, both of which are regulated by the state Department of Environmental Protection





Title 5: On-Site Sewage Disposal Systems

Cesspool and septic system
inspections are required:





Title 5: On-Site Sewage Disposal Systems

- ❑ within two years before the sale of a home or transfer of title, or six months after the sale, if weather conditions preclude prior inspection





Title 5: On-Site Sewage Disposal Systems

❑ in certain inheritance situations





Title 5: On-Site Sewage Disposal Systems

- ❑ in certain insolvency proceedings



Title 5: On-Site Sewage Disposal Systems

- ❑ when the use of the home is changed





Title 5: On-Site Sewage Disposal Systems

- ❑ when the home is expanded and a building or occupancy permit is required





Title 5: On-Site Sewage Disposal Systems

Inspections are not required:

- ❑ when a mortgage is refinanced





Title 5: On-Site Sewage Disposal Systems

Inspections are not required:

- ❑ when title to the house is transferred from one spouse to another or placed in a particular family trust





Title 5: On-Site Sewage Disposal Systems

Inspections are not required:

- ❑ when the system was inspected within three years before the sale of the house, and the owners have records showing that their system was pumped annually since the inspection





Title 5: On-Site Sewage Disposal Systems

Inspections are not required:

- ❑ when the local board of health has issued a certificate of compliance within two years before the time of transfer of title





Title 5: On-Site Sewage Disposal Systems

- ❑ when the homeowner has entered into an enforceable agreement that is binding on subsequent buyers with the board of health, requiring a system upgrade, or connection to the municipal sewer system, within two years of transfer or sale





Title 5: On-Site Sewage Disposal Systems

- ❑ when the community has adopted a plan approved by the department requiring periodic inspections, and the system was inspected at the most recent time as required by the plan.



Mold

- ❑ Mold is a growing concern in all parts of the country.



Mold

- ❑ Mold can be found almost anywhere and can grow on almost any organic substance as long as moisture and oxygen are present.



Mold

- ❑ Few states have enacted legislation concerning mold.



Mold

- ❑ Currently Massachusetts has no legislation on mold.



Mold

- ❑ Not only is it a serious health concern in new building construction, mold is also an area of increasing litigation.





Radon

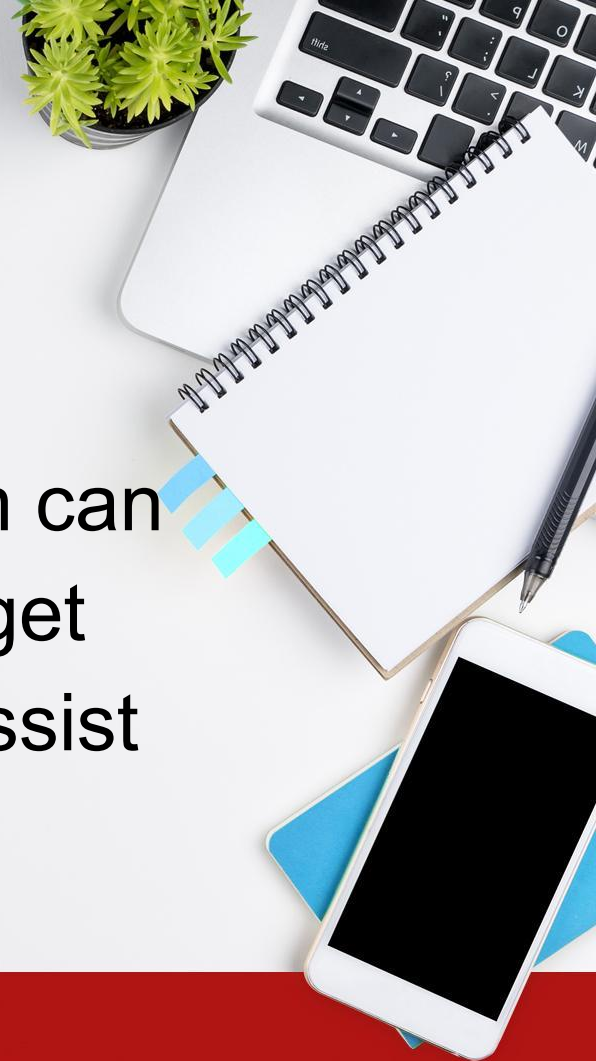
While there are no Massachusetts state regulations regarding radon, the Environmental Protection Agency has issued recommended guidelines.





Radon

The Massachusetts Department of Health's Radiation Control Program can advise property owners on how to get their homes tested for radon and assist them in interpreting the results.





Radon

The Radiation Control Program has a booklet describing methods of reducing high concentrations of radon.



Radon (Cont.)

- ❑ Radon is a naturally occurring radioactive gas produced in the ground through decay of uranium and radium.



Radon (Cont.)

- ❑ As it decays radon produces new radioactive elements or decay products.



Radon (Cont.)

- ❑ These products cannot be detected by human senses, colorless, odorless, and tasteless.





Beyond the Chapter..

- ❑ Read the Key Point Review in the Unit.





Beyond the Chapter..

- ❑ Read the quizzes and answers.
Are you right or wrong? Why?





Beyond the Chapter..

☐ Text us or email us any questions.



VII. MASSACHUSETTS FAIR HOUSING LAW (10%) (SALESPERSONS: 4 ITEMS; BROKERS: 4 ITEMS)

- A. Protected classes that differ from Federal
- B. MA specific exceptions
- C. MA Commission Against Discrimination
- D. ADA and other accommodations

CHAPTER 16

FAIR HOUSING AND ETHICAL PRACTICES





PROTECTED CLASSES



Federal fair housing laws prohibit discrimination on the basis of:

❑ **race**





Federal fair housing laws prohibit discrimination on the basis of:

❑ **color**





Federal fair housing laws prohibit discrimination on the basis of:

❑ religion





Federal fair housing laws prohibit discrimination on the basis of:

- ❑ **sex (including gender identity)**





Federal fair housing laws prohibit discrimination on the basis of:

- ❑ national origin





Federal fair housing laws prohibit discrimination on the basis of:

☐ **familial status**





Federal fair housing laws prohibit discrimination on the basis of:

☐ **disability**





The **Massachusetts** Fair Housing Law prohibits discrimination in housing and real estate activities on the basis of:

- ❑ race



MASSACHUETTS

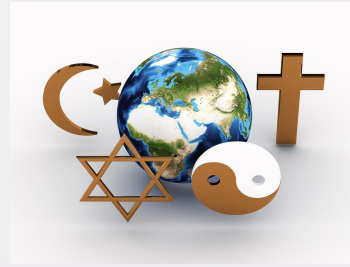
The Massachusetts Fair Housing Law prohibits discrimination in housing and real estate activities on the basis of:

❑ color



The Massachusetts Fair Housing Law prohibits discrimination in housing and real estate activities on the basis of:

❑ religion





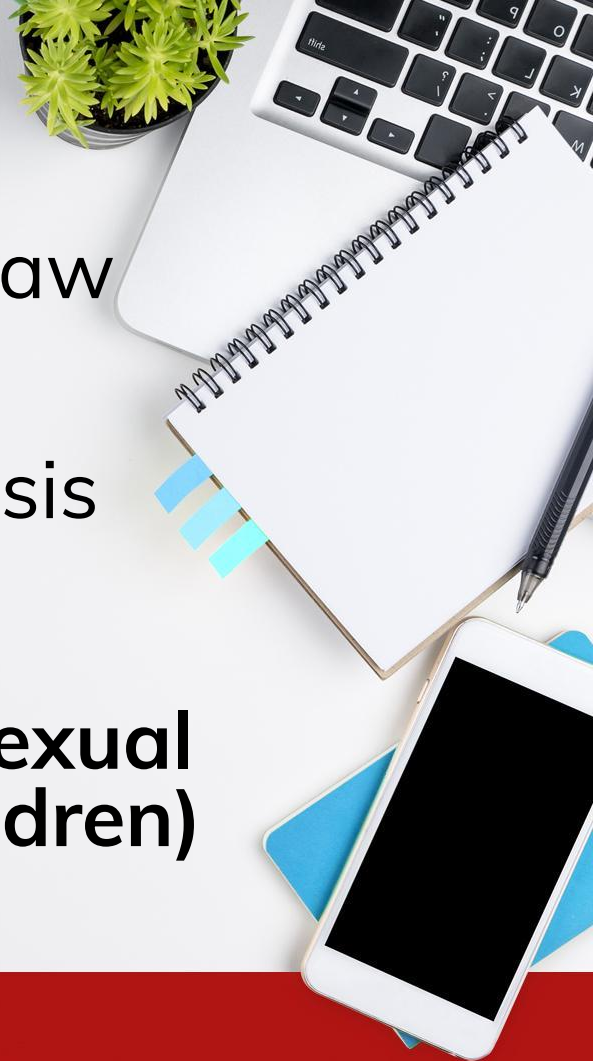
The Massachusetts Fair Housing Law prohibits discrimination in housing and real estate activities on the basis of:

❑ sex



The Massachusetts Fair Housing Law prohibits discrimination in housing and real estate activities on the basis of:

- ❑ **sexual orientation (excluding sexual orientation involving minor children)**

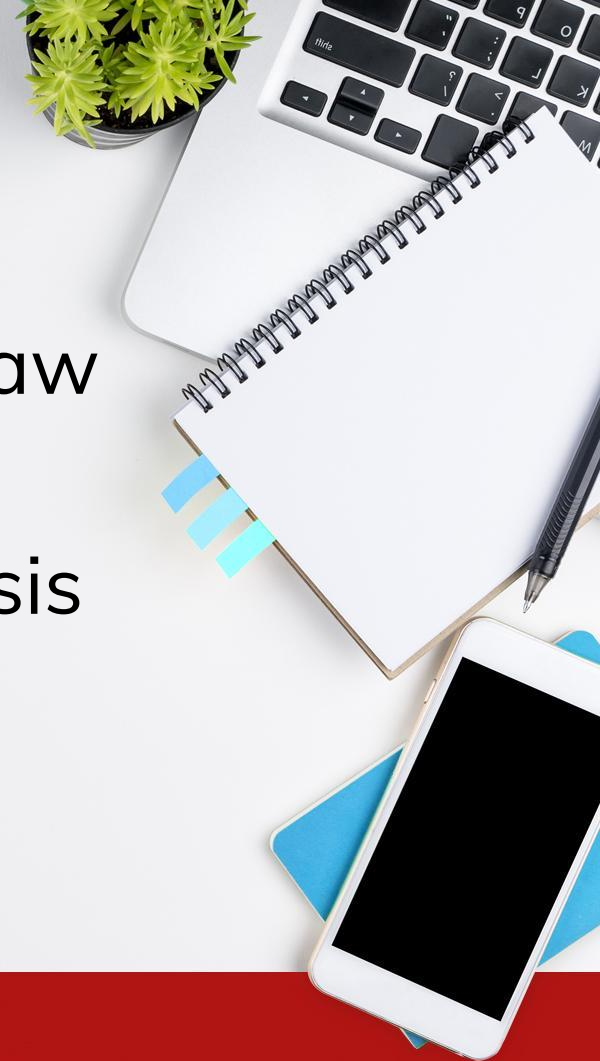




PROTECTED CLASSES

The Massachusetts Fair Housing Law prohibits discrimination in housing and real estate activities on the basis of:

❑ **children**

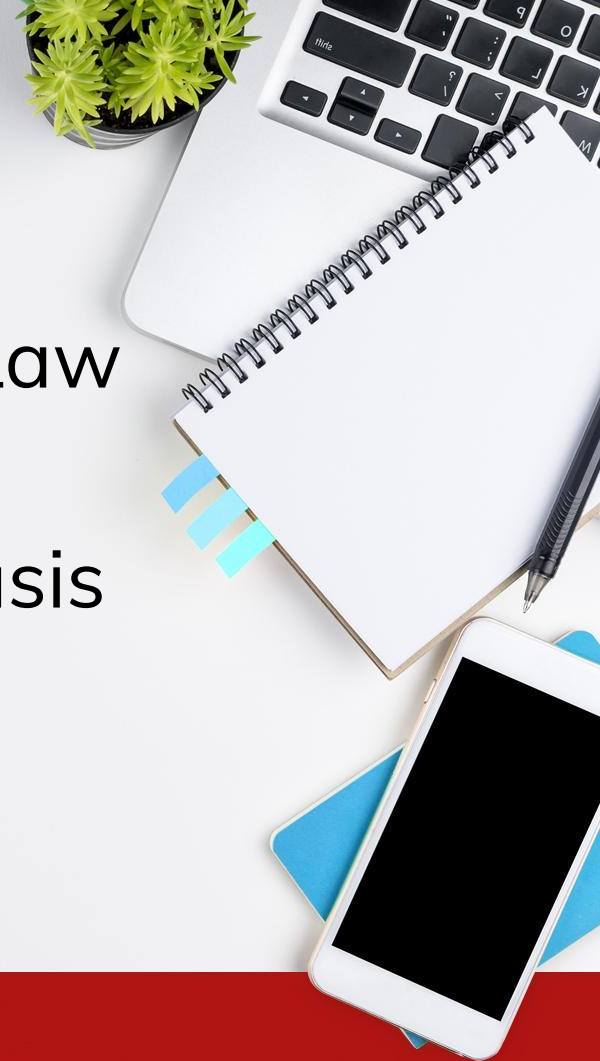




PROTECTED CLASSES

The Massachusetts Fair Housing Law prohibits discrimination in housing and real estate activities on the basis of:

- ❑ **national origin**

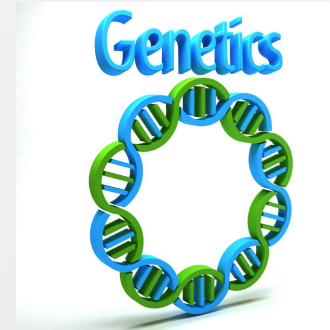




PROTECTED CLASSES

The Massachusetts Fair Housing Law prohibits discrimination in housing and real estate activities on the basis of:

- ❑ **genetic information**





PROTECTED CLASSES

The Massachusetts Fair Housing Law prohibits discrimination in housing and real estate activities on the basis of:

- ❑ **ancestry**





PROTECTED CLASSES

The Massachusetts Fair Housing Law prohibits discrimination in housing and real estate activities on the basis of:

☐ **marital status**





PROTECTED CLASSES

The Massachusetts Fair Housing Law prohibits discrimination in housing and real estate activities on the basis of:

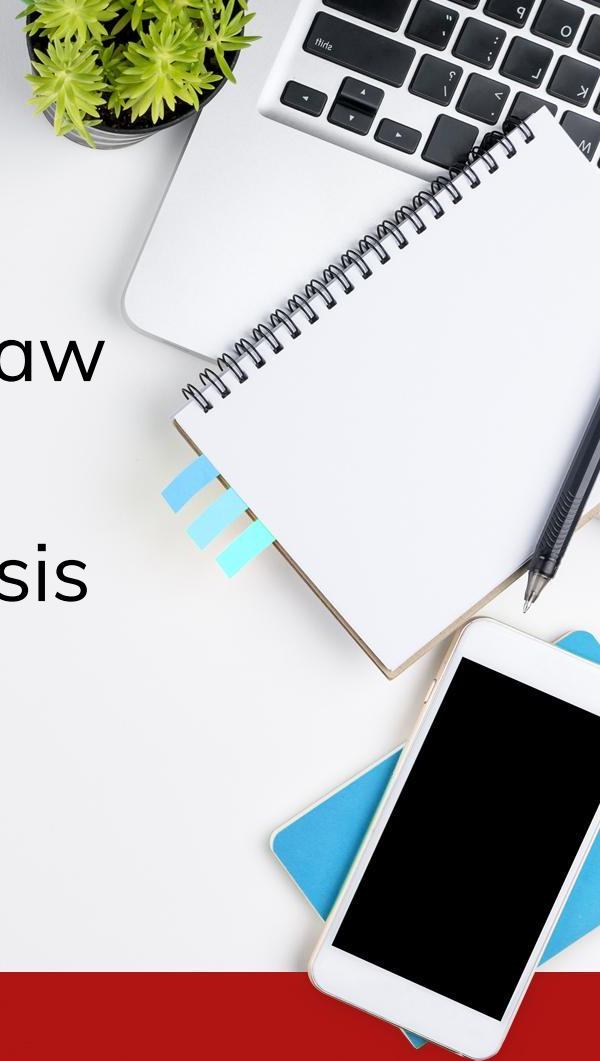
- ❑ **veteran or member of the armed forces**



PROTECTED CLASSES

The Massachusetts Fair Housing Law prohibits discrimination in housing and real estate activities on the basis of:

☐ **public assistance recipient**





PROTECTED CLASSES

The Massachusetts Fair Housing Law prohibits discrimination in housing and real estate activities on the basis of:

- ❑ age





PROTECTED CLASSES



The Massachusetts Fair Housing Law prohibits discrimination in housing and real estate activities on the basis of:

❑ **handicap (mental or physical) or**



PROTECTED CLASSES

The Massachusetts Fair Housing Law prohibits discrimination in housing and real estate activities on the basis of:

❑ **gender identity.**



QUIZ QUESTION

Which of the following is a protected class under the Massachusetts Fair Housing Law but is not protected under the US Fair Housing Act?

- a. Race
- b. Color
- c. Religion
- d. Sexual orientation



ANSWER

(d) Sexual orientation

MFHL includes the seven protected classes under the USFHA + the following: sexual orientation, gender identification, age, children, genetic information, ancestry, marital status, veteran.armed forces, public assistance recipient





PROTECTED CLASSES

Discrimination against persons who have children is prohibited. Prohibition does not apply to any situation in which the state sanitary code, regarding the number of persons who may safely occupy the premises, would be violated.





PROTECTED CLASSES

The provisions of Massachusetts law regarding fair housing practices regulate the activities of all persons who have an ownership interest of any kind in real property, and not just real estate licensees.





PROTECTED CLASSES



The broad prohibitions include discrimination in:

- ❑ offering residential and commercial property for sale or lease





PROTECTED CLASSES



The broad prohibitions include discrimination in:

- ❑ granting mortgage loans



PROTECTED CLASSES

The broad prohibitions include discrimination in:

- ❑ appraising residential real estate





PROTECTED CLASSES

The broad prohibitions include discrimination in:

- ❑ offering membership or participation, in multiple-listing, or other brokers' organizations.





APPLICABLE REAL ESTATE

Massachusetts' anti-discrimination laws apply to the following types of real estate:

- ❑ Multiple dwellings (three or more independent family units), or contiguously located housing accommodations, including publicly assisted housing





APPLICABLE REAL ESTATE

- ❑ Single-family residences that are directly, or through an agent, offered to the public for sale, lease, or rental, by advertising in a newspaper, or otherwise by signs and notices located on the premises, or elsewhere, by listing with a broker, or by other means of public offering



APPLICABLE REAL ESTATE

**Massachusetts' anti-discrimination laws
apply to the following types of real estate:**

- ❑ Commercial space





PROHIBITED ACTIVITIES

The following activities are specifically outlawed:





PROHIBITED ACTIVITIES

- ❑ Refusing to rent, lease, sell, or negotiate the sale of any property, or deny or withhold from any person or group of persons, such accommodations, because of the person's protected class



PROHIBITED ACTIVITIES

- ❑ Discriminating against any person or group in the terms, conditions, or privileges, involved with the possession or acquisition of property, or in the furnishings of facilities and services in connection, therewith, or because a person possesses a trained guide dog as a result of blindness or hearing impairment





PROHIBITED ACTIVITIES

- ❑ Making any inquiry or record regarding the race, creed, color, national origin, sex, sexual orientation, age, ancestry, or marital status of a person seeking to rent, lease, or buy property, or concerning the fact that the person is a veteran or a member of the armed forces, is blind or hearing impaired, or has any other handicap (see below)



PROHIBITED ACTIVITIES

- ❑ Making false representations regarding the availability of suitable housing, including failing to show all properties listed for sale or rent that are within the requested price range





PROHIBITED ACTIVITIES

Discrimination is illegal if its purpose is to relieve the owner of the responsibility for removing or covering lead paint. See Chapter 16 for information regarding environmental issues.

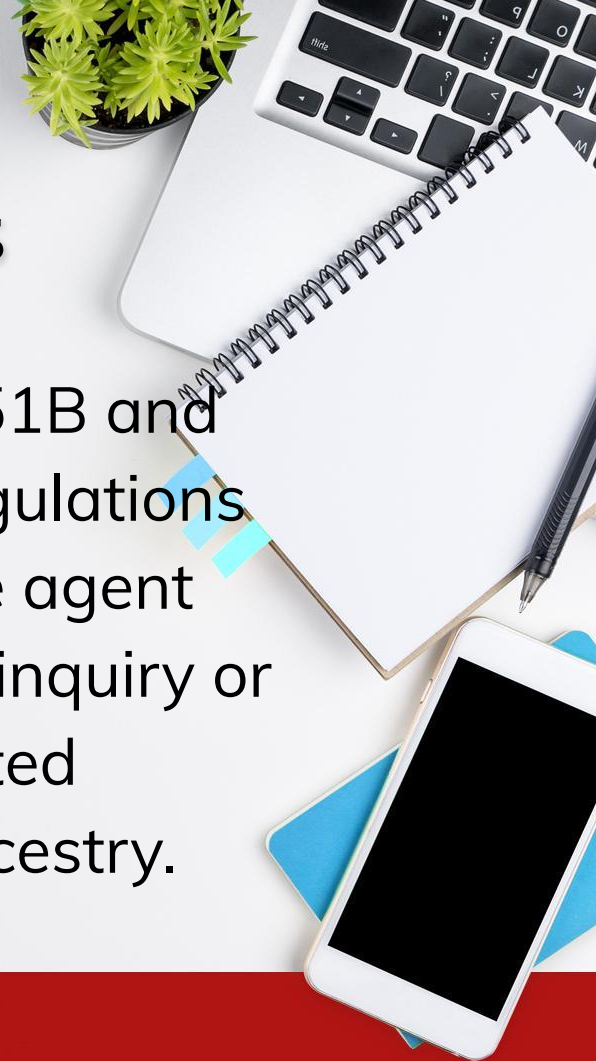




LINDER V. BOSTON FAIR HOUSING

*COMMISSION 84 MASS APPEALS
COURT 1125 (2013)*

Massachusetts General Laws Chapter 151B and the Boston Fair Housing Commission Regulations make it illegal for any licensed real estate agent “to cause to be made any written or oral inquiry or record,” concerning any of the the protected classes, including national origin and ancestry.



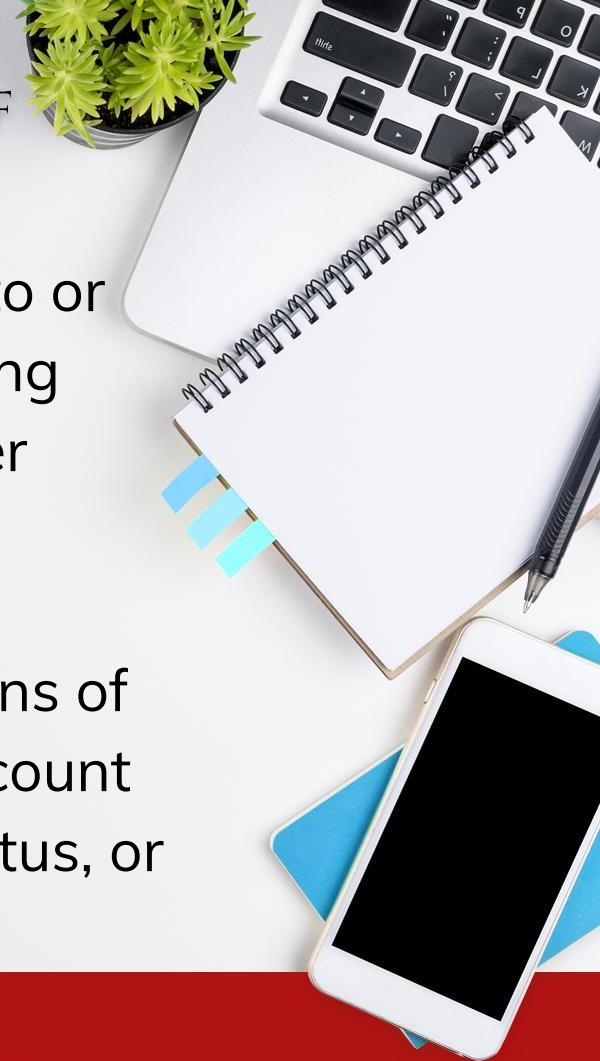


Paul Linder, a licensed real estate broker posed a seemingly innocent question to prospective tenants James and Gladys Stokel: “Where are you from?” The Stokels replied “Venezuela.” The Stokels went on to find an apartment a month later without further incident. However the Stokels found the question “insulting and upsetting” and feared that they were victims of discrimination, particularly because the Stokels had recently been denied an apartment based on “where they were from” and had filed an unrelated discrimination lawsuit against a different company.



SECTION 806 [42 U.S.C. 3606] DISCRIMINATION IN PROVISION OF BROKERAGE SERVICES

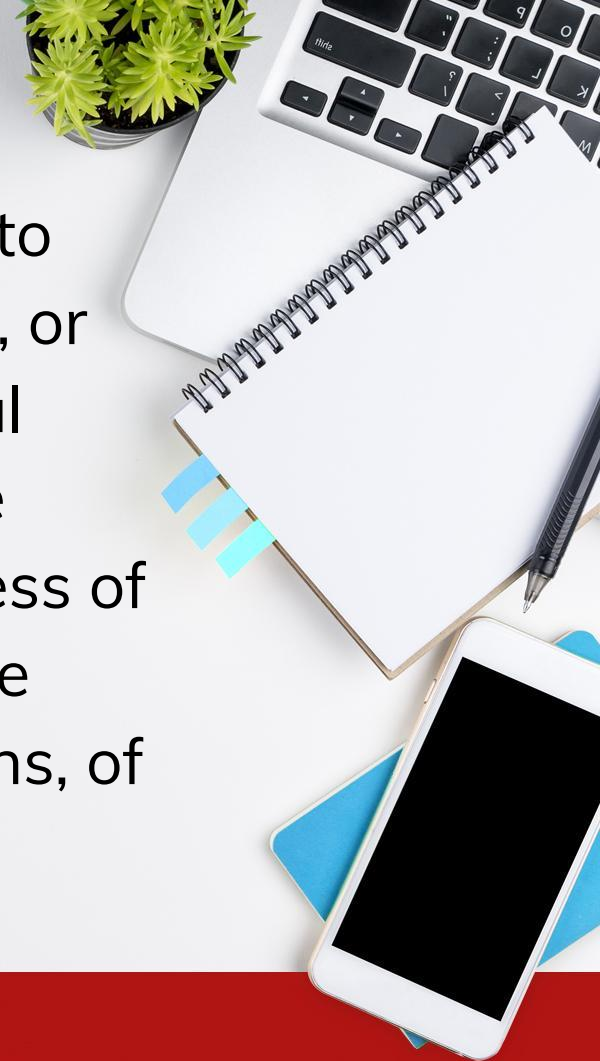
“It shall be unlawful to deny any person access to or membership or participation in any multiple-listing service, real estate brokers’ organization, or other service, organization, or facility, relating to the business of selling or renting dwellings, or to discriminate against him in the terms or conditions of such access membership or participation, on account of race, color, religion, sex, handicap, familial status, or national origin.”





M.G.L. C. 151B § 4 3C

It shall be unlawful practice “for any person to deny another person access to, membership, or participation, in a multiple listing service, real estate brokers’ organization, or other service organization or facility, relating to the business of selling or renting dwellings, or to discriminate against such person in the terms or conditions, of such access membership or participation on account of:





M.G.L. C. 151B § 4 3C

☐ Race





M.G.L. C. 151B § 4 3C

 Color





M.G.L. C. 151B § 4 3C

☐ Religion





M.G.L. C. 151B § 4 3C

☐ Sex





M.G.L. C. 151B § 4 3C

❑ Handicap





M.G.L. C. 151B § 4 3C

- ❑ Sexual orientation
 - ❑ which shall not include persons whose sexual orientation involves minor children as the sex object





M.G.L. C. 151B § 4 3C

☐ Children





M.G.L. C. 151B § 4 3C

❑ National origin





M.G.L. C. 151B § 4 3C

❏ Genetic information





M.G.L. C. 151B § 4 3C

☐ Ancestry





M.G.L. C. 151B § 4 3C

☐ Age





EXCEPTIONS

While an owner is generally required to bear the reasonable expense of modifying structures to make them accessible to handicapped persons, (including those with mobility hearing or sight impairments), he is not required to pay for unreasonable modifications.





EXCEPTIONS

A modification or accommodation is considered unreasonable if it imposes an undue hardship on the owner based on such factors as the:





EXCEPTIONS

- ❑ Cost and extent of the modification or accommodation



EXCEPTIONS



- ❑ Modifications effect on altering the marketability of the housing



EXCEPTIONS

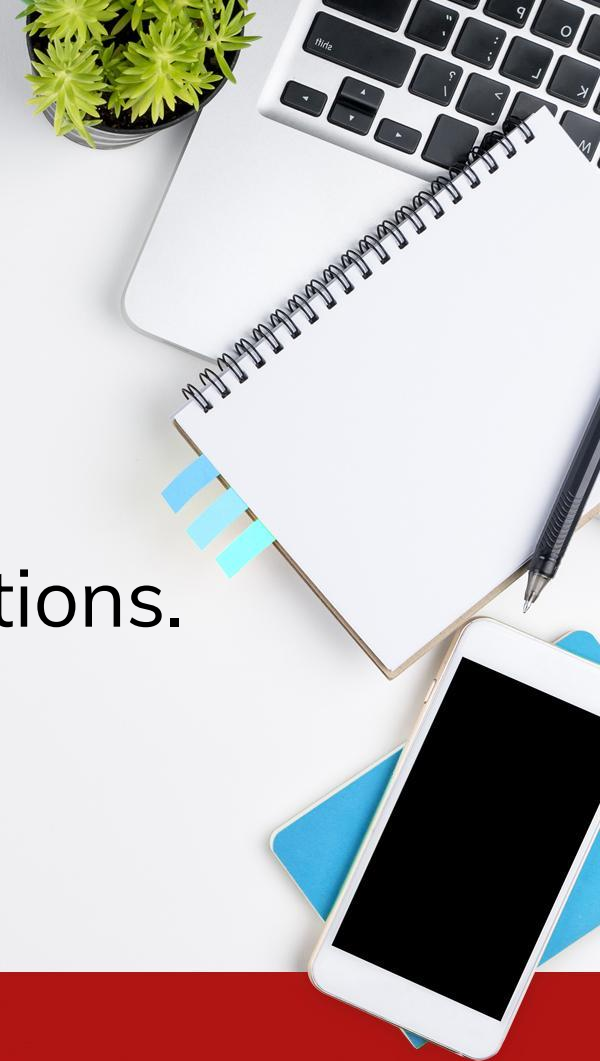
- ❑ Type and size of the property





EXCEPTIONS

- ❑ Availability of federal tax deductions.





EXCEPTIONS

Reasonable modifications in making housing accessible for persons impaired in mobility, hearing, and sight, include but are not limited to:





EXCEPTIONS

- ❑ installing raised numbers





EXCEPTIONS

- ❑ installing a doorbell that flashes a light





EXCEPTIONS

- ❑ lowering a cabinet





EXCEPTIONS

- ❑ ramping a front entrance of five or fewer vertical step



EXCEPTIONS

- ❑ widening a doorway





EXCEPTIONS

- ❑ installing a grab bar





EXCEPTIONS

- ❑ No owner is required to bear the cost of modifying more than 10% of the units in her property to make them fully accessible to a person using a wheelchair.





EXCEPTIONS

- ❑ No additional rent or other charge for handicapped-accessible housing may be imposed.



QUIZ

Which of the following disqualifies a person from any exemption to a fair housing law?

- a. The use of a real estate licensee
- b. Attempting to use the exemption more than once in a calendar year
- c. Attempting to use the exemption more than twice in a three year period
- d. Failure to apply for exemption



ANSWER

(a) The use of a real estate licensee

There are no exemptions to fair housing when a real estate licensee is used and there are no exemptions based on race. *There is no application procedures for an exemption*



BLOCKBUSTING

- ❑ The practice of blockbusting is prohibited by Massachusetts law.





BLOCKBUSTING

- ❑ Blockbusting is the act of encouraging people to sell or rent their homes, by claiming that the entry of a protected class of people into the area will have some sort of negative impact on property values.





REDLINING

- ❑ Massachusetts law prohibits the practice of redlining.





REDLINING

- ❑ Redlining is the practice of refusing to make mortgage loans or issue insurance policies in specific areas, for reasons other than the economic qualifications of the applicants.





STEERING

- ❑ Massachusetts law prohibits the practice of steering.



STEERING

- ❑ Steering is the channeling of homeseekers to particular neighborhoods. It also includes discouraging potential buyers from considering certain areas.





NOTICES

- ❑ M.G.L. c. 151B § 7 requires that a notice stating that the agency or office complies with the provisions of Massachusetts laws against discrimination must be conspicuously displayed in every real estate agency and rental office.



NOTICES

- ❑ The display also may include a summary of unlawful activities (see Figure 15.2).





NOTICES

- ❑ Any real estate agency or rental office that fails to comply with this requirement is subject to a fine of up to \$100, and for a subsequent violation, occurring within 60 days of the first, up to \$1 000.





ENFORCEMENT

Because many of the Massachusetts law provisions against discrimination are similar to those of the Federal Fair Housing Act of 1968, the Massachusetts regulations have been ruled “*substantially equivalent to the federal law.*”





ENFORCEMENT

For this reason, all fair housing complaints in Massachusetts are referred to and investigated by the *Massachusetts Commission Against Discrimination*, an agency that reports directly to the governor's office.

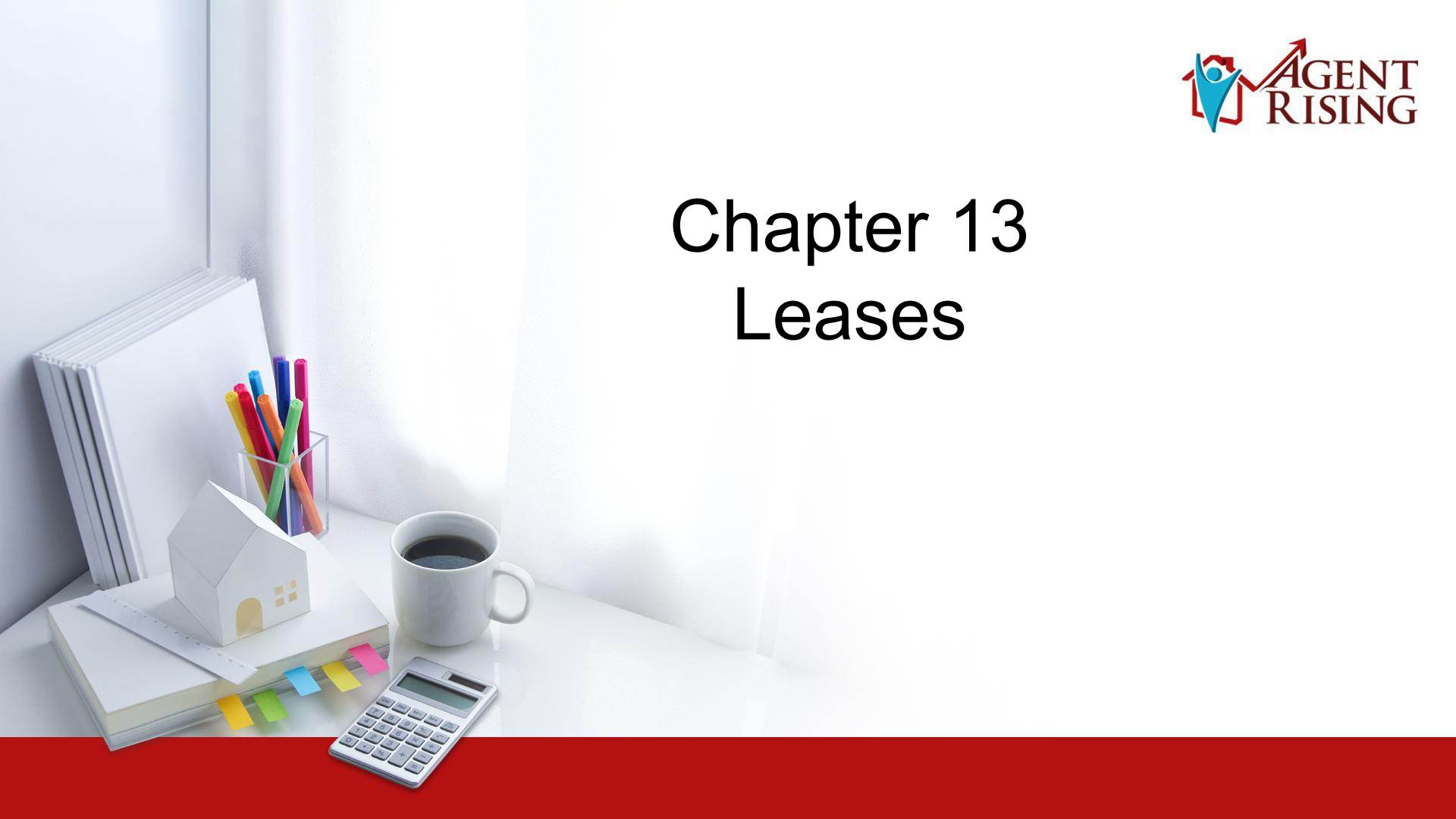


VIII. LANDLORD TENANT LAW (10%)
(SALESPERSONS: 4 ITEMS; BROKERS: 4
ITEMS)

- A. Rental deposits, Receipts and Statement of Condition
- B. State Sanitary Code
- C. Short-term Vacation or Recreational Rentals

Chapter 13

Leases





Leasing Real Estate

- ❑ In Massachusetts, leases for more than one year must be in writing to satisfy the statute of frauds.





Leasing Real Estate

- ❑ Leases for seven years or more must be written, acknowledged, and recorded, or their validity will be restricted to the original landlord.





Breach of Lease

- ❑ If a tenant fails to pay the rent on time, a landlord can begin a statutory eviction proceeding.





Breach of Lease

- ❑ In a tenancy at will, the law requires that the landlord give the tenant as much time to stay in the property as one rental period, after the landlord provides a notice to quit the property.





Standard Lease Provisions

Certain lease provisions are legally void and unenforceable in Massachusetts.



Standard Lease Provisions

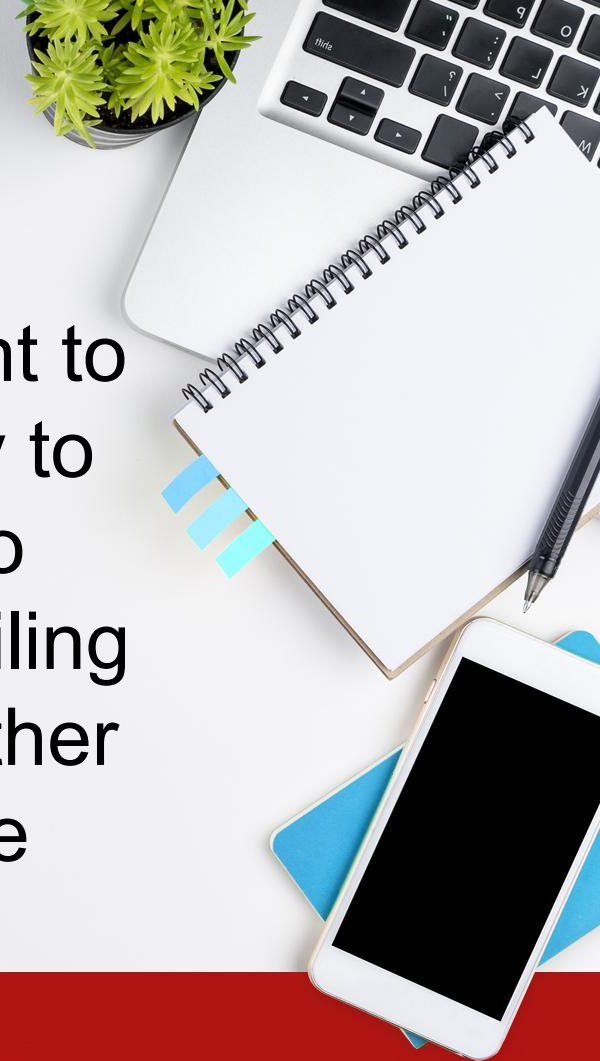
- ❑ A lessor may not include a provision in the lease permitting him to enter the premises for any reason other than to make repairs or to show it to a prospective lessee.





Standard Lease Provisions

- ❑ A lease may not require the tenant to waive the landlord's responsibility to keep the premises habitable, or to waive the landlord's liability for failing to provide heat, light, power, or other utilities or services required by the lease.





Standard Lease Provisions

- ❑ No lease may contain a provision permitting the landlord to terminate it in the event the tenant should have children.





Standard Lease Provisions

- ❑ M.G.L. c. 186 § 22 grants landlords of residential property the right to separately charge tenants for actual water and sewer costs providing that all of the comprehensive requirements are met.





Standard Lease Provisions

- ❑ Landlords can now install meters in apartments and single-family homes they rent, to separately charge tenants for actual water usage.





Standard Lease Provisions

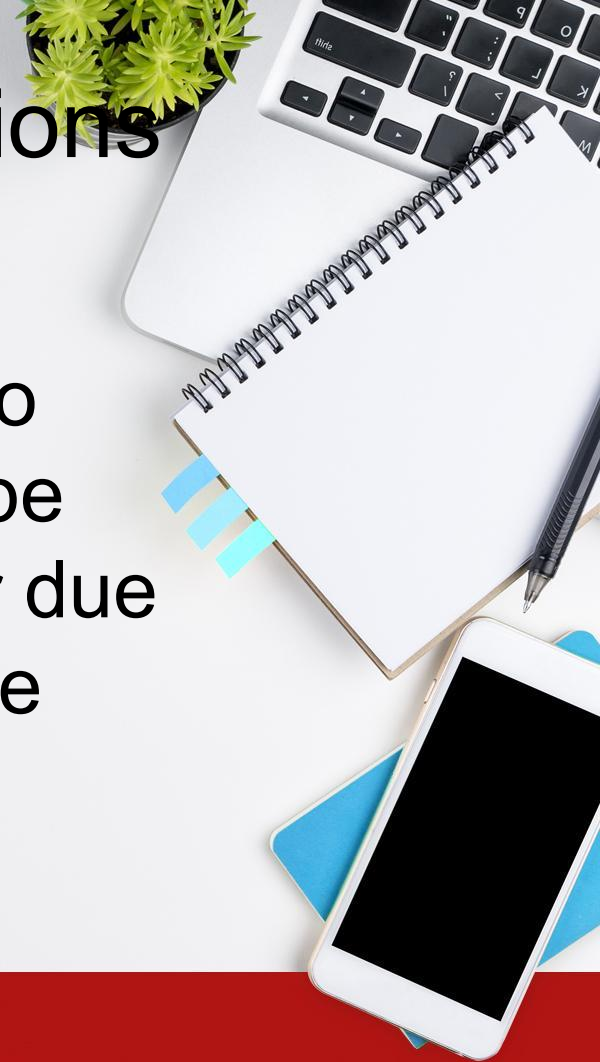
- ❑ The landlord must provide a copy of the approved water and sewer certification from the local board of health to the tenant.





Standard Lease Provisions

- ❑ Existing tenants are not subject to the law, however, and could not be made to pay separately for water due to grandfathering provisions in the law. Public housing tenants are exempt from the law as well.





Standard Lease Provisions

- ❑ Licensees, when representing a landlord, need to make sure landlords are aware of this ruling, because many landlords unknowingly require tenants to pay for water and sewer services, without separate meters and/or certification forms.



Quiet Enjoyment

- ❑ A landlord may not interfere with a tenant's right of quiet enjoyment of the premises, that is, the right to uninterrupted use of the property during the term of the lease.





Quiet Enjoyment

- ❑ Prohibited interference includes failing to repair or maintain the premises, as well as active interference, such as efforts to regain possession of the property.





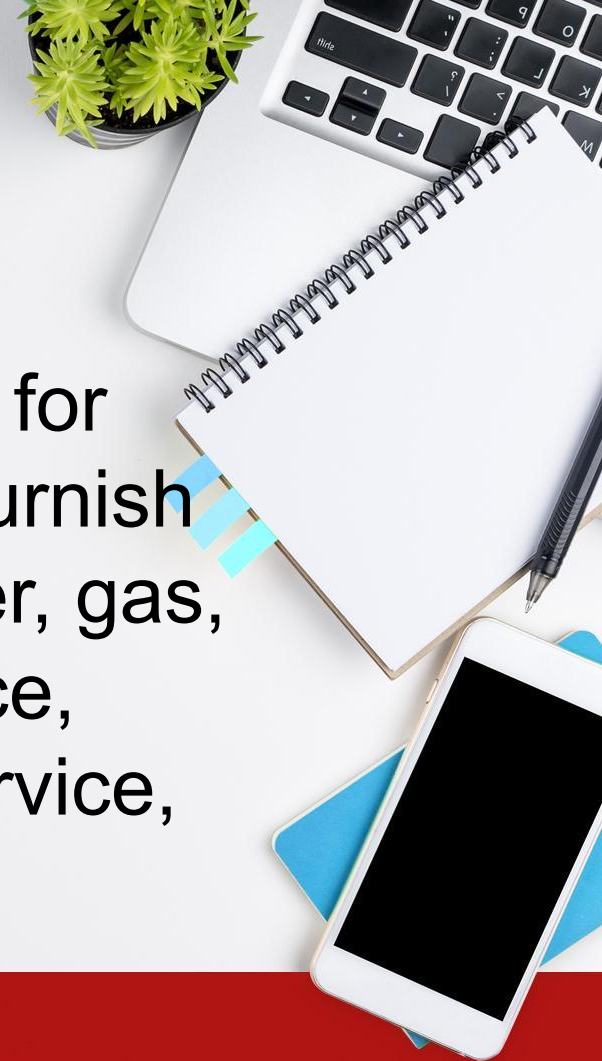
Quiet Enjoyment



- ❑ A landlord who interferes with a tenant's right of quiet enjoyment may be subject to a fine and imprisonment, as well as damages of up to three months' rent.



Quiet Enjoyment



- ❑ A landlord can also be held liable for intentionally or willfully failing to furnish water, hot water, heat, light, power, gas, elevator service, telephone service, janitor service, or refrigeration service, as is customary for a building.



Quiet Enjoyment

- ❑ If a landlord transfers responsibility of payment for the utilities to the tenant, without the tenant's knowledge or consent, the landlord can also be held liable.



Deposits

- ❑ At the time a tenancy commences, no tenant may be required to pay any amount in excess of:



Deposits

- ❑ the first month's rent



Deposits

- ❑ the last month's rent calculated at the same rate as the first month



Deposits

- ❑ a security deposit equal to the first month's rent



Deposits

- ❑ the purchase and installation cost for a key and lock



Deposits

- ❑ In Massachusetts, it is illegal for a landlord to charge any other fees, including pet deposits, cleaning deposits, fees for credit checks, application fees, or any other type of fee or deposit.





Deposits

- ❑ In addition, these fees may also violate the Massachusetts Consumer Protection Act, which imposes up to triple damages and attorney's fees.





Security Deposit

- ❑ A lessor/landlord may require a prospective tenant to pay a security deposit prior to the beginning of the lease term.





Security Deposit

- ❑ It remains the tenant's property, and the landlord must deposit it in a separate bank account within Massachusetts.





Security Deposit

- ❑ Credit unions are not considered banks for the purpose of maintaining security deposits.





Security Deposit

- ❑ A security deposit may not be commingled with the landlord's own assets, and it is not subject to claims of any creditor of the lessor/landlord.





Statement of Condition

- ❑ If a security deposit is required, the landlord must provide the tenant with a separate written statement of the property's condition within 10 days of the tenancy commencement.





Statement of Condition

- ❑ The statement details the present condition of the property and must list all existing damage to the unit and common area.





Statement of Condition

- ❑ The tenant has 15 days to review and add any damages that the landlord did not include in the list.



Statement of Condition

- ❑ Both the tenant and the landlord (or the landlord's agent) must sign the final statement.





Statement of Condition

- ❑ The statement of condition must contain the following notice in twelve-point bold-face type at the top of the first page thereof:





Statement of Condition

- ☐ *This is a statement of the condition of the premises you have leased or rented.*



Statement of Condition

- ☐ *You should read it carefully in order to see if it is correct. If it is correct you must sign it.*





Statement of Condition



- ☐ *This will show that you agree, that the list is correct and complete. If it is not correct, you must attach a separate signed list of any damage which you believe exists in the premises.*



Statement of Condition

- ☐ *This statement must be returned to the lessor or his agent within fifteen days after you receive this list, or within fifteen days after you move in, whichever is later.*



Statement of Condition

- ❑ If you do not return this list, within the specified time period, a court may later view your failure to return the list as your agreement that the list is complete and correct, in any suit which you may bring to recover the security deposit*





Receipt

In addition, if a landlord requires a security deposit (SD) or last month's rent (LMR), the landlord must provide the tenant with a written receipt that includes specific information, namely the following:



Receipt

- ❑ Amount of money received (SD and LMR)



Receipt

- ❑ Date the money was received (SD and LMR).



Receipt

- ❑ Intended use of the money (SD and LMR)





Receipt

- ❑ Name of person receiving money (SD and LMR)





Receipt

- ❑ Name of landlord, if different from person receiving the money (SD and LMR)



Receipt

- ❑ A statement that the tenant is entitled to the interest on the deposit (SD and LMR)





Receipt

- ❑ Address and apartment number (SD and LMR)



Receipt

- ❑ Location and name of the bank where the money is deposited (SD only)



Receipt

- ❑ Account number of the fund in which the money is deposited (SD only)



Receipt

- ❑ A statement indicating that the tenant provide the landlord a forwarding address, so when the tenant moves, the landlord knows where to send the interest (LMR and SD).





Receipt

The tenant is entitled to the return of the security deposit within 30 days of the termination date of the lease.





Interest

The landlord must pay interest on the security deposit and last month's rent at the rate of 5% per year, or other such lesser amount of interest, as has been received from the bank where the deposit has been held, payable in accordance with the provisions of the Massachusetts General Laws.





Interest

The landlord is entitled to withhold the following three deductions from the security deposit:



Interest

- ❑ Any unpaid rent



Interest

- ❑ Any unpaid increase in real estate taxes for which the tenant is liable under the lease



Interest

- ❑ The reasonable cost of repairing damage caused by the tenant, excluding normal wear and tear





Forfeiture by Landlord

The landlord forfeits her right to retain any part of the security deposit if she:





Forfeiture by Landlord

- ❑ fails to deposit the funds in an independent interest-bearing account





Forfeiture by Landlord

- ❑ fails to furnish the tenant with an itemized list of damages within 30 days after termination





Forfeiture by Landlord

- ❑ fails to transfer the deposit to a new owner





Forfeiture by Landlord

- ❑ includes and attempts to enforce an invalid provision in the lease, such as one waiving the tenant's rights





Forfeiture by Landlord

- ❑ fails to return the balance of the security deposit, together with any interest thereon, to the tenant within 30 days of the termination of the lease





Forfeiture by Landlord

- ❑ fails to provide the bank name and account number where the security deposit is kept.

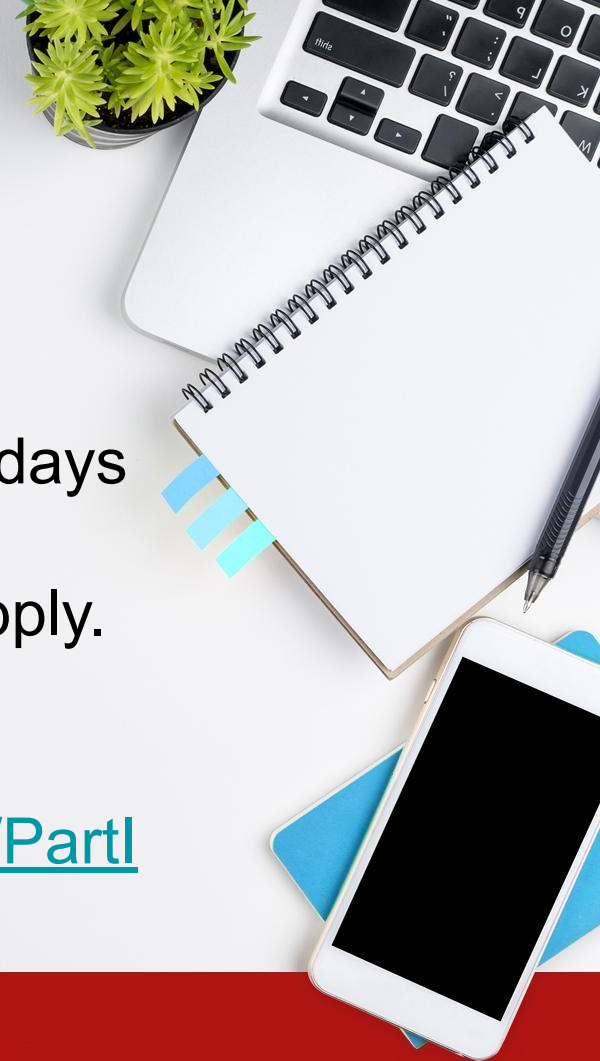




Short-Term Vacation or Recreational Rentals

For any lease, occupancy, or tenancy of 100 days or less that is for vacation or recreational purposes, the security deposit rules do not apply. See the link below for more information.

<https://malegislature.gov/Laws/GeneralLaws/PartI/TitleI/Chapter186/Section15b>





Pro-tenant Legislation

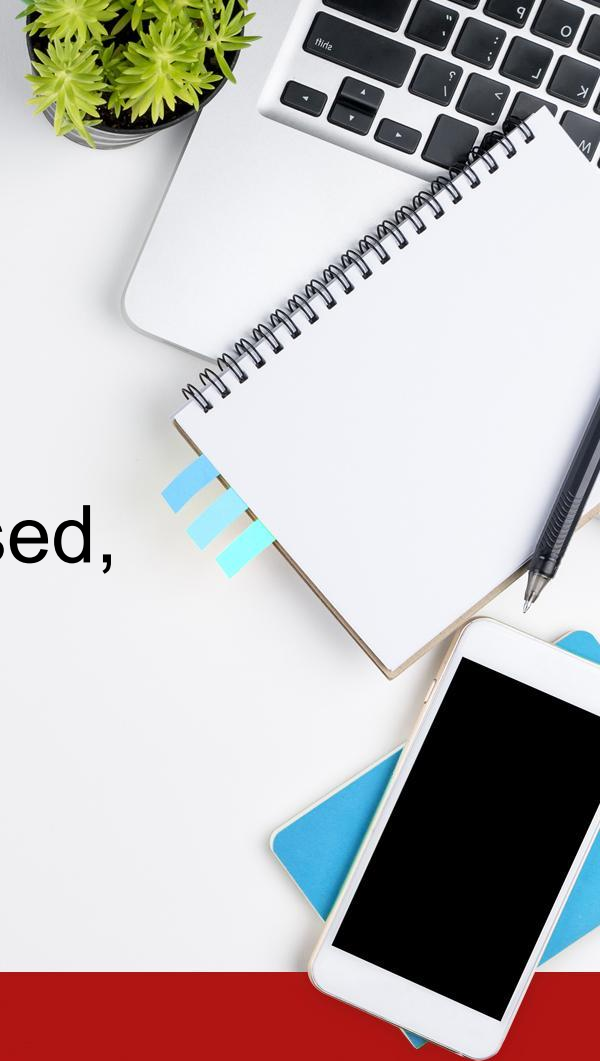
The rights and obligations of landlords and tenants in Massachusetts are regulated under the Massachusetts Consumer Protection Act (MCPA), discussed in Chapter 1.





Pro-tenant Legislation

In addition to those already discussed, some of the prohibited actions by landlords include:





Pro-tenant Legislation

- ❑ renting property that contains a condition dangerous to the health, safety, or well-being of the occupants, or failing to repair such conditions





Pro-tenant Legislation

- ❑ failing to keep promises made to the tenant at the time of renting





Pro-tenant Legislation

- ❑ failing to reimburse the tenant for repairs the tenant made after being authorized by the landlord





Pro-tenant Legislation

- ❑ failing to comply with state or local housing codes





Pro-tenant Legislation

- ❑ demanding an increase in rent to pay higher taxes on the property, unless a written lease obligates the tenant to do so





Pro-tenant Legislation

- ❑ failing to make the written rental agreement clear and simple





Pro-tenant Legislation

- ❑ depriving the tenant access to his dwelling without a proper court order, or beginning court proceedings without following the statutory time limits





Pro-tenant Legislation

- ❑ imposing interest on any payment until it is more than 30 days overdue





Pro-tenant Legislation

- ❑ failing to state in the lease that interest will be imposed on any payment after 30 days overdue, and the amount of the penalty.





Fair Housing

Discrimination in renting or leasing is prohibited under Massachusetts law, and is discussed in detail in Chapter 15





Beyond the Unit...

- ❑ Read the Key Point Review in the Unit.





Beyond the Unit...

- ❑ Read the quizzes and answers. Are you right or wrong? Why?





Beyond the Unit...

☐ Text us or email us any questions.





Quiz 1

1. In order to satisfy the statute of frauds, a 14-month lease must be
- a. written, acknowledged, and recorded.
 - b. written and recorded.
 - c. written.
 - d. recorded.





Answer 1

1. c (148) A lease for more than one year must be in writing in order to satisfy the statute of frauds.





Quiz 2

2. A lease that runs for seven years or longer will be restricted to the original landlord unless it is:

- a. written, acknowledged, and recorded.
- b. written and recorded.
- c. written.
- d. recorded.



Answer 2

2. a (148) Typically, a lease follow the property from owner to owner: however, a lease that runs for seven years or more must be written, acknowledged, and recorded, or the validity will be restricted to the original landlord.



Quiz 3

3. A landlord who wants to begin statutory eviction proceedings cannot

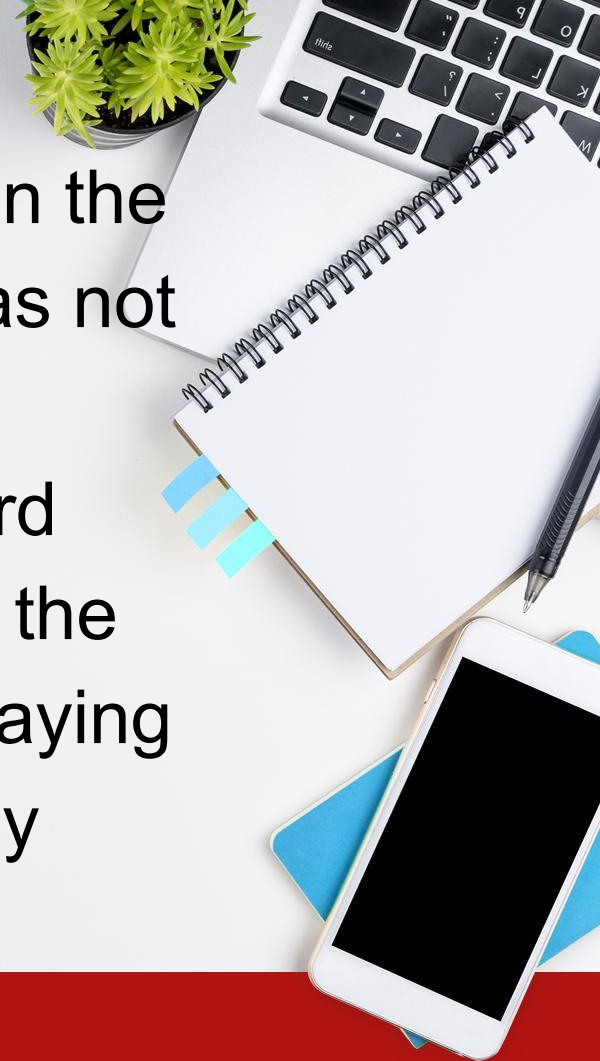
- a. seize the property for nonpayment of rent.
- b. bring a writ in the court for eviction.
- c. bring a separate writ for the unpaid rent.
- d. give the tenant notice to quit the property.





Answer 3

3. a (148) If rent is due and payable on the first of the months and the landlord has not received the rent, the landlord cannot simply seize the property. The landlord must give two weeks written notice to the tenant, who can prevent eviction by paying all overdue rent, plus expenses, at any time during the two-week period.





Quiz 4

4. A married couple are tenants at will. Their rent is due the first of the month. The landlord has given them a notice to quit the property the day before the rent is due. How many days do they have before they must vacate the property?

- a. 10
- b. 14
- c. 30
- d. 90





Answer 4

4. c (148) The couple has one rental period or a minimum of 30 days after the landlord gives them the notice to quit.



Quiz 5

5. A tenant's right of quiet enjoyment is the right

- a. be free from noise.
- b. uninterrupted use of the premises.
- c. limited use of the premises.
- d. remain on the premises after breaching the lease.



Answer 5

5. c (149) The tenant's right of quiet enjoyment entitles him to possess the property without interruption or interference from the landlord during the term of the lease.



Quiz 6

6. The violation of the right of quiet enjoyment may result in
- a. immediate eviction.
 - b. imprisonment but no civil damages.
 - c. imprisonment, a fine, and damages of up to three months' rent.
 - d. eviction after 30 days' notice.



Answer 6

6. c (149) A landlord who interferes with a tenant's right of quiet enjoyment may be subject to a fine and imprisonment, as well as damages of up to three months' rent.



Quiz 7

7. The landlord may NOT ask for
- a. the last month's rent.
 - b. a lock and key deposit.
 - c. two months' security deposit.
 - d. one month's security deposit.





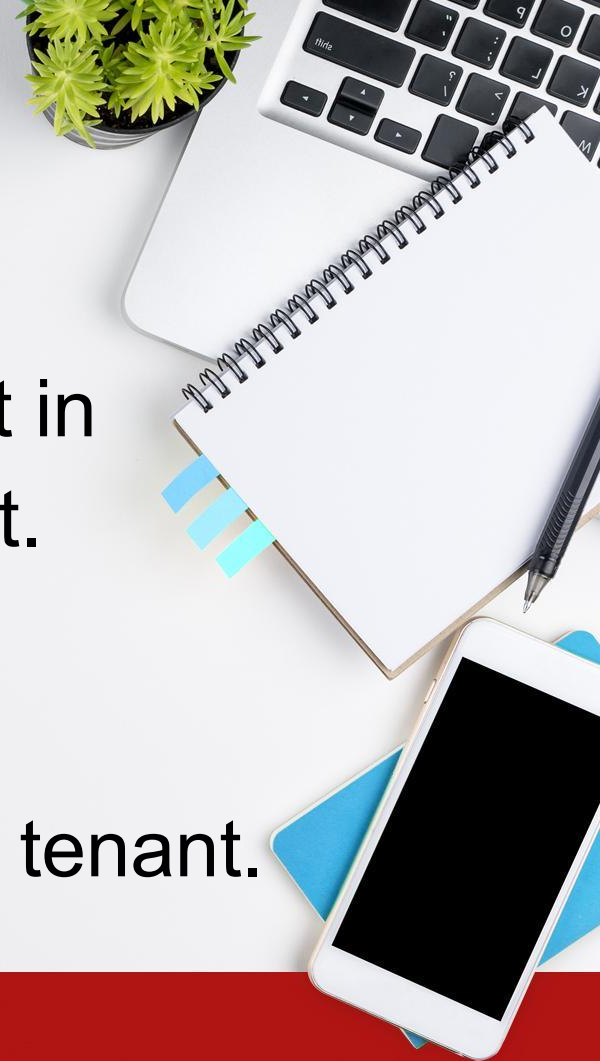
Answer 7

7. c (160) In Massachusetts a landlord cannot collect a security deposit that exceeds one month's rent.



Quiz 8

8. The security deposit must be kept in
- a. a Massachusetts bank account.
 - b. the landlord's possession.
 - c. the landlord's bank account.
 - d. a trust fund established for the tenant.





Answer 8

8. a (160) The security deposit must be kept in a bank within the Commonwealth of Massachusetts.



Quiz 9

9. The owner of rented space is called the
- a. lessor.
 - b. vendor.
 - c. REALTOR®.
 - d. mortgagee.



Answer 9

9. a (160) The owner of rented space is called the landlord or lessor.



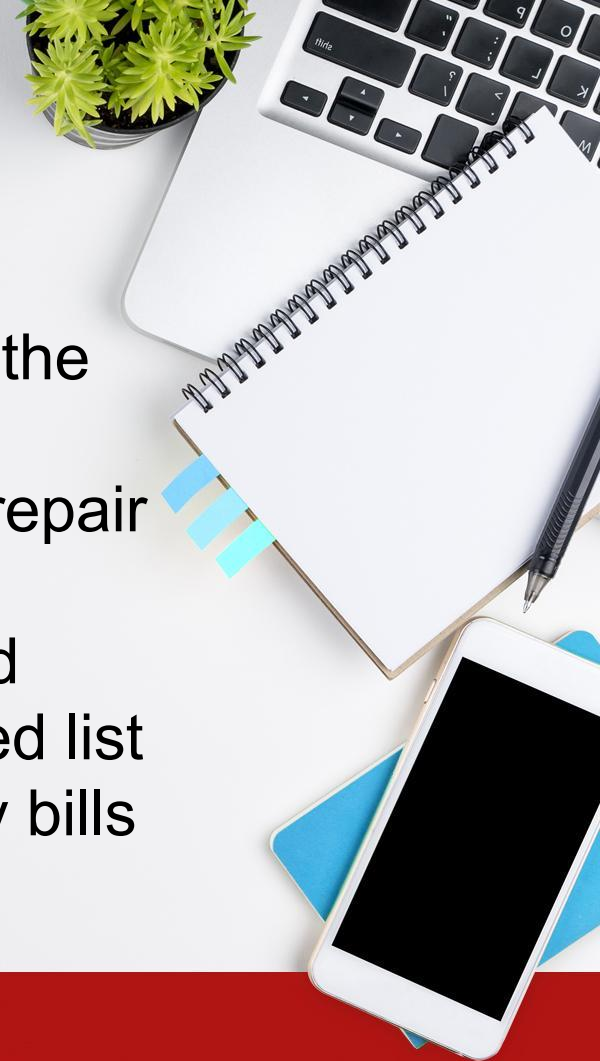
Quiz 10

10. After the lease terminates, the tenant is entitled to the return of her security deposit
- a. within 30 days, including interest.
 - b. within three weeks, including interest.
 - c. unless the property has been transferred to a new owner.
 - d. with no deductions withheld.



Answer 10

10.a (162) After the termination of a lease, the landlord has 30 days to return the security deposit, plus interest, but minus any cost to repair damages made by the tenant, if any. If the landlord has deducted damages, the landlord must provide to the tenant a detailed, itemized list of the damages and repair cost supported by bills or receipts.





Quiz 11

11. The rights and obligations of landlords and tenants are regulated by the

- a. Massachusetts Tenant's Rights Act.
- b. Massachusetts Antidiscrimination Act.
- c. Massachusetts Consumer Protection Act.
- d. Massachusetts Landlord/Tenant Act.





Answer 11

11. c (162) The Massachusetts Consumer Protection Act regulates the rights and obligations of landlords and tenants.

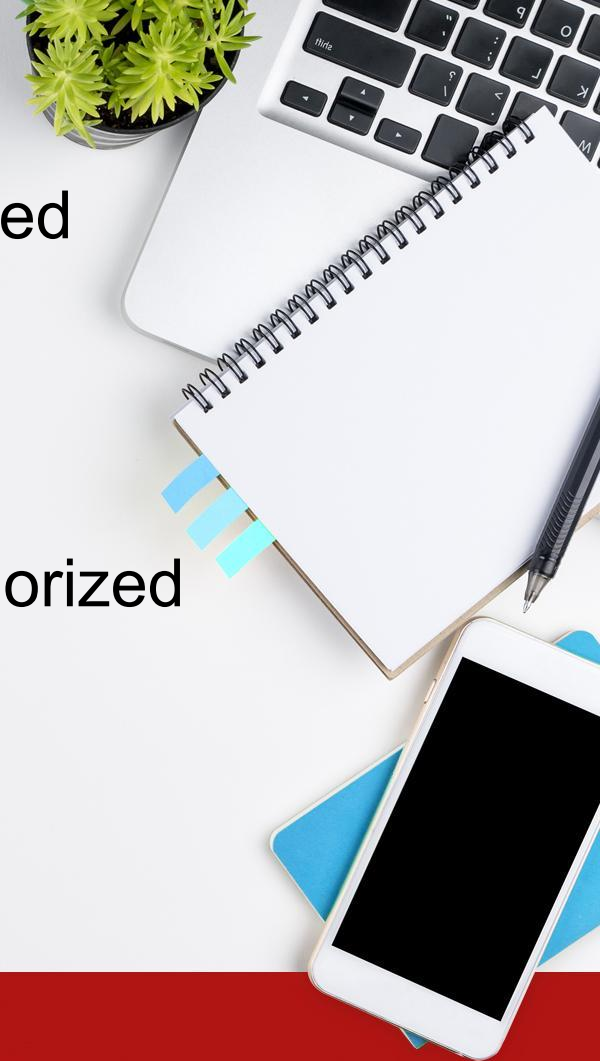




Quiz 12

12. Which of the following is NOT a prohibited landlord action?

- a. Renting dangerous property
- b. Failing to comply with housing codes
- c. Failing to reimburse a tenant for authorized repairs
- d. Requiring an amount equal to three months' rent at the time the lease commences



Answer 12

12. d (160) At the commencement of a lease, the landlord may collect first and last month's rent, as well as a security deposit equal to one month's rent for a total of three months' rent, in advance



IX. ADDITIONAL TOPICS

(5%)(SALESPERSONS: 2 ITEMS; BROKERS: 2 ITEMS)

A. Ownership

B. Condominiums, Cooperatives, and Timeshares

C. Registered Land