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REAL ESTATE

General (National) Content Outlines

INDIANA REAL ESTATE

State Content Outlines

General Exam Content Outline for Brokers

Effective: February 1, 2017

The general 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 general 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 (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 (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 (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 (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 (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 (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 (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 (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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Indiana State Law Exam Content Outline for Brokers

Effective Date: July 1, 2017

The state portion of the examination consists of fifty (50) scored items plus five to ten (5-10) pretest (unscored) items. The 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. THE INDIANA REAL ESTATE COMMISSION (4 ITEMS)

- A. General powers and duties**
- B. Examination of records**
- C. Investigations, hearings, and appeals**
- D. Disciplinary sanctions**
 - 1. Cease and Desist orders
 - 2. License suspension/revocation
 - 3. Other sanctions and sanctionable conduct, civil penalties
 - 4. Consumer restitution

II. LICENSING (8 ITEMS)

- A. Activities requiring a license**
- B. Exemptions and waivers**
- C. Eligibility for licensure**
- D. Types of licenses**
 - 1. Individual
 - 2. Organizational
 - 3. Resident/Nonresident
 - 4. Other
- E. License maintenance**
 - 1. Post-licensing education
 - 2. Renewals
 - 3. Transfers/changes
 - a. Agents changing brokers
 - b. Broker termination of agent
 - 4. Continuing education
 - a. Managing Broker
 - b. Broker
 - 5. Active/inactive status, Assigned unassigned status
- F. Other Indiana Real Estate Licensing laws and rules**

III. STATUTORY & REGULATORY REQUIREMENTS (18 ITEMS)

- A. Advertising**
- B. Commissions and other compensations**
- C. Listing agreements and offers to purchase**
- D. Recovery Fund**
- E. Appraisal**
- F. Seller's Residential Real Estate Sales Disclosure**
- G. Psychologically Affected Properties**

IV. STATUTES & RULES GOVERNING LICENSEES (16 ITEMS)

- A. Real estate agency relationships**
 - 1. Definitions
 - 2. Agency and disclosures
 - 3. Other
- B. Licensee conduct**
 - 1. Unfair inducements
 - 2. Incompetent practices
 - 3. Managing Broker/broker relationship
 - a. General supervision
 - b. Employment and commissions issues
 - 4. Broker Company/Broker Company relationship
 - 5. Disclosures and other issues

V. REAL ESTATE OFFICE PROCEDURES (4 ITEMS)

- A. Documents and records**
- B. Handling of monies**
- C. Place of business**
- D. Branch offices**
- E. Unlicensed assistants**
- F. Closing procedures**

Indiana Instructor Examination Content Outline

150 questions

GENERAL INSTRUCTOR SECTION *(100 questions)*

I. OWNERSHIP OF REAL ESTATE

- A. Concepts of property
- B. Concepts of estates in property
- C. How title is held
- D. Forms of ownership
- E. Forms of ownership by business entities
- F. Restrictions and encumbrances
- G. Transferring ownership
- H. Land use controls

II. REAL ESTATE BROKERAGE AND LAW OF AGENCY

- A. Concepts of agency
- B. Duties of agent to principal
- C. Duties of agent to others
- D. Principal's responsibilities
- E. Federal Fair Housing and ADA laws

III. REAL ESTATE CONTRACTS

- A. Reality of consent
- B. Listing contract essentials
- C. Offer to purchase/contract for sales
- D. Options

IV. PROPERTY MANAGEMENT

- A. Types of leases
- B. Rental payments
- C. Duties of a property manager

V. CLOSING THE TRANSACTION

- A. Closing documents
- B. RESPA

VI. FEDERAL TAXATION AND INVESTMENT IN REAL ESTATE

- A. Deductions for homeowners
- B. Tax on sale of personal residence
- C. Income and expense consideration in investment real estate
- D. Computing tax on the sale of investment real estate
- E. Security laws
- F. Investment analysis

VII. REAL ESTATE FINANCE

- A. Mortgage concepts
- B. Role of the federal government in finance
- C. The secondary mortgage market
- D. Sources of money for the borrower
- E. Types of loan programs
- F. Loan underwriting concepts
- G. Consumer legislation
- H. Mathematical calculations

VIII. VALUATION AND APPRAISAL

- A. Kinds of value
- B. Forces that influence value
- C. Basic economic principles influencing value
- D. Understanding the appraisal process
- E. Approaches to estimating value

STATE INSTRUCTOR SECTION

(50 questions)

See Indiana broker content outline