

# SECTION I.

## BROKER COURSE OUTLINE

COPYRIGHT 2006  
JOHN HENDERSON  
ALL RIGHTS RESERVED

All rights reserved. No portion of this publication may be reproduced, transmitted, transcribed, stored in a retrieval system, or transmitted into any language in any form by any means without the written consent of John Henderson.

Published in the USA by  
The Real Estate Centre  
(310) 410-9718

# BROKER OUTLINE TABLE OF CONTENTS

		PAGE
CHAPTER 1-	PROPERTY OWNERSHIP AND LAND USE CONTROLS.....	1-1
I.	PROPERTY .....	1-1
II.	ENCUMBRANCES.....	1-2
III.	ESTATES .....	1-6
IV.	GOVERNMENT RIGHTS IN LAND .....	1-8
V.	JUDICIAL ACTIONS .....	1-9
VI.	PUBLIC CONTROLS .....	1-10
CHAPTER 2-	VALUATION AND MARKET ANALYSIS.....	2-1
I.	THE APPRAISAL PROCESS .....	2-1
II.	APPRAISAL REPORTS .....	2-1
III.	PRINCIPLES OF VALUATION .....	2-2
IV.	BASIC VALUATION DEFINITIONS .....	2-3
V.	ESSENTIAL ELEMENTS OF VALUE .....	2-3
VI.	FOUR GREAT FORCES INFLUENCING VALUE .....	2-4
VII.	ADDITIONAL FACTORS INFLUENCING VALUE .....	2-4
VIII.	METHODS OF ESTIMATING VALUE .....	2-5
IX.	APPRAISAL AND CONSTRUCTION TERMS.....	2-9
CHAPTER 3-	FINANCING REAL ESTATE .....	3-1
I.	FINANCE DOCUMENTS.....	3-1
II.	SOURCES OF FINANCING .....	3-4
III.	GENERAL CONCEPTS AND DEFINITIONS.....	3-6
IV.	GOVERNMENT LOAN PROGRAMS .....	3-9
V.	LOAN CLAUSES.....	3-10
VI.	FINANCING AND CREDIT LAWS .....	3-11
VII.	ECONOMIC INDICATORS.....	3-13
CHAPTER 4-	PRACTICE OF REAL ESTATE AND MANDATED DISCLOSURES.....	4-1
I.	CALIFORNIA REAL ESTATE LAWS AND REGULATIONS.....	4-1
II.	TRUTH IN ADVERTISING .....	4-6
III.	ETHICS .....	4-6
IV.	VIOLATIONS OF THE REAL ESTATE LAW .....	4-7
V.	ADVANCE FEE CONTRACTS .....	4-8
VI.	SPECIAL RULES .....	4-8
VII.	PROPERTY MANAGEMENT .....	4-8
VIII.	MOBILE HOMES .....	4-8
IX.	BUSINESS OPPORTUNITIES .....	4-9
X.	FAIR HOUSING LAWS .....	4-9
XI.	DISCLOSURES .....	4-12
CHAPTER 5-	CONTRACTS .....	5-1
I.	CONTRACTS.....	5-1
II.	LISTING AGREEMENTS.....	5-4
III.	DEPOSIT RECEIPT .....	5-6
IV.	OPTIONS .....	5-7
V.	MISCELLANEOUS REAL ESTATE PRACTICE.....	5-8

CHAPTER 6-	LAWS OF AGENCY .....	6-1
I.	AGENCY LAW AND DEFINITIONS .....	6-1
II.	CREATION OF AGENCY AND AGENCY AGREEMENT .....	6-2
III.	SCOPE OF AUTHORITY .....	6-2
IV.	RESPONSIBILITIES OF AGENT TO SELLER/BUYER AS PRINCIPAL ..	6-3
V.	DISCLOSURE OF AGENCY .....	6-4
VI.	DISCLOSURE OF ACTING AS PRINCIPAL OR OTHER INTEREST.....	6-5
VII.	TERMINATION OF AGENCY .....	6-6
CHAPTER 7-	TRANSFER OF PROPERTY .....	7-1
I.	DEED .....	7-1
II.	TITLE VESTING .....	7-2
III.	TITLE INSURANCE .....	7-4
IV.	LAND DESCRIPTIONS .....	7-5
V.	ESCROW .....	7-6
VI.	TAX ASPECTS .....	7-9

## Chapter 1

### PROPERTY OWNERSHIP AND LAND USE CONTROLS

(Approximately 15% of Broker Exam)

- I. **PROPERTY** - the owner of property owns a bundle of rights. Property is defined as "**the rights or interests a person has in the thing owned.**" All property is either real property or personal property.
- A. **Real Property** (Land, Fixtures, Easements, Stock in a Mutual Water Company, etc.) - real property is generally immovable. Real property can also be defined as "**that which is immovable by law.**" Real property includes:
1. **Land** - includes surface, mineral, air and water rights. Mineral rights transfer automatically when land is sold. A land owner also has water rights. These water rights include the right to make reasonable and appropriate use of water on, under, or adjacent to the land. These water rights may be severed by voluntary transfer, condemnation or prescription.
    - a. **Riparian rights** refer to **moving water (a brook, stream, river, or watercourse)**.  
When a river or stream is the boundary of a piece of land, the riparian owner owns the land to the midpoint of the river or stream. If it is a navigable waterway, then the owner only owns the land up to the water's edge. A running stream is real property.
    - b. **Littoral rights** refer to **non-moving water** (pond, lake, ocean).
    - c. **Appropriation** - the government may give permission to a non-riparian owner to take water from another landowner or a public waterway.
    - d. **Accession** - the acquisition of property by it being added to other property.
    - e. **Accretion** - the process of gradual or imperceptible additions to land bordering a river or stream. An individual acquires title to land by natural causes as a result of accretion.
    - f. **Alluvion** (alluvium) - the soil deposited by accretion.
    - g. **Avulsion** - the sudden violent tearing away of land by the action of water.
    - h. **Erosion** - the gradual wearing away of land by natural forces. Erosion results in the loss of title.
    - i. **Reliction** - an increase in land by the permanent withdrawal of a sea or river.
  2. **Anything Affixed to the Land**
    - a. **Fixtures (M A R I A)** - objects attached to the land may become real property (such as, homes, load bearing walls, built-in swimming pools). A **fixture** is defined as **something incorporated into real property**. This is determined by the **M**ethod of attachment or **a**nnexation, **A**greement between the parties, **R**elationship of parties, **I**ntention of the parties, and/or **A**daptability of the object. **The cost, size, or time installed are not factors** used in determining whether an object is a fixture.
    - b. **Vegetation** is real property (grass, bushes, trees).

**Continued...**

---

Question #1: Legally and technically, property is defined as: (A) that which is capable of involuntary transfer; (B) things with buyers or sellers; (C) rights or interests which a person has in a thing owned; (D) only personal property.

Question #2: The owner of land owns riparian rights to water on, under, or adjacent to the land in which of the following? (A) oceans and bays; (B) rivers or streams; (C) underground caves with water; (D) all of the above.

Question #3: When an owner acquires land which includes riparian rights, such riparian rights: (A) give the owner absolute ownership of the water; (B) must be expressed in the trust deed; (C) may be determined accurately from an examination of public records at the County Recorder's Office; (D) concern the use of moving water, such as a stream or brook within the watershed.

**At the end of each chapter of our Broker Course Outline is a special section with information specifically for the broker exam. A sample of the broker information is below.**

**Broker Exam Information  
Chapter #1**

1. A construction loan might **lose its priority** if the loan is **recorded after a construction project had started.**
2. A notice of nonresponsibility **does not protect a construction lender.**
3. The demolition of an old home on a lot in preparation for building a new home on the same lot often acts as the start date of the project to establish the priority of mechanic's liens.
4. When a homeowners association prohibits the posting of "for sale" signs, the prohibition infringes on the condominium owner's "right of alienation."
5. Public restrictions contained in zoning ordinances and building codes seldom cause title to real property to become unmarketable.
6. A life tenant cannot devise (will) her life estate when it is based upon her own life.
7. The terms "**net net**" and "**net net net**" are **improper ways of describing a "net lease."**

**Continued...**

---

Question #B-1 When a construction lender wants to make sure that his loan is adequately secured as the primary lien and a purchase money loan is already an encumbrance against the property, the construction lender would be **least** protected by which of the following? (A) ordering an ALTA policy of title insurance; (B) recording a subordination agreement from the purchase money lender; (C) making a physical inspection of the property; (D) recording, publishing and posting a notice of nonresponsibility.

Question #B-2 Sometimes the title to real property becomes unmarketable. Which of the following causes would be **least** likely to result in that eventuality? (A) imperfect title, resulting from a claim of adverse possession against a prior owner; (B) a lis pendens filed by the spouse of the owner of record; (C) restrictions imposed by a private owner through a deed restriction; (D) public restrictions contained in zoning ordinances and building codes.

Question #B-3 When a tenant moves out, a landlord can retain as much of the security deposit as is reasonably necessary to cover all of the following expenses, **except**: (A) unpaid rent; (B) reasonable cleaning of the premises; (C) storage costs for items of personal property left in the premises by the tenant; (D) repair of damages to the premises, exclusive of ordinary wear and tear, caused by the tenant.

Question #B-4 A tenant may be justified in abandoning a leased property if the landlord has constructively evicted the tenant. Which of the following acts would be an example of constructive eviction? (A) the landlord has shown the property to a new prospective tenant and has entered into lease negotiations with the new tenant; (B) the landlord has failed to make necessary repairs to the premises; (C) the landlord has made extensive and unwarranted alterations to the premises, making it no longer usable for its original purpose; (D) all of the above.