



Independent Study IN IDAHO

Finan 201
Fundamentals of Real Estate

Independent Study in Idaho
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The University of Idaho in statewide cooperation with
Boise State University — Idaho State University
Lewis-Clark State College

Study Guide

Independent

Study IN IDAHO

PO Box 443225

Moscow ID 83844-3225

Self-paced study. Anytime. Anywhere!

Finance 201 Fundamentals of Real Estate

Boise State University
3 Semester-Hour Credits

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RV: 11/04
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Independent Study in Idaho

This course is offered by Boise State University.


Fundamentals of Real Estate

3 Semester-Hour Credits: BSU

Welcome!

Whether you are a new or returning student, welcome to the Independent Study in Idaho (ISI) program. Before beginning this course, read the information provided below, including course description, prerequisites, required materials, course objectives, and information about lessons, exams, and grading.

Important!

As you read this section, you will see the following icon: 

Use this icon to direct yourself to the **Appendix** in the back of this study guide for essential registration information, Independent Study in Idaho policies and procedures, and forms you will need to successfully complete this course. You are responsible for understanding and following ISI policies and procedures.



Turn to the **Appendix** now. Familiarize yourself with the information in the *Registration* section, student responsibilities in *Academic Integrity*, and the necessary forms. If there is anything you do not understand, please contact the ISI office for clarification before starting your course.

Course Description

Essentials of real estate practice, listings, sales, financing, land descriptions, investments, brokerage, advertising, market analysis, and fundamentals arising from real estate transactions.

Course Materials

Required Course Materials

- Galaty, Fillmore W., Wellington J. Allaway, and Robert C. Kyle. *Modern Real Estate Practice*. **Current** edition. Chicago: Real Estate Education Company.
- Byers, Chuck, ed. *Idaho Real Estate: Practice & Law*. **Current** edition. Chicago: Real Estate Education Company.
- *Idaho Real Estate License Law and Rules*. **Current** edition. Boise: Idaho Real Estate Commission.

Required for Licensure:

- *Candidate Information Bulletin*. **Current** edition. Boise: Idaho Real Estate Commission.

Recommended Course Materials:

(For those students who need or would like additional study materials to help them through the course or the licensing exam.)

- Galaty, Fillmore W., Wellington J. Allaway, and Robert C. Kyle. *Study Guide for Modern Real Estate Practice*. **Current** edition. Chicago: Real Estate Education Company.
- Reilly, John W. *The Language of Real Estate*. **Current** edition. Chicago: Real Estate Education Company.

Students should at **all times** refer to the material in the required texts and publications, plus any of the above recommended publications in their possession, in order to become familiar with specific

applications of the subject matter. If a student understands the subject matter and can pass the exams in any of the several available ASI's *Real Estate Exam Guides*, he/she should be better prepared to take the licensing exam in Idaho. Students living in states other than Idaho ought to purchase a publication similar to the *Idaho Real Estate License Law and Rules* from the Real Estate Commission of the state in which they reside and whose exam they may wish to take.

Independent Study in Idaho course materials are available for purchase at the University of Idaho Bookstore. Visit the UI Bookstore's Web site, <http://www.uidahobookstore.com>, select *Textbook, Independent Study* for a list of course materials. You may order online, by telephone, (208) 885-7334, or by e-mail to uibooks@uidaho.edu.

Independent Study in Idaho courses are updated and revised periodically. Ordering course materials from the UI Bookstore at the time of registration allows you to purchase the correct edition(s) of textbooks, study guides, and supplemental materials. If purchasing textbooks from another source, refer to the ISBN(s) for the textbook(s) listed for this course to ensure that you obtain the correct edition(s). If you have questions regarding the course materials you have ordered and received, contact the UI Bookstore.

Course Introduction

This course fulfills the Idaho Real Estate Commission (IREC) requirements as Module I.

The following suggestions may be helpful to students in their study of the Fundamentals of Real Estate:

- A. Read the **learning objectives** at the beginning of each lesson.
- B. Read the list of **key terms** and the **overview** at the beginning of each chapter in *Modern Real Estate Practice* (referred to as the main text).
- C. Read the chapters as assigned in the lesson in order to get a general understanding of the important points under consideration.
- D. Read the corresponding chapters in *Idaho Real Estate: Practice & Law* (referred to as the Idaho text) for the application of general principles to Idaho.
- E. Outline pertinent points in the subject matter.

After these steps are completed, you should be prepared to give well-qualified answers to the questions in the lesson assignment.

Course Objectives

Fundamentals of Real Estate has been designed as a general survey course in real estate. It will adequately meet the following objectives:

- A. Meet the requirements of students who desire the academic credit (it is comparable to 45 classroom hours of college work or a 3 credit course);
- B. Provide the necessary background for a person who wishes to improve his/her knowledge of real estate; and
- C. Meet half of the minimum educational requirements for real estate licensing as required by the Idaho Real Estate Licensing Law (a minimum of 45 classroom hours of Fundamentals of Real Estate, plus 45 classroom hours in Real Estate Practices). **Note: Unless special written permission from the real estate commission has been granted to the contrary,**

Fundamentals of Real Estate must be completed in its entirety before a student can take Real Estate Practices.

Lessons

Overview

Each lesson includes the following components:

- lesson objectives
- reading assignments
- self-study lessons/written assignments

There is a buildup of knowledge as the lessons progress. It is important that you start by answering the questions in lesson 1, then proceed to lesson 2 and lesson 3, etc., in consecutive order. **You will not be permitted to jump around as you complete the lessons.**

You will find the lessons were prepared in a sequence enabling you to gain an orderly knowledge of real estate fundamentals. Most lessons will include questions and problems that must be completed accurately and neatly. All the necessary worksheet materials should be included so the instructor can follow how you solved the problem or answered the question.

Study Hints:

- Complete all assigned readings.
- Set a schedule allowing for completion of the course one month prior to your desired deadline. (An *Assignment Submission Log* is provided for this purpose.)



See the **Appendix** at the back of this study guide for essential *ISI policies on submitting lessons to your instructor*. See the letters sent in your registration packet for *your instructor's requirements: how to format and submit lessons; number of lessons you may submit at one time, and lesson guidelines*.

Self-Study Lessons

Some lessons in this course are self-study; these review exercises are included for you to see how well you have mastered the material in the texts and this study guide. Read the assignments carefully before beginning the self-study questions; answer them to the best of your ability and then check your answers in the answer key located in the back of this study guide on pink paper.

Although these lessons will **not** be submitted for grading, the material will be covered in the exams. Do your best and don't skip these lessons.

Exams

Overview

- You must wait for grades and comments on lessons prior to taking each subsequent exam.
- For your instructor's exam guidelines, refer to the letters sent in your registration packet and the *Exam Information* sections in this study guide.

There will be three major exams in this course. **Exams should be taken after the preceding lessons have been turned in but prior to the submission of any subsequent lessons.** The first one will be the equivalent of the academic midterm exam. It will include all the material through and including lesson 9. The second exam will cover the material in lesson 10 through and including lesson 14. The third exam will cover the material in lesson 15 through and including lesson 22. All exams will be multiple-choice questions. **Submit all lessons preceding each exam prior to requesting it.**

See *Grading* for specific information on exams, points, and percentages.

Choosing a Proctor/Scheduling Exams

All exams require a proctor unless an exam is self-administered.



See the **Appendix** for guidelines on *how to choose a proctor and schedule exams*.

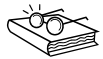
Grading

The final course grade will be based upon the following considerations.

Each exam will count for approximately 20 percent of your final grade, for a total of 60 percent.

The written questions at the end of each lesson will count for approximately 40 percent of the final grade. The lessons are not graded equally because some lessons cover more material than others do.

The final course grade is issued after **all** lessons and exams have been graded.



See the **Appendix** for information about *confidentiality of student grades, course completion and time considerations*, and *requesting a transcript*.

About the Course Instructor

W. Mike Loegering, GRI, received his Bachelor of Science in Business Administration from Woodbury College in Los Angeles, California. He has been an Idaho real estate instructor for over 26 years, two of which he served as a full-time real estate instructor at Boise State University, where he taught Fundamentals of Real Estate, Fundamentals of Real Estate Appraisal, Real Estate Finance, and Real Estate Brokerage Administration. Mr. Loegering also helped to establish a real estate advisory council for the College of Business and is serving his fourteenth year as a member of BSU's adjunct real estate faculty.

Mr. Loegering currently holds an active associate broker's license, a residential appraiser's license, and is certified by the Idaho Real Estate Commission to teach Essentials of Real Estate, Real Estate Practices, and Fundamentals of Real Estate Appraisal. He authored an Idaho Real Estate Commission-approved workbook for Real Estate Practices, taught sales and broker license preparatory courses for the Idaho Real Estate Commission, owned and operated his own certified real estate proprietary school, and was appointed to a four-year term on the Idaho Real Estate Education Council, which is responsible for promoting high quality real estate education throughout the state.

Mr. Loegering has been involved in the real estate industry for over 38 years, a career that includes the title insurance business, lending, residential appraising, and real estate sales and brokerage. More than 29 of those years have been in Idaho as a licensed sales associate, associate broker, branch manager, owner/broker and franchisee of a real estate company, and current owner of a fee appraisal business.

Contacting Your Instructor

You will receive *course and instructor contact information* in your registration packet.



See the **Appendix** for detailed information on *contacting your instructor*.

Disability Support Services



See the **Appendix** for *information on Disability Support Services (DSS)*.

Assignment Submission Log

The approach used in this course is to take the student through the process of **buying, owning, and selling** real estate. You will find the lessons do not cover the textbook in the order the textbook was written. The following is the basic outline followed by the lessons in this independent study course. *Modern Real Estate Practice* will be referred to throughout as the **main text**. *Idaho Real Estate: Practice & Law* will be referred to throughout as the **Idaho text**.

Lesson	Book	Chapter	Written Assignment	Date Submitted
I. Introduction				
Lesson 1	Main text	1–2	Self-study questions/ Arithmetic Pretest	Self-study
II. Buying Real Estate				
A. Classification and Legal Description of Property				
Lesson 2	Main text	9	Lesson Questions	—
	Idaho text	5	Pullout	
B. Interests, Limitations and Encumbrances to Ownership				
Lesson 3	Main text	12	Lesson Questions	—
	Idaho text	8		
Lesson 4	Main text	7	Self-study Questions	Self-study
	Idaho text	3		
Lesson 5	Main text	8	Lesson Questions	—
	Idaho text	4		
Lesson 6	Main text	16	Self-study Questions	Self-study
	Idaho text	12		
Lesson 7	Main text	10	Lesson Questions	—
	Idaho text	6		
Lesson 8	Main text	19, 21	Self-study Questions	Self-study
	Idaho text	14		
Lesson 9	Main text	20	Lesson Questions	—
	Idaho text	15		
It is time to make arrangements with your proctor to take Exam 1.				
C. Appraisal				
Lesson 10	Main text	18	Lesson Questions	—
	Idaho text	13	Pullout	

D. Financing				
Lesson 11	Main text Idaho text	14–15 11	Self-study Questions	Self-study
E. Transferring Title				
Lesson 12	Main text Idaho text	11 7	Lesson Questions	—
Lesson 13	Main text Idaho text	13 9	Self-study Questions	Self-study
F. Closing the Sale				
Lesson 14	Main text Idaho text	22 16	Lesson Questions Pullout	—

It is time to make arrangements with your proctor to take Exam 2.

III. Real Estate Ownership and Administration

Lesson 15	Main text	3	Lesson Questions	—
Lesson 16	Main text	17	Self-study Questions	Self-study
Lesson 17	Main text	Appendix 1	Lesson Questions	—

IV. The Real Estate Professional (Selling)

Lesson 18	Main text Idaho text <i>Idaho Real Estate License Law and Rules</i>	4 1 (pp. 1–7)	Lesson Questions	—
Lesson 19	Main text Idaho text	5 1 (pp. 8–12)	Lesson Questions	—
Lesson 20	Main text Idaho text <i>Idaho Real Estate License Law and Rules</i>	6 2	Self-study Questions	Self-study

V. Real Estate License Law

Lesson 21	Main text Idaho text <i>Idaho Real Estate License Law and Rules</i> <i>Candidate Information Bulletin</i>	5 10	Lesson Questions	—
Lesson 22	None		Lesson Questions	—

It is time to make arrangements with your proctor to take the Final Exam.

Lesson 1

Self-Study: The Real Estate Business/Real Property and the Law

Do not submit this lesson for grading. After carefully working through the following questions, check your answers with the key in this study guide.

Lesson Objectives

After completing this lesson, the student should be able to:

1. Name and describe the activities involved in at least seven areas of real estate specialization.
2. Explain why there is specialization in the real estate business.
3. List and give examples of the five uses of real property.
4. Define **market, supply, and demand**.
5. Explain why the value of real property does not remain fixed.
6. Name at least three factors that affect supply.
7. Name at least three factors that affect demand.
8. Define and describe **land, real estate, and real property**.
9. Define and describe **surface rights, subsurface rights, and air rights**.
10. Describe the differences between **real property** and **personal property**.
11. Define and describe the differences between a **fixture** and a **trade fixture**.
12. Identify and apply the legal tests of a fixture.
13. List and explain the economic and physical characteristics of **real property**.
14. Identify and explain the concept of the **bundle of legal rights** in the ownership of real property.

Reading Assignments

Modern Real Estate Practice, Chapters 1 and 2

Self-Study Assignment



Please read the **Appendix** in the back of this study guide for essential Independent Study in Idaho policies and procedures, and forms you will need to successfully complete this course. You are responsible for understanding and following ISI policies and procedures. If there is anything on these pages you do not understand, contact the ISI office for clarification. Before starting the written assignment for Lesson 1, see the letters sent in your registration packet for your instructor's contact information and requirements: **how to format and submit lessons, number of lessons you may submit at one time, and lesson guidelines**.

1. What does the term **bundle of legal rights** mean?
2. What are the seven sources of law in the United States?
3. What laws affect real estate practice?
4. What kind of impact does the real estate business have on our economy?
5. What areas of specialization do you find in real estate?
6. Real property can be classified according to use. What are the uses and what types of properties does each use cover?

7. What factors affect the supply of real estate?
8. What factors affect the demand for real estate?
9. What professional traits do the National Association of Realtors (NAR) and the National Association of Real Estate Brokers (NAREB) have in common?
10. What attributes should a real estate person have to qualify him or her as a professional?
11. Explain the concept of **real property**. How does it differ from the concept of **real estate**?
12. Distinguish between personal property and real property.
13. How does one determine if personal property is actually personalty or realty?
14. Name the physical characteristics of land and explain, in your own words, what each characteristic means.
15. Situs or intrinsic value refers to land-use performance. How can this affect land values? Give an example.

Complete the following Arithmetic Pretest, and check your answers on the pink pages at the back of the study guide.

Arithmetic Pretest

1. Reduce to simplest form: $\frac{46}{78} =$ _____

2. Complete the individual math operation indicated:

a. $3\frac{1}{2} + 8 + 1\frac{1}{3} =$ _____

b. $\frac{2}{4} - \frac{4}{9} =$ _____

c. $\frac{2}{3} \div \frac{1}{4} =$ _____

d. $\frac{5}{6} \times \frac{12}{15} =$ _____

3. Convert to an improper fraction: $4\frac{11}{16} =$ _____

4. Convert to decimal form:

a. $\frac{16}{20} =$ _____

b. $\frac{5}{4} =$ _____

5. Convert to percent form:

a. $\frac{1}{3} =$ _____

b. $\frac{3}{5} =$ _____

6. Convert to fraction form:

a. $150\% =$ _____

b. $5\% =$ _____

7. Convert to decimal form:

a. $12\frac{1}{2}\%$ = _____

b. 122% = _____

8. $125.4 + .65 + 1.66 + 22 =$ _____

9. $24.19 - 6.234 =$ _____

10. $428.78 \times 2.03 =$ _____ (rounded to the nearest hundredth)

11. $5\frac{2}{5} \times 3.25 =$ _____

12. $374.2 \div 1.871 =$ _____

13. $3.12 \div 293.04 =$ _____ (rounded to the nearest ten thousandth)

14. $17.01 \div 3\frac{1}{2} =$ _____ (rounded to the nearest hundredth)

15. You borrowed \$20,000 at 10% interest for $2\frac{1}{2}$ years. When you paid the loan and interest at the end of the loan period, how much did you pay the lender? _____

16. A weekly magazine subscription costs \$41.60 per year. The same magazine sells for \$2 per issue at the newsstand. How much will you save on each magazine if you subscribe?

a) _____

What is this saving expressed as a percent:

b) per magazine? _____

c) annually? _____

17. How many 3-cent stamps are there in a dozen? _____

18. Last year, you weighed 120 pounds. This year you weigh 135 pounds. What is the percent of increase in your weight? _____

19. A salesperson works for a broker on a 60/40 commission basis (60% to the broker, 40% to the salesperson). The salesperson sells 50 acres of land at \$900 per acre. The gross sales commission is 10% of the sale price. What will be the broker's commission from the sale?

20. The sales commission earned by a broker who sold a parcel of land at a selling price of \$22,000 was \$2,420. What was the sales commission rate? _____

21. At the end of $1\frac{1}{2}$ years, you repay the bank \$16,800, which includes \$1,800 interest. What was the interest rate? _____

22. What will the annual premium be for an insurance policy in the amount of \$25,000 if the cost is \$0.60 per \$100? _____

23. A developer is subdividing a 12-acre tract into lots measuring 80' by 110'. Each lot has a perimeter of 380 feet and will sell for \$4,500. He has allowed 126,720 square feet for required streets, sidewalks, and recreational facilities.
- What is the area of each lot in square feet? _____
 - How many saleable lots will be realized? _____
24. Ms. Garcia's monthly mortgage payment for principal and interest is \$264.60. If her annual property taxes are \$780 and her 3-year homeowner's insurance premium is \$594, what will her total monthly payment be, including taxes and insurance? _____
25. A rectangular-shaped lot has a frontage of 90 feet and a total area of 3,150 square yards. What is the depth of the lot? _____
26. You bought a vacant lot for \$3,000. Six months later, you sold it for \$2,700. What is your loss expressed as a percent? _____
27. Old MacDonald wants you to sell his farm. He wants to realize a net amount of \$126,000 and agrees to a 10% sales commission. What must the sale price be for Old MacDonald to receive \$126,000? _____
28. You now earn \$900 per month on a 12% investment. Your original investment was:
- \$9,000
 - \$12,000
 - \$120,000
 - \$90,000
 - \$7,500
29. Two houses sold for a total price of \$80,500. One sold for \$2,500 more than the other house. What did the more expensive house sell for?
- \$40,250
 - \$32,500
 - \$41,500
 - \$49,800
 - \$41,600
30. Mr. Jones bought two lots for a total price of \$30,000. Later he divided the lots into a total of three lots and sold each for \$24,000. His percent of profit based upon cost was:
- 20%
 - 30%
 - 240%
 - 40%
 - 140%
31. Mrs. Smith sold a lot for 30% more than she paid for it. She invested the money and made a 28% profit. The profit was \$16,400. What did Mrs. Smith originally pay for the lot, rounded to the nearest dollar?
- \$52,235
 - \$97,375
 - \$45,055
 - \$58,575
 - \$95,555

32. Four lots were sold for a total of \$80,000. Lot 1 sold for \$3,000 more than lot 3. Lot 2 sold for \$1,500 more than lot 1. Lot 4 sold for \$500 more than lot 2. How much was paid for lot 3?
- \$19,875
 - \$21,375
 - \$21,875
 - \$16,875
 - \$26,875
33. If you had a lot that was 45 feet wide and contained 1,080 square yards, the depth of the lot would be:
- 125 feet
 - 200 feet
 - 216 feet
 - 190 feet
 - 120 feet
34. Three lots sold for \$99,000. Lot 2 sold for 10% more than lot 1. Lot 3 sold for 20% more than lot 1. Lot 3 sold for:
- \$36,000
 - \$33,000
 - \$30,000
 - \$27,000
 - \$25,000
35. A building sold for \$157,000. The broker charged a 6% commission and divided it as follows: 10% to salesperson A, who took the listing, 50% balance to salesperson B, who made the sale, and the remainder went to the office. Salesperson A's commission was:
- \$1,570
 - \$239
 - \$4,239
 - \$942
 - \$2,390
36. A lot with a depth of 80 feet and an area of 4,800 square feet was sold for \$150 per front foot. What was the total sales price?
- \$7,200
 - \$12,000
 - \$3,500
 - \$9,000
 - \$4,500
37. What was the interest rate charged if a \$28,000 loan returned \$31,360 principal and interest after one year? _____
38. John, Ted, and Bill each bought a house for \$200,000 and each sold his house a year later. During John's year, there was a 25 percent deflation (the average price of goods and services fell 25 percent) so John sold his house for \$154,000 (23 percent less than he'd paid). During Ted's year, prices of all goods and services rose 25 percent so Ted sold his house for \$246,000 (23

percent more than he'd paid). Prices stayed the same during Bill's year, so he sold his home for \$196,000, two percent less than he paid. Who did the best?