



REAL ESTATE

General Content Outlines

TEXAS

Real Estate State Content Outlines

National Exam Content Outline for Sales Agents and Brokers

Effective: Feb 1, 2017

The national portion of the real estate exam is made up of eighty (80) scored items, which are distributed as noted in the following content outline.

The national examination also contains five (5) pretest items that are not counted toward the score. These items are used to gather statistics on performance and to help assess appropriateness for use on future examinations. Because pretest items look exactly like items that are scored, candidates should answer all the items on the examination.

I. REAL PROPERTY CHARACTERISTICS, LEGAL DESCRIPTIONS, AND PROPERTY USE (SALES 8; BROKER 8)

A. Real property vs. personal property

1. Fixtures, trade fixtures, emblements
2. Attachment, severance, and bill of sale

B. Characteristics of real property

1. Economic characteristics
2. Physical characteristics

C. Legal descriptions

1. Methods used to describe real property
2. Survey

D. Public and private land use controls – encumbrances

1. Public controls – governmental powers
 - a. Police power, eminent domain, taxation, escheat
 - b. Zoning ordinances
2. Private controls, restrictions, and encroachments
 - a. Covenants, conditions, and restrictions
 - b. Easements
 - c. Licenses and encroachments

II. FORMS OF OWNERSHIP, TRANSFER, AND RECORDING OF TITLE (SALES 7; BROKER 7)

A. Ownership, estates, rights, and interests

1. Forms of ownership
2. Freehold estate
 - a. Fee simple absolute
 - b. Fee simple defeasible, determinable, and condition subsequent
 - c. Life estate
 - d. Bundle of rights
3. Leasehold estates and types of leases
 - a. Estate for years and from period to period
 - b. Estate at will and estate at sufferance
 - c. Gross, net, and percentage leases
4. Liens and lien priority
5. Surface and sub-surface rights

B. Deed, title, transfer of title, and recording of title

1. Elements of a valid deed

2. Types of deeds
3. Title transfer
 - a. Voluntary alienation
 - b. Involuntary alienation
4. Recording the title
 - a. Constructive and actual notice
 - b. Title abstract and chain of title
 - c. Marketable title and cloud on title
 - d. Attorney title opinion, quiet title lawsuit, and title insurance

III. PROPERTY VALUE AND APPRAISAL (SALES 7; BROKER 7)

A. Concept of Value

1. Market value vs. market price
2. Characteristics of value
3. Principles of value

B. Appraisal process

1. Purpose and steps to an appraisal
2. Federal oversight of the appraisal process

C. Methods of estimating value and Broker Price Opinions (BPO)

1. Sales comparison approach (market data)
2. Cost approach
 - a. Improvements and depreciation
 - b. Physical deterioration, functional, and economic obsolescence
 - c. Reproduction or replacement costs
3. Income approach
4. Gross rent and gross income multipliers
5. Comparative Market Analysis (CMA)
6. Broker Price Opinion (BPO)
7. Assessed value and tax implications

IV. REAL ESTATE CONTRACTS AND AGENCY (SALES 16; BROKER 16)

A. Types of contracts

1. Express vs. implied
2. Unilateral vs. bilateral

B. Required elements of a valid contract

C. Contract performance

1. Executed vs. executory
2. Valid vs. void
3. Voidable vs. unenforceable
4. Breach of contract, rescission, and termination
5. Liquidated, punitive, or compensatory damages
6. Statute of Frauds
7. Time is of the essence

D. Sales contract

1. Offer and counteroffer
2. Earnest money and liquidated damages
3. Equitable title
4. Contingencies
5. Disputes and breach of contract
6. Option contract and installment sales contract

E. Types of agency and licensee-client relationships

F. Creation and termination of agency

G. Licensee obligations to parties of a transaction

V. REAL ESTATE PRACTICE (SALES 18; BROKER 18)

A. Responsibilities of broker

1. Practicing within scope of expertise
2. Unauthorized practice of law
3. Privacy and Do Not Contact

B. Brokerage agreements between the broker and principal (seller, buyer, landlord, or tenant)

1. Seller representation – Types of listing agreements
 - a. Exclusive right-to-sell and exclusive agency listing
 - b. Non-exclusive or open listing
 - c. Net listing (conflict of interest)
 - d. Multiple listing service (MLS)
2. Buyer representation
3. Property management agreement
 - a. Accounting for funds
 - b. Property maintenance
 - c. Leasing property
 - d. Collecting rents and security deposits
4. Termination of agreements
5. Services, fees, and compensation

C. Fair Housing

1. Equal opportunity in housing
2. Protected classes
3. Fair housing laws
4. Illegal practices, enforcement, and penalties
5. Prohibited advertising
6. Housing and Urban Development (HUD)
7. Americans with Disabilities Act (ADA)

D. Risk management

1. Supervision
2. Compliance with federal regulations

3. Vicarious liability
4. Antitrust laws
5. Fraud and misrepresentation
6. Types of insurance
 - a. Errors and Omissions
 - b. General Liability

VI. PROPERTY DISCLOSURES AND ENVIRONMENTAL ISSUES (SALES 6; BROKER 5)

A. Property conditions and environmental issues

1. Hazardous substances
 - a. Lead-based paint
 - b. Asbestos, radon, and mold
 - c. Groundwater contamination and underground storage tanks
 - d. Waste disposal sites and brownfields
 - e. Flood plain and flood insurance
2. Clean Air and Water Acts
3. Environmental Protection Agency (EPA)
 - a. Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA)
 - b. Superfund Amendment and Reauthorization Act (SARA)
 - c. Environmental site assessments and impact statements
 - d. Wetlands protection

B. Disclosure obligations and liability

VII. FINANCING AND SETTLEMENT (SALES 10; BROKER 9)

A. Financing concepts and components

1. Methods of financing
 - a. Mortgage financing – conventional and non-conventional loans,
 - b. Seller financing – land contract/contract for deed
2. Lien theory vs. title theory and deed of trust
3. Sources of financing (primary and secondary mortgage markets, and seller financing)
4. Types of loans and loan programs
5. Mortgage clauses

B. Lender Requirements

1. FHA requirements
2. VA requirements
3. Buyer qualification and Loan to Value (LTV)
4. Hazard and flood insurance
5. Private mortgage insurance (PMI) and mortgage insurance premium (MIP)

C. Federal Financing Regulations and Regulatory Bodies

1. Truth-in-Lending and Regulation Z
2. TILA-RESPA Integrated Disclosures (TRID)
 - a. Consumer Financial Protection Bureau (CFPB)
 - b. Loan Estimate (LE)
 - c. Closing Disclosure (CD)

3. Real Estate Settlement Procedures Act (RESPA)
 - a. Referrals
 - b. Rebates
4. Equal Credit Opportunity Act (ECOA)
5. Mortgage fraud and predatory lending

D. Settlement and closing the transaction

**VIII. REAL ESTATE MATH CALCULATIONS
(SALES 8; BROKER 10)**

A. Property area calculations

1. Square footage
2. Acreage total

B. Property valuation

1. Comparative Market Analysis (CMA)
2. Net Operating Income (NOI)
3. Capitalization rate
4. Gross rent multiplier - Broker Only
5. Gross income multiplier - Broker Only
6. Equity in property
7. Establishing a listing price
8. Assessed value and property taxes

C. Commission/compensation

D. Loan financing costs

1. Interest
2. Loan to Value (LTV)
3. Amortization
4. Discount Points
5. Prepayment penalties
6. Fees

E. Settlement and closing costs

1. Purchase price and down payment
2. Monthly mortgage calculations- principal, interest, taxes, and insurance (PITI)
3. Net to the seller
4. Cost to the buyer
5. Prorated items
6. Debits and credits
7. Transfer tax and recording fee

F. Investment

1. Return on investment
2. Appreciation
3. Depreciation
4. Tax implications on investment

G. Property management calculations

1. Property management and budget calculations
2. Tenancy and rental calculations

Real Estate General/National Resources

- Mastering Real Estate Principles, Gerald R. Cortesi, 7th Edition, Dearborn
- Modern Real Estate Practice, Fillmore Galaty, 19th Edition, Dearborn
- Principles of Real Estate Practice, Stephen Mettling 5th Edition, Performance Programs Company
- Property Management, Robert C. Kyle, 10th Edition, Dearborn
- Real Estate Finance, J. Keith Baker and John P Wiedemer, 10th Edition, OnCourse Learning Publishing
- Real Estate Fundamentals, Wade E. Gaddy, 9th Edition, Dearborn
- Real Estate Law, Charles J. Jacobus, 3rd Edition, OnCourse Learning Publishing
- Real Estate Law, Elliot Klayman, 9th Edition, Dearborn
- The Language of Real Estate, John W. Reilly, 7th Edition, Dearborn

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Texas Sales Agent State Law Content Outline Examinations

Effective Date: September 1, 2018

The state law portion of the Texas Sales Agent Real Estate Examination consists of thirty (30) scored items. The examination also contains 5-10 pretest items. Pretest items are not identified and will not affect a candidate's score in any way. Because pretest items look exactly like scored items, candidates should answer all the items on the examination.

I. COMMISSION DUTIES AND POWERS (2 ITEMS)

- A. **General Powers: Composition, Duties, and Powers; Real Estate Advisory Committees**
- B. **Handling of Complaints: Investigations, Hearings and Appeals**
- C. **Penalties for Violation: Unlicensed Activity; Authority for Disciplinary Actions; Recovery Trust Account**

II. LICENSING (2 ITEMS)

- A. **Activities Requiring License: Scope of Practice; Exemptions; Business Entities; Non-Resident Broker; Inspectors and Appraisers**
- B. **Licensing Process: General Requirements (moral character, residency, sponsor, etc.); Education; Examination; Grounds to Reject Application; Appeals of Denial,**
- C. **License Maintenance and Renewal: Continuing Education; Place of Business; Change of Sales Agent Sponsorship; Inactive Status, Assumed Names**

III. STANDARDS OF CONDUCT (7 ITEMS)

- A. **Professional Ethics and Conduct**
- B. **Grounds for Suspension and Revocation**
- C. **Unauthorized Practice of Law**
- D. **Trust Accounts**
- E. **Splitting Fees (vs. Permissible Rebates)**
- F. **Advertising Rules**

IV. AGENCY/BROKERAGE (8 ITEMS)

- A. **Disclosure**
- B. **Intermediary Practice**
- C. **Duties to Client (including Minimum Services)**
- D. **Broker-Sales Agent Relationships; Broker's Responsibility for Acts of Sales Agent**
- E. **Appropriate Use of Unlicensed Assistants**

V. CONTRACTS (7 ITEMS)

- A. **Use and Understanding of Standard Contract Forms**
- B. **Statute of Frauds**
- C. **Seller Disclosure Requirements**

VI. SPECIAL TOPICS (4 ITEMS)

- A. **Community Property**
- B. **Homestead Protections and Tax Exemptions**
- C. **Deceptive Trade Practices Act**
- D. **Wills and Estates**
- E. **Landlord-Tenant Issues**
- F. **Foreclosure and Short Sales**
- G. **Recording Statutes**
- H. **Mechanic's and Materialman's Liens**
- I. **Veterans' Land Board**
- J. **Home Owners Associations**
- K. **Equitable Interest**

On the exam, all references to The Act refer to The Real Estate License Act in Texas. Additionally, references TREC Rules refer to the rules promulgated by the Texas Real Estate Commission.

Texas Broker State Law Content Outline Examination

Effective Date: September 1, 2018

The state law portion of the Texas Broker Real Estate Examination consists of fifty (50) scored items. The examination also contains 5-10 pretest items. Pretest items are not identified and will not affect a candidate's score in any way. Because pretest items look exactly like scored items, candidates should answer all the items on the examination. This exam includes 10 case studies. These items include both narrative cases and contract cases. Narrative cases require candidates to read a case study and respond to multiple associated items. Contract cases require candidates to respond to items based on use of TREC-promulgated contracts.

I. COMMISSION DUTIES AND POWERS (3 ITEMS)

- A. General Powers: Composition, Duties, and Powers; Real Estate Advisory Committees**
- B. Handling of Complaints: Investigations, Hearings and Appeals**
- C. Penalties for Violation: Unlicensed Activity; Authority for Disciplinary Actions; Recovery Trust Account**

II. LICENSING (4 ITEMS)

- A. Activities Requiring License: Scope of Practice; Exemptions; Business Entities; Non-Resident Broker; Inspectors and Appraisers**
- B. Licensing Process: General Requirements (moral character, residency, sponsor, etc.); Education; Examination; Grounds to Reject Application; Appeals of Denial, Criminal Background Check**
- C. License Maintenance and Renewal: Continuing Education; Place of Business; Change of Sales Agent Sponsorship; Inactive Status, Assumed Names**

III. STANDARDS OF CONDUCT (9 ITEMS)

- A. Professional Ethics and Conduct**
- B. Grounds for Suspension and Revocation**
- C. Unauthorized Practice of Law**
- D. Trust Accounts**
- E. Splitting Fees (vs. Permissible Rebates)**
- F. Advertising Rules**

IV. AGENCY/BROKERAGE (10 ITEMS)

- A. Disclosure**
- B. Intermediary Practice**
- C. Duties to Client (including Minimum Services)**
- D. Enforcing Compensation Agreements**
- E. Broker-Sales Agent Relationships; Broker's Responsibility for Acts of Sales Agent**
- F. Appropriate Use of Unlicensed Assistants**

V. CONTRACTS (8 ITEMS)

- A. Use and Understanding of Standard Contract Forms**
- B. Statute of Frauds**
- C. Seller Disclosure Requirements**

VI. SPECIAL TOPICS (6 ITEMS)

- A. Community Property**
- B. Homestead Protections and Tax Exemptions**
- C. Deceptive Trade Practices Act**
- D. Wills and Estates**
- E. Landlord-Tenant Issues**
- F. Foreclosure and Short Sales**
- G. Recording Statutes**
- H. Mechanic's and Materialman's Liens**
- I. Veterans' Land Board**
- J. Home Owners Associations**
- K. Equitable Interest**

VII. CASE STUDIES (10 ITEMS)

- A. Narrative Cases**
- B. Contract Cases**

On the exam, all references to The Act refer to The Real Estate License Act in Texas. Additionally, references TREC Rules refer to the rules promulgated by the Texas Real Estate Commission.