



Florida



Study Guide

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LEVEL 1

Overview of the Real Estate Business

Objectives

- ▶ Describe the various activities of real estate brokerage
- ▶ Distinguish among the five major sales specialties
- ▶ Identify the role of property managers
- ▶ Describe the appraisal process and the role of the appraiser
- ▶ Understand the mortgage process and the role of mortgage loan originator
- ▶ Explain the three phases of development and construction and distinguish between the three categories of residential construction

Level Main Ideas

- ▶ Sales associates will be working in the real estate business doing a variety of activities, such as selling and leasing property, acting as a property manager, and providing counsel for clients and customers. All of these activities will be done for a broker or brokerage.
- ▶ Property specializations are an effective way to obtain more clients and gather the niche knowledge needed for specific sales. Specializations could relate to many diverse topics, such as property type and client-type, or they might even relate to intangible assets and business opportunities.
- ▶ A property manager's main duty is to maximize the return on an owner's investment. Property manager's do this by wearing many hats, such as effectively marketing a property or maintaining positive tenant relationships.
- ▶ There are several valuation products available to both agents and their clients and customers: appraisals, CMAs, and BPOs. Appraisals are the most official of the three while BPOs are the least regulated. CMAs fall somewhere in the middle.
- ▶ Land is often bought to be developed and constructed upon. Developers will need to go through several steps to develop land and once they do they'll have the option of building homes and other improvements. Residential constructions might include tract homes, spec homes, and custom homes.

LEVEL 1

Key Terms

Chapter 2: Introduction to the Real Estate Business and Brokerage

real estate brokerage

the businesses of overseeing, consummating, and completing real estate transactions and business by bringing together the parties to a transaction

Chapter 3: Sales, Leasing, and Counseling

business opportunity

a real estate transaction involving a business that already exists and includes both tangible and intangible assets

farm area (target market)

a specific area a real estate associate chooses to specialize and become an expert in

follow-up

the contract a sales associate makes with a buyer or seller after closing a real estate transaction

MLS

a database which local member brokers share listings so other brokers can easily find buyers for those properties and establish compensation expectations for properties sold jointly (multiple listing service)

special-purpose property

a property created with a special, and often limited, purpose in mind

Chapter 4: Property Management

absentee owner

a property owner who does not occupy the property and therefore often utilizes a property manager's services

property management

the vocation of renting or leasing someone else's real property on their behalf in exchange for compensation and in accordance with a property management employee contract

LEVEL 1

Key Terms

Chapter 5: Financing and Value

appraisal

an official valuation of a property's value

appraiser

an individual who is trained and licensed to perform appraisals, or officially estimate the value of real property

USPAP

an agency charged with overseeing, regulating, and promulgating real estate appraisals and appraisal practices (Uniform Standards of Professional Appraisal Practice)

broker price opinion (BPO)

a broker's opinion of the value of a piece of real property, given in writing

comparative market analysis (CMA)

a report that compares the prices of recently sold or listed homes ("comparables") in order to estimate the market value of a similar property (the "subject property") located in the same area

Chapter 6: Development and Construction

subdivision plat map

the proposed map of a to-be-developed subdivision indicating proposed lots, streets, and other important organizational information, created according to the layout of the existing parcel of real property

dedication

a gift of land to the government for public use, gifted by the property owner

LEVEL 2

Real Estate License Law and Qualifications for Licensure

Objectives

- ▶ Explain the purpose of Florida real estate licensing law and demonstrate an understanding of its basic provisions
- ▶ Describe both the activities requiring a license, and exemptions to this requirement
- ▶ Describe the types of licensure regulated by the state as well as requirements for obtaining and maintaining a license, including eligibility, education, renewal requirements, and mutual recognition

Level Main Ideas

- ▶ There are several important laws that govern real estate in Florida: Florida Statute Chapters 20, 120, 455, and most especially 475. From the law set out in 475, the FREC created regulations for license holders, which lives in Chapter 61J2 of the Florida Administrative Code.
- ▶ The three types of real estate licenses available in Florida are sales associate, broker associate, and broker. Sales associates and broker associates must be supervised by a broker.
- ▶ Real estate activities in Florida include negotiating, appraising, selling, auctioning, leasing, buying, renting, advertising real estate activities, closing on a property or business, or exchanging properties. A license is required to do any of these activities with real property or businesses in Florida.
- ▶ You learned the procedure and prerequisites for applying for a broker license and sales associate license, and the rules for registering those licenses. You also learned the exemptions to the licensing prerequisites and the fee waivers available.
- ▶ Mutual recognition is a contract recognizing the real estate education of another state. It allows a license holder in that state to skip the pre-licensing education requirement and national portion of the exam. Reciprocity, in contrast, only requires a license holder from another state to pass a background check. Reciprocity is only available to active/recent military personnel and their spouses.
- ▶ Florida requires post-licensing education before a first renewal (45 hours for sales associates, 60 for brokers). Every subsequent renewal has a 14 hour CE requirement.

LEVEL 2

Key Terms

Chapter 1: Florida's Real Estate Laws

caveat emptor

the concept that a buyer is responsible for verifying the quality and value of the goods prior to the purchase

Chapter 2: License Requirements and Exemptions

broker

a person or business entity who is licensed to represent one of the parties in a real estate transaction in exchange for a commission or other valuable consideration

sales associate

a real estate license holder who is associated with a licensed broker for the purpose of performing real estate brokerage acts on the broker's behalf

compensation

any valuable consideration directly or indirectly paid or promised, expressly or impliedly

real estate services

buying, selling, leasing, renting, auctioning, appraising, exchanging, negotiating for, or closing on real property or a business for compensation; advertising that you will do any of the aforementioned

Chapter 3: Obtaining and Maintaining a License

Florida resident

a person who has resided (regardless of whether the place or base of residence is a recreational vehicle, hotel, rental unit, or any other temporary or permanent situs) in Florida, continuously for a period of 4 calendar months or more, within the preceding one year

prima facie evidence

evidence that in and of itself is sufficient to prove a fact

license

a license is granted when an applicant passes the state exam

LEVEL 2

Key Terms

Chapter 3: Obtaining and Maintaining a License (continued)

registration

registration is the process of submitting information to the DBPR

adjudication withheld

when a court stays the imposition of a sentence and instead puts the defendant on probation

nolo contendere (no contest)

a plea where a defendant does not admit guilt to a crime they are accused of, but do accept punishment as though they have been found guilty

sealing

putting a criminal record under highly restricted access

expungement

removing a criminal record and destroying it

LEVEL 3

Real Estate License Law and Commission Rules

Objectives

- ▶ Understand the structure and purpose of the Department of Business and Professional Regulation
- ▶ Describe the composition and duties of the Florida Real Estate Commission
- ▶ Identify the different statuses

Level Main Ideas

- ▶ The Department of Business and Professional Regulation (DBPR) regulates many industries including real estate. They oversee the licensing and license renewal processes for real estate professionals.
- ▶ The Florida Real Estate Commission is a seven-member agency that protects the public interest by regulating the education, rules, and discipline of real estate licensees. The Commission is composed of four licensed brokers, one licensed sales associate or broker, and two unlicensed consumer members.
- ▶ Active license status is required for practicing real estate. Inactive status prevents the licensee from conducting business. A licensee can choose to be voluntarily inactive, or, if they fail to renew on time, they'll become involuntarily inactive.
- ▶ A license becomes void if it's canceled, revoked, or stays involuntarily inactive for more than two years. A license ceases to be in force if the Commission isn't notified of employment or address changes within 10 days.
- ▶ Multiple licenses may be issued to a broker who conducts multiple separate brokerage businesses. A group license is issued to a sales associate or broker associate who sells property for a single developer that owns more than one business entity.

LEVEL 3

Key Terms

Chapter 3: License Statuses

active

describes a license that is current, in good standing, and signifies that the license holder meets all the requirements to practice real estate

inactive

a temporary, correctable status describing a license that does not enable the licensee to engage in any professional real estate activities

canceled

describes a license that has become null and void because the licensee voluntarily chose to relinquish it

cease to be in force

describes a license that is not active due to a failure to notify the Florida Real Estate Commission of an important change, such as a change in employers or address

current

not expired

group license

a license that allows a sales associate or broker associate to conduct real estate transactions for multiple entities owned by the same owner-developer

involuntarily inactive

describes a license that is inactive due to either a failure to meet renewal requirements or the lack of an employing broker

license authority voided

license has been canceled and is no longer in use

multiple licenses

two or more licenses held by a single broker who conducts multiple business entities at the same time

null and void

lacking legal or binding force; invalid

voluntarily inactive

describes a license that is inactive by choice; the licensee requests the status change from the DBPR

LEVEL 4

Legal Land Descriptions and Land Measurement

Objectives

- ▶ Explain the concept of agency and agency relationships
- ▶ Discuss how agency relationships are created and terminated
- ▶ Describe the different authorized relationships available in Florida
- ▶ Understand the duties attached to each of the authorized relationships
- ▶ Discuss the disclosure requirements associated with each of the authorized relationships
- ▶ Interpret the main components of the Brokerage Relationship Disclosure Act
- ▶ Describe the differences in how residential and nonresidential sales transactions are handled with respect to agency relationships, duties, and disclosure

Level Main Ideas

- ▶ The concepts behind Florida's law of agency we see today is a blend of common law, statutory law, and administrative law.
- ▶ When a person authorizes another individual to act on their behalf, an agency relationship has been created.
- ▶ The highest level of trust and duty in agency relationships is found in that of a fiduciary and client. The fiduciary is expected to put the client's interests ahead of everyone else's.
- ▶ In Florida, agents have customers while fiduciaries have clients.
- ▶ General agents, special agents, and universal agents are differentiated by the degree of authority they have to act on behalf of their principals.
- ▶ There are multiple ways to create agency, with express written agency being the best form that provides the most protection and clarity for the agent and principal alike.
- ▶ In Florida, there are three authorized working relationships that can exist between a licensee and a buyer or seller of real estate. Two are brokerage (representation) relationships and one is a relationship of no brokerage (nonrepresentation)

LEVEL 4

Legal Land Descriptions and Land Measurement

Level Main Ideas (continued)

- ▶ The No Brokerage Relationship is one of nonrepresentation wherein the customer is owed minimal duties. A written notice must be provided to the customer when this relationship is being entered into.
- ▶ The Transaction Broker Relationship is one of limited representation. Florida statute declares a presumption of transaction brokerage, so no written notice need be provided when entering into this relationship because it is presumed.
- ▶ The Single Agent Relationship is one of full fiduciary representation. A written notice must be provided to the customer when this relationship is being entered into.
- ▶ A buyer or seller can change the agency relationship they are in, but they must sign a consent to transition notice if they do this.
- ▶ The Florida Statute known as the Brokerage Relationship Disclosure Act applies to residential sales and was created to identify the authorized working relationships available to buyers and sellers, as well as the disclosure requirements that come with those relationships.
- ▶ Even though the agency disclosure notices of the single agent relationship and the no brokerage relationship are NOT required for nonresidential transactions, the duties of all three authorized working relationships ARE owed even in nonresidential transactions.
- ▶ In nonresidential transactions, if the parties each can show assets of one million dollars, they can request an in-house transaction with the appointment of designated sales associates who will operate as single agents for the parties. This is NOT allowed in residential transactions and would be considered the illegal use of dual agency if attempted. And, if used in a nonresidential transaction, disclosure notices for the use of designated sales associates would need to be signed by each party.
- ▶ There are multiple ways to terminate agency relationships, with the various reasons or causes falling under the two primary categories or classifications: Operation of Law or Acts of the Parties.

LEVEL 4

Key Terms

Chapter 1: The Concept of Agency

agent

an individual with authority to act on behalf of another; a state license is required to operate as an agent in real estate

caveat emptor

the concept that a buyer is responsible for verifying the quality and value of the goods prior to the purchase

customer

an individual with whom a license holder has no fiduciary relationship but to whom accounting, honesty and fairness, and disclosure of not readily observable material facts about a property are still required

dual agent

the role of a licensee in an in-house transaction where the brokerage offers both parties fiduciary level representation; illegal in Florida

fiduciary

an individual upon whom is placed the highest levels of trust and confidence when acting on behalf of another

principal

in general usage, the client of an agent; in Florida real estate, the client of a single agent operating as a fiduciary

subagency

a form of agency that arises when an employing broker enlists the use of sponsored sales associates and/or sponsored associate brokers to accomplish a client's goal

Chapter 2: Classifications of Agency

general agent

an agent who is authorized to manage all of a principal's affairs within certain specified areas; enjoys broader authority than that of a special agent but less than that of a universal agent

special agent

an agent with a limited scope of authority to act on behalf of their principal; usually towards a single, specific objective, end, or goal that is not ongoing

LEVEL 4

Key Terms

Chapter 4: No Brokerage Relationships (Nonrepresentation)

nonrepresentation

also known as a no brokerage relationship, is one of Florida's three authorized brokerage relationships; used when a buyer or seller of real estate opts out of representation

Chapter 5: Transaction Broker Relationships

limited representation

the degree of representation provided by a transaction broker in Florida; is more than what a party receives with nonrepresentation but less than the fiduciary level representation of a single agent

transaction broker

a broker who provides limited representation to a buyer, a seller, or both, in a real estate transaction, but does not represent either in a fiduciary capacity or as a single agent

Chapter 6: Single Agent Relationships

consent to transition

the disclosure notice the broker must have the client sign before a change in the agency relationship from single agent to transition broker can occur

single agent

a broker who represents, as a fiduciary, either the buyer or seller but not both in the same transaction

Chapter 8: Nonresidential Transactions

designated sales associate

sales associates designated by the broker to serve as single agents for the parties in an in-house nonresidential transaction at the request of the parties

residential sale

the sale of improved property of four units or fewer; unimproved property intended for the use of four units or fewer; or agricultural property of 10 acres or fewer

LEVEL 5

Real Estate Brokerage Activities and Procedures

Objectives

- ▶ Describe and explain specific regulations and policies in Florida affecting the creation and day-to-day operations of a real estate brokerage.
- ▶ Identify core rules and regulations governing brokerage advertising across all markets.
- ▶ Summarize the rules, regulations, and proper procedures regarding funds, such as commissions and earnest money deposits.
- ▶ Describe how the broker-agent relationship is affected by legislation.
- ▶ Identify the differences between the types of business entities and recall which entities may register as a brokerage and which entities may not register as a brokerage.

Level Main Ideas

- ▶ There are many rules and regulations that govern how brokerages create an office, the details included in their signage, and how they advertise. For example, the CAN-SPAM Act regulates email advertising and mandates certain requirements around point of contact information.
- ▶ Brokers and their agents must adhere to very strict and specific rules when it comes to handling funds and deposits, such as earnest money. Deposits must be deposited into an escrow account immediately, or within three business days.
- ▶ Brokers have relationships with their sales associates — that's how the whole business works. The laws around these relationships determine how commissions are distributed and what sales associates must do if they change their employer.
- ▶ The law dictates that some business entities may register as a brokerage, such as an LLP and LLC, while others can't register as a brokerage, such as a joint venture and corporation sole. It's important to know what each of these entities is, how they are different from one another, and what they need to register as a brokerage.

LEVEL 5

Key Terms

Chapter 1: Brokerage Offices

trade name

a person or business entity's unofficial or fictitious name

Chapter 2: Encumbrances

blind advertisement

an ad in which a license holder attempts to promote or solicit real estate activity without disclosing the fact that they are a license holder

point of contact information

a brokerage's or an individual's contact information in an advertisement, such as relevant addresses or fax and telephone numbers

Chapter 4: Handling Deposits

deposit

a payment made from one party to another that shows a sincerity to fulfill the transaction, a.k.a. binder deposit or good-faith deposit

commingle

the illegal act of mixing personal funds with a client's funds

conflicting demands

opposing, unresolvable demands made by the buyer and seller in a transaction regarding escrowed property disbursement

conversion

a license holder's personal use or misuse of money belonging to others

arbitration

a process whereby the parties to a dispute present their conflict to a disinterested third party and honor the third party's binding judgment

litigation

the legal process of resolving a dispute in court that involves an interpleader or declaratory judgment

mediation

an informal negotiation held by an independent third party to settle a dispute such as conflicting demands

LEVEL 5

Key Terms

Chapter 4: Handling Deposits (continued)

earnest money

funds paid to confirm or commit to a contract

escrow account

accounts that allow for a process in which funds and/or financial documents are held by a disinterested third party on behalf of the other two parties in the real estate transaction until specific conditions are satisfied

escrow disbursement order (EDO)

the FREC's decision regarding who should receive disputed escrow funds held in a brokerage escrow account

good-faith doubt

a doubt that is honest, honors the business contract, is free of fraudulent motive, and implies an intent to fulfill the contract

interpleader

a court procedure meant to resolve a dispute when a party holds funds they know they do not own, but to which multiple other parties lay claim

Chapter 5: Brokerage and Agent Relationships

kickback

a payment made to a licensee for a service unrelated to the real estate transaction or a service that does not fall under the responsibility of the licensee

Chapter 6: Business Entities

limited liability company (LLC)

a business entity in which parties are protected against personal liability for business debts

limited liability partnership (LLP)

a business entity in which parties are protected from some liabilities while retaining other liabilities

corporation (INC)

a legally created business entity representing the interests of more than one person

general partnership

a business entity consisting of two or more parties in which all co-owners actively share power, responsibilities, and profit

LEVEL 5

Key Terms

Chapter 6: Business Entities (continued)

limited partnership

a business entity composed of both general and limited partners. the general partners manage the business and assume most of the risk, while the limited partners are passive investors with limited risk

ostensible partnership

the appearance that a partnership exists between two parties even though no partnership was intentionally created

professional association (PA)

two or more individuals who come together as a business corporation to provide a professional service to others

sole proprietorship

ownership of a business by a lone individual

LEVEL 6

Violations of License Law, Penalties, and Procedures

Objectives

- ▶ Explain relevant legal terms
- ▶ Describe the complaint process
- ▶ Identify license law violations and their penalties
- ▶ Understand the purpose and provisions of the Real Estate Recovery Fund

Level Main Ideas

- ▶ There are several important legal concepts that you should know, as these concepts will help you understand violations of license law. For example, commingling is when a license holder mixes a client's funds with their own personal or business funds. Conversion is when a license holder uses a client's funds for their own purposes.
- ▶ There are seven general steps in the complaint process. They are:
 1. A complaint is filed.
 2. The DBPR investigates the complaint.
 3. Probable cause is determined.
 4. The DBPR issues a formal complaint if there is probable cause.
 5. A formal or informal hearing takes place.
 6. FREC issues a final order.
 7. Judicial review (i.e. an appeal) can be sought.
- ▶ A complaint must be legally sufficient and in writing for the DBPR to investigate it.
- ▶ Violations of real estate law can result in three types of penalties: administrative, civil, and criminal. FREC is responsible for administrative penalties.
- ▶ The Florida Real Estate Recovery Fund reimburses any person, partnership, or corporation who has suffered monetary damages (as decided by a Florida civil court) by a broker or sales associate as part of a real estate transaction. Keep in mind that in cases where a broker complies with an EDO (escrow disbursement order), the Recovery Fund will not only pay compensatory damages. They will also pay for the broker-defendant's reasonable attorney fees and court costs, and the plaintiff's reasonable attorney fees and court costs if they win (remember, the plaintiff is the person suing the broker).

LEVEL 6

Key Terms

Chapter 1: Legal Terms and Examples

breach of trust

the breaking of a promise or obligation, and can be done through action, omission, default, or nonperformance

moral turpitude

conduct that goes against justice, honesty, good morals, or custom; also depraved, base behavior

commingle

the illegal act of mixing personal funds with a client's funds

conversion

a license holder's personal use or misuse of money belonging to others

concealment

withholding information or a material fact

material fact

a fact that, if known, could cause someone to take a different course of action or make a different decision regarding the property to be purchased

misrepresentation

a statement, written or spoken, that is false or misleading

fraud

the wrongful or criminal deception intended to result in financial or personal gain

culpable negligence

negligent conduct that is not intentional but involves a disregard of the consequences that will likely result

failure to account or deliver

the failure to deliver personal property (such as money, legal documents, or commission) to the person entitled to receive it

LEVEL 6

Key Terms

Chapter 2: Complaint and Investigate Process

complaint

a claim against a real estate professional for an alleged violation

legally sufficient

contains ultimate facts about an alleged violation; one of two criteria for a complaint to be investigated

mediation

an informal process conducted by neutral third party to settle a complaint

summary/emergency order

issued when the serious nature of a violation justifies suspending a license holder prior to their hearing

probable cause

reasonable grounds for prosecution

formal (administrative) complaint

contains allegations of fact against a licensee; filed if probable cause is found

stipulation

a settlement between parties as to the facts of the case and the penalty reached; must be approved by FREC to be effective

voluntary relinquishment for permanent revocation

the subject of a complaint voluntarily turns in their license and therefore avoids a hearing and other discipline; licensee can never practice real estate again

subpoena

a written order commanding a person to appear in court to give testimony or produce records, under penalty for failure

recommended order

issued by an administrative law judge to FREC; includes their findings and recommended penalty

final order

FREC's final decision on innocence or guilt and decision on what penalties (if any) are to be administered

LEVEL 6

Key Terms

Chapter 3: Violations and Penalties

notice of noncompliance

issued by the DBPR for a first-time, minor violation by a licensee

citation

issued for a minor violation and can be disputed by the subject of the complaint; fines range from \$100 to \$500

LEVEL 7

Contract Law Principles

Objectives

- ▶ Describe important federal legislation regulating fair housing and explain the impacts each decision has had on the real estate industry
- ▶ Identify protected classes and discriminatory practices as well as the exemptions to fair housing laws
- ▶ Identify fair housing violations, describe the procedures for reporting, and the penalties associated with violations

- ▶ Describe the major provisions of the Americans with Disabilities Act
- ▶ Describe the major provisions of the Interstate Land Sales Disclosure Act
- ▶ Describe the major provisions of the Florida Residential Landlord and Tenant Act

Level Main Ideas

- ▶ The Civil Rights Act of 1866 prohibited discrimination in housing based on race or color. Unfortunately, because of other racist laws and practices at the time, this Act did not make much of an impact. However, *Jones v. Mayer* (1968) finally made this Act enforceable. The result was that all discrimination based on race and color is illegal in the selling or renting of residential property. No exceptions!
- ▶ The Fair Housing Act of 1968 prohibits discrimination in real estate practices. Its protected classes are familial status, color, race, national origin, sex, disability, and religion. Remember our memory trick: Families Crave Resorts, Not Small Damp Rooms. The Fair Housing Amendment Act of 1988 was responsible for adding disability and family status to the protected classes.
- ▶ The Fair Housing Act of 1968 has many prohibitions when it comes to selling and renting housing. For example, steering, blockbusting, and redlining are all illegal practices.
- ▶ There are four main exemptions to the Fair Housing Act of 1968. The Mrs. Murphy exemption, for instance, is the rental of rooms or units in owner-occupied property in a one-to-four family dwelling (as long as the owner is not involved in the business of real estate and uses no discriminatory advertising).
- ▶ The Department of Housing and Urban Development (HUD) enforces the Fair Housing Act of 1968. HUD requires that the complaint be filed within one year of the alleged violation. A person can file a private civil lawsuit, instead of or in addition to the HUD complaint. They have two years from the alleged violation if they file a private lawsuit.

LEVEL 7

Contract Law Principles

Level Main Ideas (continued)

- ▶ The Florida Fair Housing Act, passed in 1983, is quite similar to the federal Fair Housing Act. It covers the same protected classes and has the same prohibitions (more or less). It is enforced by the Florida Commission on Human Relations.
- ▶ The Americans with Disabilities Act (ADA), passed in 1990, is a federal civil rights law enacted to prohibit discrimination against and create standards for people with disabilities. Under the ADA, people with disabilities cannot be denied access to public accommodations, public transportation, and commercial facilities.
- ▶ The Florida Americans with Disabilities Accessibility Implementation Act is very similar to the ADA, as its purpose is to incorporate all of the ADA's requirements into Florida law. In some ways, however, it is stricter than the ADA.
- ▶ The Interstate Land Sales Full Disclosure Act (ILSA or ILSDA) was passed in 1968 and aims for transparency and honesty in lot sales. The law requires developers engaged in the interstate sale or leasing of 100 or more lots to file a statement of record and register the subdivision with the Consumer Financial Protection Bureau (CFPB). ILSA also requires that developers of 25 or more lots provide the prospective purchaser with a property report before they sign the contract.
- ▶ The Florida Residential Landlord and Tenant Act applies to the rental of a dwelling unit. It governs security deposits, eviction proceedings, and tenant and landlord rights. Under this act, a Florida landlord can hold security deposits and advance rents in a separate non-interest-bearing account in a Florida bank, a separate interest-bearing account in a Florida bank, or post a surety bond.
- ▶ Under the Florida Residential Landlord and Tenant Act, a landlord has 15 days to return a security deposit if they do not intend to make a claim on it. If they do intend to make a claim, the landlord has 30 days to notify the tenant. If the tenant does not object to the claim within 15 days from that notification, the landlord can go ahead and collect.
- ▶ If a brokerage is doing property management for a property owner, security deposits and advance rents need to be deposited into the broker's escrow account by the end of the third business day after receiving them. Meanwhile, sales associates who collect rents or deposits need to give these funds to their broker by the end of the next business day.

LEVEL 7

Key Terms

Chapter 1: Fair Housing Law

Civil Rights Act of 1866

a federal law that prohibits discrimination in housing based on race or color; became enforceable after *Jones v. Mayer* (1968)

Fair Housing Act of 1968

a federal law that prohibits discrimination in housing based upon race, color, religion, or national origin and was amended to include sex, disability, and familial status

familial status

under the Fair Housing Act, a protected class composed of families who have children under 18, pregnant women, and people in the process of obtaining legal custody of a child

steering

the illegal act of guiding prospective home buyers toward or away from certain neighborhoods because of their membership in a protected class

blockbusting

the illegal act of causing owners to sell their homes by creating fear that members of a protected class are moving into the area

redlining

the illegal act of a lender refusing to issue mortgages in a specific area

Chapter 2: Disability Law

handicap status

having a physical or mental impairment that substantially limits one or more major life activities, having the record of such impairment, or being regarded as having such an impairment; also known as disability status

public accommodation

facilities open to the public (such as hotels, restaurants, retail merchants, doctor's offices, golf courses, private schools, day care centers, health clubs, sports stadiums, movie theaters, etc.); under the Americans with Disabilities Act, individuals with disabilities cannot be denied access to public accommodations, public transportation, and commercial facilities

LEVEL 7

Key Terms

Chapter 6: Interstate Land Sales Full Disclosure Act

subdivided land

the division of parcels of land into smaller units or lots; subdivisions containing less than 25 lots are exempt from the Interstate Land Sales Full Disclosure Act

property report

a document that contains all essential information about the property, such as distance over paved roads to nearby communities, number of homes currently occupied, soil conditions affecting foundations and septic systems, type of title a buyer will receive, and existence of liens; under the Interstate Land Sales Full Disclosure Act, developers of 25 or more lots must provide the prospective purchaser with a property report before they sign the contract

LEVEL 8

Property Rights: Estates and Tenancies; Condominiums, Cooperatives, Community Development Districts, Homeowner Associations and Timesharing

Objectives

- ▶ Define real property based on the definition in Chapter 475, F.S.
- ▶ List and explain the physical components of real property
- ▶ Explain the four tests courts use to determine if an item is a fixture
- ▶ Distinguish between real and personal property
- ▶ Describe the bundle of rights associated with real property ownership
- ▶ List the principal types of estates (tenancies) and describe their characteristics
- ▶ Describe the features associated with the Florida homestead law
- ▶ Distinguish between cooperatives, condominiums and time-shares and describe the four main documents associated with condominiums

Level Main Ideas

- ▶ Land, real estate, and real property are all slightly different things. Land is land, real estate is land plus improvements, and real property is land, improvements, and the bundle of rights.
- ▶ The bundle of rights is the right of exclusion, possession, disposition, quiet enjoyment, control, and the right to encumber a property.

LEVEL 7

Contract Law Principles

Level Main Ideas (continued)

- ▶ Property also comes with air rights, water rights, surface rights, and subsurface rights. These can sometimes be sold separately.
- ▶ Real property is permanent, affixed to the land, and transferred by deed. Personal property is impermanent, movable, and transferred by bill of sale. When personal property becomes real property, that is a fixture. Fixtures convey with real property, unless the contract says otherwise. The only exception is trade fixtures, which are necessary for a business and which go with the business owner.
- ▶ The four legal tests for whether something is a fixture spell MARI: method of attachment, adaptability, relationship or agreement of the parties, and intent.
- ▶ There are two main kinds of ownership. Ownership is severalty is ownership by a single person or entity. Co-ownership is ownership by more than one person or entity. The three main forms of co-ownership are joint tenancy, tenants in common, and tenancy by the entirety.
- ▶ Freehold estates can be broken into fee simple absolute (or full ownership), fee simple defeasible (or conditional ownership), and life estates. There are two kinds of defeasible estates, fee simple determinable and fee simple condition subsequent.
- ▶ Life estates grant an estate for the length of a measuring life, which can be the person with the estate (a conventional life estate) or another person (pur autre vie). There are also legal life estates which are created by the state. The most important one is homestead, which is where a person or family's primary residence is afforded protections against creditors, tax exemptions, and automatic inheritance to spouses and children.
- ▶ Leasehold estates are estates for a limited time period governed by a lease. An estate for years has a fixed start and end date, a periodic tenancy or estate at will is automatically renewed every time period until one person ends it (like a month-to-month lease) and a tenancy at sufferance is when a tenant overstays their lease.
- ▶ Lastly, we learned about condo, co-ops, timeshares, HOAs, and CDDs. Each of these types of property has mandatory disclosures associated with it in Florida. Review those, especially the four condo disclosures that make up the condo documents: the declaration, the articles of incorporation, the bylaws, and the FAQ.

LEVEL 8

Key Terms

Chapter 1: What Is Land?

land

the surface of the earth, including all permanently attached natural features, extending downwards to the center of the earth and upwards to infinity

real estate

the land plus all improvements made by man or nature

real property

land from the surface to the center of earth and upward into space, including everything attached by man or nature as well as the bundle of legal rights of ownership

Chapter 2: Real vs. Personal Property

fixture

an object that was once personal property but is now firmly attached to the land in such a way that it is considered to be real property

personal property

an unattached, movable asset not considered real estate, a.k.a. chattel or personalty

Chapter 3: Forms of Ownership

joint tenancy

co-ownership in which the parties have an equal and undivided interest in the property; includes the right of survivorship rather than inheritance

right of survivorship

the statutory principle of survivorship tenancy that provides that when one co-owner dies, their ownership interest reverts to the surviving co-owners

tenancy in common

co-ownership with individual, undivided interest in the property; includes rights of inheritance rather than survivorship

separate property

property owned by a married person that is separate and not co-owned by their spouse

tenancy by the entirety

ownership by a married couple; requires five unities including the unity of person

LEVEL 8

Key Terms

Chapter 4: Freehold Estates

fee simple estate

Maximum ownership of real property; also called a fee or a fee simple absolute and is of indefinite duration, freely transferable, and freely inheritable

freehold estate

a form of ownership with an indeterminate length

life estate

a type of estate limited to the duration of a measuring life

remainderman

the person who holds the remainder interest in a life estate

homestead

a legal life estate that protects a homeowner from loss of their principal residence from the claims of most creditors and require both spouses to execute any instruments of conveyance; in Florida it also includes tax exemptions

exempt property

a property that has been homesteaded

Chapter 5: Leasehold Estates

leasehold estate

an interest in the occupation of a property, established through a lease, a.k.a. non-freehold or less-than-freehold

tenancy at sufferance

a tenant's occupancy of a property beyond their lease's terms and without the landlord's consent, also called estate at sufferance

tenancy at will

a tenant's occupancy of a property with the landlord's consent

estate for years

a lease with a specific starting and ending date, also called a tenancy for years

LEVEL 8

Key Terms

Chapter 6: Common Interest Ownership Properties

condominium

property where each owner has a separate interest in their own unit and undivided interest in the common areas

cooperative

property where each owner owns shares in a corporation that owns a building, then has a proprietary lease for their unit

prospectus

a document prepared by a developer that summarizes what is in the condominium documents; required for condos with more than 20 units in Florida

homeowner association (HOA)

a corporation responsible for the operation of a development and with the power to charge fees and levy assessments; membership is mandatory

declaration

the legal document that, once filed, creates a condominium; in Florida one of the required condo documents

proprietary lease

a long-term and exclusive lease given to resident and stock owner of a cooperative

timeshare

a form of co-ownership where each owner has use of the property at a different prescribed period of time, also known as interval ownership

community development district (CDD)

a special district empowered to levy assessments on property owners to fund infrastructure and other projects

LEVEL 9

Title, Deeds, and Ownership Restrictions

Objectives

- ▶ Explain the various methods of acquiring title to real property, such as voluntary alienation, involuntary alienation, and adverse possession
- ▶ Distinguish between actual notice and constructive notice
- ▶ Differentiate an abstract of title from a chain of title from title insurance
- ▶ Describe the requirements of a valid deed as well common types of deeds
- ▶ List and describe the various types of public and private restrictions on real property ownership such as liens and leases

Level Main Ideas

- ▶ You can't simply swipe your credit card to buy a piece of property. That's why knowing how title is transferred and the role deeds play in the conveyance process is so important. Title could be transferred voluntarily, through gift or sale, or involuntarily, through adverse possession.
- ▶ Recording is important in many areas of real estate, including when it comes to deeds. If a deed is valid and has all of the appropriate elements, such as a competent grantor, it should be recorded. This allows for actual and constructive notice.
- ▶ There are several issues and problems that may come up when it comes to selling a property. To ensure a property has a marketable title, a buyer should look into tools such as the chain of title, abstract of title, and evidence of title, as well as consider title insurance.
- ▶ Even if an owner owns a property, there are limitations that can be put on their ownership rights. These limitations could be public land-use limitations, such as eminent domain, or private land-use limitations, such as liens.
- ▶ Leases allow for a temporary interest in real property. They come in many different forms, depending on the needs and type of tenant. A lease could look like a ground lease lasting 99 years or a gross lease with a fixed monthly rental rate.

LEVEL 9

Key Terms

Chapter 1: Deed and the Transfer of Property

adverse possession

involuntary transfer of title from an owner who does not use or inspect their land for a number of years to another person who has some claim to the land and takes possession

alienation

the transfer of ownership (title) to real property. Alienation may be voluntary or involuntary

deed

the legal document that transfers real estate title from one party to another

eminent domain

the power of government to seize private property for public use; government must pay property owner just compensation for exercising power

grantee

the person who receives a conveyance of real property in a transaction

grantor

the person who conveys real property in a real estate transaction

title

the actual ownership of a real property that includes the bundle of rights in which a party may own a legal or equitable interest; not an actual document

Chapter 2: Elements of a Valid Deed

granting clause

section of a deed identifying the property to be conveyed, the grantor, the grantee, and the grantor's promise to transfer title to the grantee, a.k.a. words of conveyance

acknowledgment

a party's notarized profession that they are signing a document voluntarily

deed restriction

a provision in a deed that restricts the land use of a property

habendum clause

a clause within a deed that clarifies the type and extent of interest conveyed by the granting clause

LEVEL 9

Key Terms

Chapter 3: Types of Deeds

quiet enjoyment

a lessee's right to possess a property without interference from lessor, previous owner, or anyone else about the claim to the title

further assurance

a protection in which a grantor assures that, in the future, they will sign and deliver any conveyance tools needed to obtain a clear title

general warranty deed

a deed containing the strongest and broadest form of guarantee of title

quitclaim deed

a type of deed that conveys any interest, title, or right to a parcel of land the grantor has at the time the deed is executed

seisin

a protection in which the grantor states they hold the title conveyed in the deed, a.k.a. seizin

warranty forever

a protection in which a grantor promises to defend the grantee's title against any legal claim and promises to do so forever

Chapter 4: Conveyance After Death

escheat

the legal doctrine by which the decedent's property will pass to the state without their consent if that individual dies without a will, a surviving spouse, lineal descendants, or other known heirs

intestate

the name for conditions in which the owner of a property dies without having left a valid will

testate

the name for conditions in which the owner of a property dies having left a valid will

Chapter 5: Title

abstract of title

an abbreviated history of a property, including information on any transfers, grants, wills, conveyances, liens, and encumbrances

LEVEL 9

Key Terms

Chapter 5: Title (continued)

actual notice

when an individual actually knows of a fact

chain of title

the entire chronological record of a property's ownership

constructive notice

when a property's ownership is recorded publicly, so everyone can know the contents of recorded documents

Chapter 6: Public Land-Use Controls

police power

the government right to regulate and restrict land use in order to protect the public; right includes the power to enforce zoning and building codes

condemnation

the legal process through which the government seizes land from a property owner

Chapter 8: Easements

easement

an interest in, or a right to use, another individual's land or property, generally for a specific, limited purpose

encroachment

physical property that crosses the boundary into a neighboring landowner's property

Chapter 9: Liens

construction lien

a mechanic or materialman's right to impose a lien upon a property if the property owner fails to pay for materials or work done on the property, a.k.a. mechanics, materialman's, or laborer's lien

lien

the claim made by a creditor against real or personal property pledged by a debtor as collateral

LEVEL 9

Key Terms

Chapter 10: Leases

gross lease

lease in which the tenant will be responsible for the payment of a fixed monthly charge, while the landlord is responsible for paying all operating expenses, a.k.a. full service lease

ground lease

the lease of bare, undeveloped land, a.k.a. land lease

net leases

a lease in which the tenant pays a base rent rate plus all or part of the operating expenses

percentage lease

type of (usually commercial) lease in which the tenant pays a base rent amount and a percentage of their business profits to the landlord

variable lease

a leasehold agreement in which the base rent changes according to the lease agreement

sublease

a tenant's transfer of part of their right of possession in a leased property to another person for a period of the lease term

assignment

the transference of rights and obligations in a contract from one party to another

LEVEL 10

Legal Descriptions

Objectives

- ▶ Explain the importance of legal property descriptions and understand the processes of different survey methods used to create legal property descriptions
- ▶ Understand the various area measurements used in the real estate industry and demonstrate the ability to perform basic area calculations and conversions

Level Main Ideas

- ▶ A legal description is a description of a property that is distinct and precise enough to distinguish it from all other properties. That's why it's important to determine and specify a property's legal description on official documents, such as deeds and contracts.
- ▶ Legal descriptions are determined by using one (or a combination) of the three land surveying methods: metes and bounds, lot and block, and the government survey system.
- ▶ Metes and bounds is a land survey process in which a licensed land surveyor starts at a readily identifiable point of beginning and defines the boundaries of a property in terms of distances and compass directions, finally returning to the point of beginning.
- ▶ The lot and block method identifies a piece of platted property by referring to the section, lot, and block numbers in a subdivision.
- ▶ The government survey system depends on a refined version of the longitude and latitude system of mapping. It involves a surveyed grid of meridians, base lines, townships, and ranges to describe a piece of land.
- ▶ Each parcel of land gets its own parcel identification (PID) number or assessor's parcel number from the county property appraiser's office. These PIDs are used in the creation of tax maps of all real property in the tax district.

LEVEL 10

Key Terms

Chapter 1: Basic Survey Methods

legal description

a description of a property that is distinct and precise enough to distinguish it from all other properties

survey

the process and physical product of finding and measuring the boundaries of a piece of real estate, including the location of improvements, encroachments, and easements

metes and bounds

a land survey process in which a licensed land surveyor starts at a readily identifiable point of beginning and defines the boundaries of a property in terms of distances and compass directions, finally returning to the point of beginning

point of beginning (POB)

the starting point for a metes and bounds legal description

monument

a fixed landmark, whether natural or human-made, used as a reference point in a metes and bounds legal description

benchmark

permanent marker of known location and elevation above sea level as established by a government survey team (such as the USGS)

terminus

final point in space

datum

a designated base reference point to elevation used by surveyors to determine the elevations of land or property in an area

lot and block

a system of legal land description that identifies a piece of platted property by referring to the section, lot, and block numbers in a subdivision

Chapter 2: Government Survey System

government survey system

a system of legal land description that uses the global lines of longitude and latitude to create a surveyed grid of meridians, base lines, townships, and ranges to describe a piece of land

LEVEL 10

Key Terms

Chapter 2: Government Survey System (continued)

government survey system

a system of legal land description that uses the global lines of longitude and latitude to create a surveyed grid of meridians, base lines, townships, and ranges to describe a piece of land

principal meridian

a meridian used in reference to a baseline to identify ranges, tiers, and townships in the government survey method of land description

baseline

a parallel used in reference to a meridian to identify ranges, tiers, and townships in the government survey method of land description

range

the area of land between two consecutive range lines

township line

line that runs east-west every 6 miles

tier

the area of land between two consecutive baselines

township

a square area of land with sides of 6 miles each, consisting of 36 square-mile sections and identified in reference to a meridian and baseline in the rectangular survey system

check

a square 24 miles on each side created by intersecting guide meridians and correction lines

section

one of 36 equal square miles in a township

LEVEL 11

Real Estate Contracts

Objectives

- ▶ Describe the basic elements, classifications, and legal status of contracts
- ▶ Explain contract negotiation and termination, including breach of contract
- ▶ Discuss the various types of service contracts
- ▶ Explain the handling of offers, counteroffers, and multiple offers leading to a sales contract
- ▶ Describe the different types of sales contracts used and what they typically contain
- ▶ Explain the various disclosures required in a real estate contract
- ▶ Articulate what constitutes fraud and culpable negligence

Level Main Ideas

- ▶ A contract is a legally enforceable and binding agreement between parties wherein a promise to do or not do something is given in exchange for consideration.
- ▶ Florida does not promulgate real estate service contracts or sale and purchase contracts.
- ▶ While Florida licensees must be careful not to engage in the unauthorized practice of law, they are allowed to draw up service contracts (listing agreements and buyer broker agreements), sale and purchase contracts, and options contracts.
- ▶ A contract must contain certain essential elements to be considered valid: legally competent parties, offer and acceptance, lawful objective, and consideration.
- ▶ A contract's legal status can be valid, void, voidable, or unenforceable. A contract's legal status can be affected by the statute of frauds, statute of limitations, and/or doctrine of laches.
- ▶ A contract can be classified as formal or informal; express or implied; bilateral or unilateral; executory or executed.
- ▶ Contract negotiation involves offers, counteroffers, rejection, and acceptance. And offers can terminate or be revoked for a variety of reasons.
- ▶ Contracts can be discharged for several causes, most of which fall under the umbrella classifications of operation of law or acts of the parties.

LEVEL 11

Real Estate Contracts

Level Main Ideas (continued)

- ▶ While agency agreements focus on the degree or type of representation the agent is authorized to operate under on behalf of the customer or client, service contracts document that chosen level of representation and go on to address the specifics of the goal or purpose of that representation.
- ▶ Listing agreements are service contracts made between a seller and a broker. The four types of listing agreements are open listing, exclusive-agency listing, exclusive right-of-sale listing, and net listing.
- ▶ Buyer brokerage agreements are service contracts made between a buyer and a broker.
- ▶ A sales contract is a contract used in the sale of real property that outlines the responsibilities of the parties and terms of the sale. They must be in writing to be enforceable, per the statute of frauds.
- ▶ Once a buyer signs a sales contract, they acquire equitable title (a non-owner interest) in the property.
- ▶ The most common sales contract used in Florida real estate are the two versions of the FAR/BAR contract, created jointly by the Florida Association of Realtors® and the Florida bar.
- ▶ An option contract is a unilateral contract that gives the optionee a window of opportunity during which they can exercise an exclusive right to buy or lease a property.
- ▶ An installment sales contract is a form of seller financing. It is also known as a land contract, trust deed, or contract for deed (most common term in Florida).
- ▶ The legal definition of fraud is an intentional and knowing misrepresentation of a material fact made by one person to another for the purpose of inducing the other person to act, and upon which the other person relies with resulting injury or damage.
- ▶ Culpable negligence is negligent conduct that is not intentional but involves a disregard of the consequences that will likely result.

LEVEL 11

Key Terms

Chapter 1: Contract Basics

contract

a legally enforceable and binding agreement between parties wherein a promise to do or not do something is given in exchange for consideration

Chapter 2: Contract Essential Elements

attorney-in-fact

a representative with power of attorney for another individual

competent

having the requisite ability, knowledge, or skill to do something successfully; a party's legal competency is required to enter into a valid contract

meeting of the minds

the fully agreed-upon exchange of promises by the parties to a contract; also known as mutual agreement or mutual assent

Chapter 3: Contract Legal Status

statute of frauds

a law requiring certain types of contracts, including those conveying interest in real property, to be in writing to be enforceable

statute of limitations

a legal concept that establishes time limits for bringing certain kinds of legal actions

unenforceable

lacking the essential elements necessary to be legally binding and obligate performance of a valid contract

valid contract

a contract possessing the essential elements necessary to be legally binding and obligate performance

void contract

a contract lacking one or more of the essential elements, resulting in its having no legal effect

voidable contract

a contract wherein the wronged party has the option to perform, enforce, or void the contract

LEVEL 11

Key Terms

Chapter 4: Contract Classifications

bilateral contract

a contract wherein both parties are obligated to perform in an exchange of promises

unilateral contract

a contract wherein one party makes a promise and is obligated to perform if a second party chooses to accept the offer and perform in exchange for that which was promised

Chapter 6: Discharge of Contracts

assignment

the transference of rights and obligations in a contract from one party to another

liquidated damages

damages established by the contract to be paid as compensation in the event of default

novation

the substitute of one contract for another; in loan assumption, the original borrower is fully released from obligation

Chapter 8: Type of Listing Agreements

exclusive-agency listing

an agreement in which the seller has an exclusive relationship with a broker but retains the right to sell the property themselves

exclusive-right-of-sale listing

an agreement in which the seller guarantees the named broker a commission if the property is sold, regardless who procures the buyer

net listing

an agreement in which the seller names a minimum sales price they will accept for a property, with any excess paid to the broker as commission

open listing

a nonexclusive listing agreement that gives multiple brokers (and seller themselves) the right to sell the property

LEVEL 11

Key Terms

Chapter 13: Variations of the Sales Contract

option contract

a unilateral contract that gives the optionee a window of opportunity during which they can exercise an exclusive right to buy or lease a property; an option fee is paid for this right

Chapter 14: Miscellaneous Contract Considerations

culpable negligence

negligent conduct that is not intentional but involves a disregard of the consequences that will likely result

fraud

the wrongful or criminal deception intended to result in financial or personal gain

LEVEL 12

Residential Mortgages

Objectives

- ▶ Distinguish between title theory and lien theory
- ▶ Describe the essential elements of the mortgage instrument and the note
- ▶ Describe the various features of a mortgage including down payment, loan-to-value ratio, equity, interest, loan servicing, escrow account, PITI, discount points and loan origination fee
- ▶ Explain assignment of a mortgage and the purpose of an estoppel certificate
- ▶ Explain the foreclosure process and distinguish between judicial and nonjudicial foreclosure
- ▶ Describe the mortgagor's and mortgagee's rights in a foreclosure
- ▶ Calculate loan-to-value ratio
- ▶ Explain the use of discount points and calculate approximate yield on a loan
- ▶ Distinguish among the various methods of purchasing mortgaged property

Level Main Ideas

- ▶ A mortgage consists of two parties, the mortgagee (lender) and the mortgagor (borrower). A mortgage agreement is made up of two parts, the promissory note and the security instrument. Depending on whether you're in a lien theory or title theory state, the security instrument will be a mortgage or a trust deed. Florida is a lien theory state.
- ▶ Hypothecation is the pledging of an asset as collateral to secure a loan for the purchase of that same asset.
- ▶ A mortgage is made up of the borrower's covenants (promises to repay the loan, keep insurance, pay taxes, make repairs, and not take things that belong to the property) and other clauses, like an acceleration clause, due on sale clause, defeasance clause, right to reinstate clause, and granting clause.
- ▶ A mortgage payment is made up of principal, interest, taxes, and insurance, or PITI. The taxes and insurance are prepayments held in escrow by the lender and made on the borrower's behalf.

LEVEL 12

Residential Mortgages

Level Main Ideas (continued)

- ▶ Calculations you should know: percentages, points, non-amortizing interest, origination fees, LTV ratio, equity, yield on a loan, and buydown.
- ▶ Mortgaged property can be sold outright, either with cash or another mortgage, in a subject to loan, in a contract for deed, or through assumption of the loan.
- ▶ Foreclosure starts with default, which is when a borrower breaks a covenant in the mortgage. Default can be through failing to property insure or maintain the home, but usually from not paying the loan. There are two kinds of foreclosure: judicial and non-judicial. The kind of foreclosure a state uses is based on whether it uses lien theory or title theory. Florida requires judicial foreclosure.
- ▶ To foreclose in Florida, a lender must sue the borrower. The borrower has until the property is sold and recorded to pay the whole loan, aka the equity of redemption. Borrowers can negotiate with their lender to be allowed to reinstate the loan, or pay back what they owe plus taxes and fees.
- ▶ After the foreclosure sale, the proceeds are handed out to lien-holders by lien priority (first in time is first in line, except the tax man gets cuts). If anything is left over, the borrower gets it. If the sale is not enough to cover the debt, the lender(s) can get a deficiency judgment and try to get their money from the borrower's other assets.
- ▶ A deed in lieu of foreclosure is when a borrower in default gives the property to the lender instead of being foreclosed on. A short sale is when a borrower in default, with the permission of the lender, sells the home for less than the debt.

LEVEL 12

Key Terms

Chapter 2: Mortgage Basics

estoppel certificate

a written statement certifying the specifics of a mortgage; used during loan assumption

hypothecation

the pledging of an asset as collateral to secure a loan without delivery of title, possession, or other ownership rights

lien theory

employing security instruments that allow the borrower to retain title while the lender places a lien on the property to secure the loan

mortgage

a legal agreement between a creditor and borrower in which the creditor lends money with interest to the borrower for the purchase of property with the condition that the creditor takes ownership of the title if the borrower defaults in repayment of the loan

mortgagee

the lender of the funds in a loan

mortgagor

the borrower of the funds in a loan

note

a negotiable financial instrument that is evidence of a debt and a promise to pay that debt; often referred to as a promissory note

satisfaction of mortgage

when a mortgage loan is fully paid off

title theory

conveying the title to the lender or, more commonly, to a third-party trustee (operating on behalf of the lender) for the life of the loan

Chapter 3: What's in a Mortgage?

acceleration clause

a clause in a security instrument (mortgage/deed of trust) which makes the entire loan amount due immediately upon default

LEVEL 12

Key Terms

Chapter 3: What's in a Mortgage (continued)

defeasance clause

a clause in a security document that indicates that the loan has been satisfied and that either the title will be conveyed to the borrower or the lien on the borrower's title will be removed

due on sale clause

a clause in the mortgage contract that triggers the right of the lender to demand payment in full of the loan upon the sale or conveyance of the property

prepayment clause

a clause in a mortgage that specifies whether there is a penalty for prepaying the loan

prepayment penalty

a fee charged to a borrower for prepaying a loan

subordination agreement

a contract that gives a mortgage recorded at a later date priority over a previously recorded mortgage

Chapter 5: Calculating Interest

interest

additional money paid to a lender for the use of their money

Chapter 6: More Mortgage Math

buydown

the paying of money upfront to reduce a loan's interest rate and monthly payments

discount points

a loan fee that is one percent of the loan; lenders can charge borrowers for points for a variety of reasons, including underwriting, processing applications, or for a lower interest rate

equity

the portion of a property's total value owned outright by the holder to title

escrow

the account where a lender holds a borrower's prepaid insurance and property tax payments before the lender makes the payment on behalf of the borrower

LEVEL 12

Key Terms

Chapter 6: More Mortgage Math (continued)

loan origination fee

a fee charged to a borrower by a lender or loan originator for creating the loan

loan-to-value ratio

the amount of money being loaned compared to the value of the property

PITI

the components of a mortgage payment: principal, interest, taxes, and insurance

loan servicing

taking payments and doing other administrative tasks for loans; a way for lenders to make additional money

Chapter 7: Buying and Selling Mortgaged Property

assumption

the process of transferring the obligation of the mortgagor to another party who takes over the responsibility to pay the note

blanket mortgage

a loan for which more than one collateral property acts as security

contract for deed

a sales contract in which the buyer pays the seller for the property in multiple installments for a predetermined length of time, and the seller holds the title until the property has been fully paid for; also known as an installment sales contract or land contract

land development loans

loans given to developers to put infrastructure on land slated for new development

novation

the substitute of one contract for another; in loan assumption, the original borrower is fully released from obligation

partial release clause

a clause that explains how a piece of collateral can be released (from a blanket loan)

subject to

a mortgage where title is transferred but the seller retains the loan; done without a lender's consent

take-out commitment

when a lender pledges to loan a developer money once a building project is completed

LEVEL 12

Key Terms

Chapter 8: Default and Foreclosure

deed in lieu of foreclosure

an alternative to foreclosure in which the defaulting borrower voluntarily transfers the property title to the lender and the borrower cancels the foreclosure

equity of redemption

a borrower in default's right to pay an entire mortgage (plus fees) and regain the property before foreclosure

lis pendens

a document recording at the courthouse giving notice that a lawsuit is pending on a particular piece of property

receivership clause

a clause that allows a lender to take the income from an investment property that is in default and apply it to the mortgage

right to reinstate

a borrower in default's right to pay the missing mortgage payments, interest, and fees and be reinstated in the loan

short sales

selling a property in default for less than the loan amount (with the lender's permission)

LEVEL 13

Types of Mortgages and Sources of Financing

Objectives

- ▶ Describe the mechanics of an adjustable rate mortgage and the components of an ARM
- ▶ Describe the features of an amortized mortgage and amortize a level-payment plan mortgage when given the principal amount, the interest rate and the monthly payment amount
- ▶ Distinguish among the various types of mortgages
- ▶ Describe the characteristics of FHA mortgages and common FHA loan programs
- ▶ Identify the guarantee feature of VA mortgage loans and the characteristics of VA loan programs
- ▶ Explain the process of qualifying for a loan and how to calculate qualifying ratios
- ▶ Distinguish among the primary sources of home financing
- ▶ Describe the role of the secondary mortgage market and know the features of the major agencies active in the secondary market
- ▶ Describe the major provisions of the federal laws regarding fair credit and lending procedures
- ▶ Recognize and avoid mortgage fraud

Level Main Ideas

- ▶ Distinguish between various types of mortgages
- ▶ Explain how the mortgages markets work and how loans are originated
- ▶ Identify signs of mortgage fraud and predatory lending

LEVEL 13

Key Terms

Chapter 1: Mortgage Markets

mortgage loan originators

the various businesses that create home loans in the primary mortgage market

conforming loans

a loan that meets the standards of purchase for Fannie Mae and Freddie Mac

nonconforming loans

a loan that does not fit Fannie Mae or Freddie Mac guidelines

intermediation

the facilitation by a third party of a financial transaction between two parties

disintermediation

the process of money flowing out of banks

mortgage broker

a licensed professional who originates mortgage loans that are then financed by a lender

Chapter 2: Mortgage Instruments

amortized mortgage

a mortgage with equal monthly payments that contribute to both principal and interest until the entire loan is paid

negative amortization

the result of loan payments that are not sufficient to cover the interest due, causing the unpaid interest to be added to the principal balance, creating a larger balloon payment

Chapter 3: Fixed-Rate Amortized Loans

level payment plan

repayment plan mortgage where monthly payments stay consistent throughout the life of the loan

LEVEL 13

Key Terms

Chapter 4: Adjustable-Rate Mortgages

adjustable rate mortgage (ARM)

A mortgage with an interest rate that can be adjusted based on fluctuations in the cost of money

index

the benchmark rate that an ARM is tied to

lifetime cap

the maximum increase of interest over the life of the loan

margin

a fixed percentage above the index which the borrower will pay

payment cap

the maximum monthly payment a borrower can be charged

periodic cap

the maximum amount an interest rate can change between adjustment periods

teaser rate

the low initial interest rate of an ARM loan

Chapter 5: Other Types of Home Loans

balloon payment

a payment at the end of a loan period which includes the total outstanding balance of the loan

biweekly mortgage

A loan repayment plan where the borrower pays biweekly as opposed to monthly, saving the borrower on interest payments

package mortgage

a loan that includes the real estate as well as all personal property and appliances installed on the premises

partially amortized/balloon mortgage

a loan with a short term, usually five or seven years, but with payments based on a longer term, creating a balloon payment at the end of the term

LEVEL 13

Key Terms

Chapter 5: Other Types of Home Loans (continued)

purchase money mortgage

instrument given by the purchaser to a seller who “takes back” a note for part or all of the purchase price

reverse annuity mortgage

a financial arrangement where a homeowner pledges equity to a lender in exchange for periodic payments of the pledged equity; essentially selling off equity in their home in exchange for monthly payments

home equity loan

A loan in which funds are borrowed using the homeowner’s equity for collateral; the funds can be used for any purpose

Chapter 6: Government-Sponsored Loans

mortgage insurance premium (MIP)

a borrower-paid insurance required for FHA loans, in order to insure lender in case of borrower default/foreclosure

up front mortgage insurance premium UFMIP

the mortgage insurance premium of 1.75% the loan total charged to the borrower when an FHA loan is taken out

Chapter 8: Predatory Lending and Mortgage Fraud

mortgage fraud

when a borrower deceives a lender (for their own gain)

LEVEL 14

Real Estate Related Computations and Closing of Transaction

Objectives

- ▶ Compute the sales commission
- ▶ Calculate the percent of profit or loss, given the original cost of the investment, the sale price and the dollar amount of profit or loss
- ▶ Define settlement and title closing
- ▶ List the preliminary steps to a closing
- ▶ Prorate the buyer's and seller's expenses
- ▶ Calculate the dollar amount of transfer taxes on deeds, mortgages, and notes
- ▶ Allocate taxes and fees to the proper parties and compute individual costs
- ▶ Explain the rules of thumb for closing statement entries
- ▶ Explain the major sections of the Uniform Settlement Statement
- ▶ Demonstrate ability to read and check the Uniform Settlement Statement for errors

Level Main Ideas

- ▶ Explain the significance of closing, and describe the roles of the parties involved.
- ▶ Describe the logistics of the closing process and the documentation required for a closing.
- ▶ Identify which closing costs a buyer or seller will bear and calculate closing debits, credits, and prorations.

LEVEL 14

Key Terms

Chapter 1: The Closing Process

preclosing inspection

a walkthrough done to make sure the property's condition hasn't changed and that the agreed-upon terms have been met by the selling party

Chapter 2: Closing Costs

arrears

A payment that occurs at the end of a period to compensate for charges accrued during that time.

credit

sum of money that is received

debit

sum of money that is owed

level payment plan

repayment plan mortgage where monthly payments stay consistent throughout the life of the loan

principal

the client of a broker in an agency relationship; the parties to a contract in a real estate transaction (as opposed to license holders, lenders, escrow agents, etc.); also, the amount borrowed in a loan from which interest is accrued

proration

The act of dividing or allocating expenses between buyers and sellers based on the actual period of usage of the item or service

Chapter 3: Broker's Commission and Seller's Profit

profit

the amount of money received after taking into account costs and debts

LEVEL 15

The Real Estate Markets and Analysis

Objectives

- ▶ Describe the physical characteristics of real estate
- ▶ Describe the economic characteristics of real estate
- ▶ Identify the factors that influence demand
- ▶ Identify the factors that influence supply
- ▶ Distinguish among different ways of interpreting market conditions
- ▶ Demonstrate understanding of the different market indicators

Level Main Ideas

- ▶ The physical characteristics of real estate are indestructibility, immobility, and non-homogeneity.
- ▶ The economic characteristics of real estate are scarcity, situs, modification, fixity, and illiquidity.
- ▶ The real estate market (including real estate prices) is strongly affected by the levels of supply and demand. Supply and demand are influenced by government activities along with many other factors, like population, employment rates, market expectations, and the cost of construction.
- ▶ The real estate market is cyclical and can be assessed using market indicators such as vacancy rates, price levels, sales volume, and building permits.

LEVEL 15

Key Terms

Chapter 1: Characteristics of Land

situs

the economic significance of a property's location

Chapter 2: Supply and Demand

supply

the amount of a product or service that is available for sale or lease at a given time

demand

a measure of the general desire for an asset or commodity at a given time

household

any person or group of persons occupying a separate housing space

Chapter 3: Market Conditions

buyer's market

the condition of having fewer buyers than the supply of homes for sale in an area

seller's market

a market condition in which the number of properties for sale does not meet the demand

vacancy rate

the percentage of rental units that are unoccupied

LEVEL 16

Real Estate Appraisal

Objectives

- ▶ Describe federal and state regulations pertaining to appraising
- ▶ Identify the appraisers fiduciary relationship
- ▶ Identify the economic and physical characteristics of real estate that affect market value
- ▶ Explain what the Uniform Standards of Professional Appraisal Practice (USPAP) is and how it affects the appraisal process of real property
- ▶ Distinguish among the various types of value
- ▶ Define market value and describe its underlying assumptions
- ▶ Distinguish among value, price and cost
- ▶ Describe the four characteristics of value
- ▶ Distinguish among the principles of value
- ▶ Differentiate among the three approaches to estimating the value of real property
- ▶ Estimate value of subject property using Comparable Sales Approach
- ▶ Estimate value of subject property using Cost Approach
- ▶ Estimate value of subject property using Income Approach
- ▶ Reconcile three approaches to establish final value estimate
- ▶ Calculate value using gross multiplier analysis
- ▶ Explain how to prepare a Comparative Market Analysis (CMA), comparing and contrasting with sales comparison approach

Level Main Ideas

- ▶ There are many ways to think about value. Real property has value in its physical characteristics. The physical characteristics that make land or real estate a distinctive commodity are immobility, durability (indestructibility), and uniqueness (non-homogeneity).

LEVEL 16

Real Estate Appraisal

Level Main Ideas (continued)

- ▶ Sometimes property is most valuable when combined with neighboring property via the process of assemblage. Plottage is the increase in value by successful assemblage, usually due to use.
- ▶ The economic characteristics that distinguish land as a commodity are economic scarcity, alteration, and situs.
- ▶ An appraiser is someone who creates an opinion of value of a specific property as of a specific date, supported by relevant market information. Appraisers certified at the state level, but are regulated by the standards and rules put in place by the Appraisal Foundation. Certified appraisers must follow the Uniform Standards of Professional Appraisal Practice (USPAP).
- ▶ Appraisers use a combination of three different approaches to find the value of a property. Different types of properties require different approaches to value. Sometimes they require more than one approach.
- ▶ Sales comparison approach is a property appraisal method that estimates value by comparing the subject property to the sales prices of similar properties in the same market area
- ▶ The cost approach is a method of estimating the value of a property by determining how much it would cost to replace the building or other improvements, minus the cost of depreciation, plus the value of the land itself
- ▶ The income capitalization approach is a method of estimating the value of a property by applying a rate of return to the net income it produces
- ▶ CMAs are performed by real estate professionals to find a good listing price for a client. CMAs utilize the method of the sales comparison approach, finding comparables and adjusting their prices to find the price of the subject property.

LEVEL 16

Key Terms

Chapter 1: The Value of Real Estate

assemblage

the combining of multiple contiguous pieces of real property into a single tract of land, often resulting in an increase in value

highest and best use

the use of a property which is legal, physically possible, financially viable, and produces the greatest yield

market value

The price for which a property will theoretically sell under typical conditions

plottage

An increase in overall value resulting from the successful assemblage of multiple plots

progression

a bump in a property's value due to its proximity to properties of high value

regression

a drop in a property's value due to its proximity to properties of low value

situs

the economic significance of a property's location

valuation

the process of collecting information and developing an opinion of value for real property

over-improvement

an improvement on a land in excess of the need

Chapter 2: Regulation of Appraising

appraisal

An official valuation given to a property by a licensed appraiser

Uniform Standards of Professional Appraisal Practice (USPAP)

the generally recognized ethical and performance standards for the appraisal profession in the United States

federally related transaction

a real estate transaction that involves a government agency in its financing

LEVEL 16

Key Terms

Chapter 3: Sales Comparison Approach

sales comparison approach

property appraisal method that estimates value by comparing the subject property to the sales prices of similar properties in the same market area

subject property

the property whose value is being determined

reconciliation

the finding of a fair value using multiple appraised values, whether they be of different approaches or the same

Chapter 4: Cost Approach

cost-depreciation approach

Method of estimating the value of a property by determining how much it would cost to replace the building or other improvements, minus the cost of depreciation, plus the value of the land itself

replacement cost

the actual cost of replacement without regard to depreciation of the property

reproduction cost

the cost of procuring exact copies of the building's components, preserving the styles and materials used at the subject property's original construction

the principal of substitution

an economic principle stating that the value of a good or service is affected by the cost of getting a similar (substitute) item elsewhere

curable

depreciation that can be fixed and that the cost of doing so would be reasonable

incurable

depreciation that cannot be fixed and that the cost of doing so would be unreasonable

depreciation

a reduction in value for any reason

economic life

the length of time for which an improvement on property is expected to remain functional and useful

LEVEL 16

Key Terms

Chapter 5: Income Approach

gross income multiplier (GIM)

the ratio of the price of investment property to its annual rental income and other forms of income before considering expenses like taxes and insurance, etc

gross rent multiplier (GRM)

the ratio of the price of investment property to its annual rental income before considering expenses like taxes and insurance, etc

income approach

method of estimating the value of a property by applying a rate of return to the net income it produces

Chapter 4: Comparative Market Analyses (CMAs)

automated valuation models

A computerized valuation of a property that takes into account comparables, tax assessors, nationwide market values, and sales history

comparative market analysis (CMA)

A report that compares the prices of recently sold or listed homes (“comparables”) in order to estimate the market value of a similar property (the “subject property”) located in the same area

LEVEL 17

Real Estate Investments and Business Opportunity Brokerage

Objectives

- ▶ Distinguish among the different types of real estate investments
- ▶ Identify the advantages and disadvantages of investing in real estate
- ▶ Distinguish among the various types of risk
- ▶ Explain the importance of investment analysis
- ▶ Describe the similarities and differences between real estate brokerage and business brokerage
- ▶ Describe the types of expertise required in business brokerage
- ▶ Distinguish among the methods of appraising businesses
- ▶ Describe the steps in the sale of a business

Level Main Ideas

- ▶ In Florida, you need a real estate license to sell a business. You also need skills in business accounting, corporate finance, and business valuation.
- ▶ People buying investment property are often looking for different things than people buying property to live in (specifically, they're looking for cash flow.)
- ▶ There are things that make real estate unique as an investment and there are both advantages and disadvantages. Advantages include rate of return, tax advantages, that real estate can be a hedge against inflation, the leverage real estate provides, and the build up of equity. Disadvantages include real estate's illiquidity, micromarkets, the cost of expertise, the cost and work of management, and risk.
- ▶ Every kind of property also has different pros and cons for investors. While residential property is more stable and a good starter investment, commercial property offers huge possibilities for investor groups.
- ▶ Businesses have tangible and intangible assets, both of which are often sold with the business. A big intangible asset to remember is goodwill, the customer base and good name of a company. Goodwill contributes to the going concern value of a business.
- ▶ There are methods for putting a value on a business: comparable sales analysis, the cost approach, income analysis, and liquidation analysis.

LEVEL 17

Key Terms

Chapter 1: Investment Basics

appreciation

the increase in value of a property

asset

item of value

capital gain (loss)

the increase or decrease in the value of an asset

basis

the cost of purchasing a property plus the cost of any improvements, minus the amount of depreciation

cash flow

refers to the cash that an investment generates after accounting for the operating expenses, debt service, and taxes associated with the enterprise

equity

the portion of a property's total value owned outright by the holder to title

liquidity

the relative difficulty of converting an asset to cash without loss of value

risk

the likelihood that an investment will fail to return or increase the initial investment

tax shelter

any strategy used to minimize the amount of taxable income and, therefore, reduce the taxes owed to the government

Chapter 2: Real Estate as an Investment

leverage

the use of a financial instrument or borrowed money to increase a return on investment

LEVEL 17

Key Terms

Chapter 3: Business Opportunity Brokerage

going concern value

the value of a business including intangible assets like goodwill

goodwill

an intangible asset of a business that includes the company's brand, good name, and loyal customer base

liquidation analysis

a business appraisal strategy that assigns a value to a business being liquidated — it sets the value of any resellable assets against the cost of paying preferred stockholders and any other liabilities

personal property

in business opportunity brokerage, the non-real property items being sold with the business

LEVEL 18

Taxes Affecting Real Estate

Objectives

- ▶ Distinguish among immune, exempt, and partially exempt properties and describe personal exemptions available to owners of homestead property
- ▶ List the steps involved in the tax appeal procedure
- ▶ Describe the purpose of Florida's Green Belt Law
- ▶ Compute exemptions, property taxes, tax bases, special assessments, and capital gains
- ▶ Describe the tax advantages of home ownership and explain how to determine taxable income of investment real estate
- ▶ Distinguish between installment sales and like-kind exchanges

Level Main Ideas

- ▶ Property taxes are ad valorem taxes, which means they are based on the assessed value of a property. All real property in Florida must be assessed at just value, which basically corresponds to market value. The Save Our Homes amendment to the Florida Constitution limits how much the assessed value of a homesteaded property can increase per year.
- ▶ Cities, counties, and school boards, as well as special tax districts, levy property taxes in Florida. These property taxes fund municipal services like fire control, police, schools, roads, and local health initiatives. Because there is no state income tax in Florida, property taxes are an especially important source of revenue.
- ▶ A property assessment is used to dictate the amount of property taxes, so the higher the assessment, the higher the property tax. There is a process by which property owners can appeal their assessments.
- ▶ If a taxpayer is delinquent in their payment of property taxes, a tax certificate is issued. This can lead to a tax certificate auction and even foreclosure.
- ▶ Florida's Greenbelt Law, passed in 1959, was established with the goal of protecting farmers from unreasonable tax increases. Under the law, farmland is only assessed on its current character and use, not on any future use (like commercial development). An agricultural land classification means a lower property assessment, and thus property taxes.
- ▶ Owners of immune properties, exempt properties, and partially exempt properties are exempt from paying some or all of their property taxes. The homestead exemption is an example of a partial exemption, and is based on the amount for which a home assesses. Additional homestead exemptions are based on military service, disability, and more.

LEVEL 18

Taxes Affecting Real Estate

Level Main Ideas (continued)

- ▶ Once you know the assessed value and the total homestead exemptions, you can find the taxable value of a property. To find the amount of annual property taxes due, multiply taxable value by tax rate. In Florida, tax rates are expressed in mills.
- ▶ A special assessment is when additional taxes are levied on the homeowners in a neighborhood or area to pay for improvements that benefit the people living there. Special assessments can be voluntary or involuntary, and go towards paying for things like sidewalk improvements, street lights, and parks.
- ▶ License holders should teach their clients how to calculate property taxes, but they ultimately need to leave the actual calculating up to their clients or other qualified professionals. This way, if there are any unforeseeable changes (such as change in property values), the license holder will not be held responsible.
- ▶ To make it possible for more people to become homeowners, the federal government incentivizes the purchase of real estate through tax breaks. Most homeowners are eligible for mortgage interest deductions, home equity loans interest deductions, property tax deductions, IRA withdrawals (for first time homebuyers), points deductions, mortgage prepayment penalty deductions, and exclusions from capital gains.
- ▶ For most people, a home is their biggest capital asset. Capital gains tax used to cause homeowners big problems when they sold their property. If the home appreciated in value, as most real estate eventually does, they'd be stuck with a big tax bill. Under the capital gains exemption, single homeowners may exclude up to the first \$250,000 on the sale of a primary residence. Married homeowners may exclude up to the first \$500,000. This exclusion is reusable every two years.
- ▶ To calculate the capital gain on a primary residence, subtract the adjusted basis from the realized gain. To find the adjusted basis for a primary residence, you take the property's sale price (or basis) when purchased, add qualified closing costs from that initial purchase, and add the cost of any capital improvements made during ownership. You do the same thing for the capital gain on an investment property, only you must make sure to subtract depreciation when calculating the adjusted basis. The realized gain is how much the homeowner makes when they sell: the sales price, minus any closing costs and commissions they pay at the sale.
- ▶ Capital gains can be taxed as either a short-term or a long-term gain. This is determined by the length of time the property is held (the amount of time between the day a property is bought and the day it is sold). This is called the holding period. If the holding period was shorter than one year, the capital gain is short-term. If the holding period was greater than or equal to one year, the capital gain is considered a long-term gain.

LEVEL 18

Taxes Affecting Real Estate

Level Main Ideas (continued)

- ▶ A tax shelter is any method used to reduce taxable income, thereby reducing the amount of tax paid to a government. Tax depreciation is a type of tax shelter for investors, as it is a way to recapture the loss in value of an asset over time by writing off a portion each year. Only investment properties depreciate – you can't claim depreciation on a primary residence.
- ▶ Straight-line depreciation is an accounting method used to figure depreciation that allows the taxpayer to deduct the same amount every year of the asset's useful life.
- ▶ The IRS has determined "recovery periods" for depreciable assets. Your asset will fully depreciate (meaning your depreciable basis will be \$0) by the end of the recovery period. The recovery period for residential income-producing property is 27.5 years. The recovery period for commercial investment property is 39 years.
- ▶ Divide the depreciable basis by the useful life (either 27.5 or 39 years) to find the annual IRS depreciation deduction. Depreciable basis is the purchase price of the property, plus the cost of acquiring it (expenses like broker fees, appraisal fees, title insurance, and other closing costs), plus any improvements made before putting it in service, minus the value of the land.
- ▶ A like-kind exchange is the tax-deferred sale or exchange of one investment property for another similar one. Also known as a 1031 exchange, it lets an investor sell a property, reinvest the proceeds in a brand new property, and defer all capital gain taxes.
- ▶ In an installment sale, the buyer pays the seller for the property in predetermined chunks for a predetermined length of time, and the seller holds the title until the property has been fully paid for. The seller only pays taxes on the money they have already received, in the year that they receive it.

LEVEL 18

Key Terms

Chapter 1: Real Property Taxation

ad valorem

taxes based on the assessed value of a property

assessed value

the value of a property based on the value of other properties in the area, plus any improvements made to the home since purchasing it; can also take into account various property traits like location, size, condition, materials, square footage, year built, etc.

assessment limitation (save our homes benefit)

limits how much the assessed value of a homesteaded property can increase per year; also known as the Save Our Homes amendment to the Florida Constitution

just value

the fair and reasonable value according to objective valuation methods; corresponds to market value

community development district (CDD)

a special district empowered to levy assessments on property owners to fund infrastructure and other projects

immune properties

city, county, state, and federal government properties; do not get assessed, and the property owner does not have to pay property taxes

exempt properties

properties that belong to churches and nonprofits; may be subject to taxes, but the property owner is not obligated to pay them

taxable value

the assessed value of a home minus homestead exemptions; used in property tax calculations

mill

1/1000 of a dollar, or \$0.001; used to express tax rate in Florida

tax rate

the percentage of the value that is taxed; expressed in mills in Florida; used in property tax calculations

special assessment

additional taxes levied on the homeowners in a neighborhood or area to pay for improvements that benefit the people living there

LEVEL 18

Key Terms

Chapter 2: Federal Income Taxes

capital gains

the increase in the value of an asset; offset by the capital gains exemption in the sale of a principal residence

debt service

amount of money needed for a specific time period in order to cover the payment of principal and interest portions on a loan

taxable income

the amount of income that can be taxed, after all deductions and any other adjustments have been made

like-kind exchange

the tax-deferred sale or exchange of one investment property for another similar one

installment sale

buyer pays the seller for a property in predetermined chunks for a predetermined length of time, and the seller holds the title until the property has been fully paid for; also known as contract for deed

LEVEL 19

Planning, Zoning, and Environmental Hazards

Objectives

- ▶ Describe the composition and authority of the local planning agency
- ▶ Explain the purpose of land-use controls and the role of zoning ordinances
- ▶ Identify the provisions of Florida's comprehensive plan and the Growth Management Act
- ▶ Distinguish among the five general zoning classifications
- ▶ Distinguish among zoning ordinances, building codes, and health ordinances
- ▶ Explain the purpose of a variance, special exception, and a nonconforming use
- ▶ Calculate the number of lots available for development, given the total number of acres contained in a parcel, the percentage of land reserved for streets and other facilities, and the minimum number of square feet per lot
- ▶ Describe the characteristics of a planned unit development
- ▶ Understand the basic provisions of the National Flood Insurance Program
- ▶ Describe the impact of the Comprehensive Environmental Response Compensation and Liability Act (CERCLA)
- ▶ Explain the various environmental hazards associated with real estate

Level Main Ideas

- ▶ Local planning agencies create comprehensive plans to manage the growth and priorities of their communities. Zoning ordinances are local laws that implement the comprehensive plan by controlling how land is used and what structures can be built in a designated district.
- ▶ Zoning is enforced by building permits and inspections. When a developer builds a structure, their plans must conform to building code and zoning regulations to get a building permit. Once the building is completed, if it's found to be up to code and ready for habitation, it's issued a certificate of occupancy.
- ▶ The National Flood Insurance Program provides flood insurance for structures located in participating communities. Flood insurance may be mandatory for property owners in special flood hazard areas and for financed property.

LEVEL 19

Planning, Zoning, and Environmental Hazards

Level Main Ideas (continued)

- ▶ Many natural and human-made environmental hazards affect real estate. Property value can be harmed by the presence of asbestos, radon, lead paint, underground storage tanks, mold, wood-destroying insects, and more. These hazards are regulated at both the national and state level to protect people's health and safety.

LEVEL 19

Key Terms

Chapter 1: Planning

planned unit development

a subdivision that includes residential dwellings along with nonresidential real estate, departing from normal zoning and subdivision regulations

buffer zone

an area of land that separates two different land uses

building code

set of regulations pertaining to building design, materials, safety, sanitation, and structure

building inspection

an assessment of a building site in which an inspector ensures that building code is followed

building permit

permit that is issued after approval of the architecture and engineering drawings for a new building

certificate of occupancy

legal document from a local authority that authorizes a building to be occupied; issued after the building has passed all required inspections

concurrency

a provision from Florida's Growth Policy Act requiring that certain infrastructure (sanitary sewers, potable water, and waste treatment facilities) be in place before any new development is permitted

health ordinance

regulations that control the sanitation and maintenance of public spaces

nonconforming use

type of land use that occurs when a property was operating within zoning law, but then the law changed in a way that prohibits the established use

special exception

a variance that allows an out-of-zone use that benefits the community

variance

permission granted by the government so that property may be used in a manner not allowed by the current zoning

zoning ordinance

local laws that control how land is used and what structures can be built in a designated district

LEVEL 19

Key Terms

Chapter 2: Flood Zones

special flood hazard area

an area located in a 100-year floodplain that, in any given year, has at least a 1% chance of a flood event

Chapter 3: Environmental Hazards

asbestos

a naturally occurring mineral fiber that is commonly used in insulation, but if airborne or inhaled, can cause severe respiratory health issues

Chapter 4: Environmental Regulation

environmental impact statement

a report prepared for a real estate holding that identifies potential or existing environmental contamination liabilities