

MONTANA PRELICENSE

Basic

This comprehensive 60-hour course not only fulfills the mandatory requirements to apply for the Montana salesperson's license, but is also invaluable in achieving a successful and rewarding career in real estate. Students will gain the necessary tools and insight to guide and inform the consumer in particular situations. Some of the specific areas that are addressed include technical language specific to this profession, property rights, types of ownership, and property restrictions and zoning. Students will also learn mathematical calculations and formulas commonly used in the real estate industry. This course provides an overview of agency relationships, contract law, property transfers, deeds, and environmental issues. The general prelicense section ends with an exploration of loans, the loan process, fair housing laws, and advertising guidelines and restrictions. The Board of Realty Regulations to the Real Estate Recovery Act, disciplinary actions, license requirements, and trust accounts are also discussed in a format that is easy to follow with links provided to actual laws.

Content Outline:	Learning Objectives:
Career Basics	Explain the services of various types of real estate companies; Identify related business activities associated with real estate; Identify factors involved in real estate as a career; Explain the fundamentals of a real estate transaction
Real Estate Law Violations	Identify the various local, state, and national agencies involved in regulating the real estate industry; Explain the difference between a real estate sales license and a brokerage license, why they are required and any exemption to the requirement; Recall the violations that could result in revocation or suspension of the license
Real Property Rights	Define and describe land, real estate, real property, personal property, surface rights, subsurface rights, and air rights; Discuss the concept of real estate as a "bundle of legal rights"
Characteristics of Property	Discuss the physical characteristics of real property and how they affect land use; Explain economic characteristics of real property and how they affect land value
Land Use	Describe the natural and artificial factors that affect land use; Explain the economic factors that affect land use; State the differences between the feudal system of land ownership and the allodial system of ownership; List some common real estate investment objectives, and the effect zoning and restrictions may have on the return of those investments
Fixtures	Define fixtures (including trade fixtures) and apply the legal tests of a fixture; Explain a lender's option of a security interest in personal property as provided by the Uniform Commercial Code (UCC)
Estates: Part 1	Define estate, tenements, and hereditaments; Compare corporeal versus incorporeal rights; Explain the different freehold estates including the types of fee simple estates and the rights inherent in each
Estates: Part 2	Define life estate; Explain the difference between an estate in remainder and an estate in reversion; Discuss dower and curtesy, and how they affect a surviving spouse; Describe the provisions of homestead life estate and intestate succession laws

Estates: Part 3	Explain the rights and responsibilities of a life tenant; Describe the different types of nonfreehold estates including estate for years, periodic estate, estate at will and estate at sufferance; Discuss the difference between co-ownership of real property and ownership in severalty; Explain the difference between the right of survivorship and the right of inheritance
Estates: Part 4	Explain each type of concurrent ownership; Define community property and how it affects the right of survivorship
Condominiums & Cooperatives	Define condominium; Explain the statutes that are associated with condominium ownership; Describe cooperatives and how they differ from condominium ownership
Time Shares and Related Topics	Describe time-sharing and time-share use; List the different types of business organizations and how they may own real property
Easements & Liens	Define encumbrance; Explain the different types of easements and what they are used for; List and describe the different types of liens
Conditions, Covenants, Restrictions & Encroachments	Describe what a covenant is and how it is enforced; List types of restrictive covenants; Define encroachment; Explain the four important powers of federal and local government that the allodial system of property ownership is subject to; Discuss the most common appurtenant rights of profit, license, air and subsurface rights, and water rights; Define right of accession
Zoning	Explain what land use controls are and why they are important to understand; Discuss the purpose for planning and zoning; Describe the types of zones that might be established by local ordinances; Define nonconforming use, variance, conditional use permit, and spot zoning
Real Estate Math: Formulas	Identify terminology that is used in typical real estate mathematics problems; Add, subtract, multiply and divide fractions, as well as change percents and decimals to fractions; Measure the reduction in the value of properties using the straight line depreciation method
Real Estate Math: Prorations	Solve proration problems that a real estate professional typically comes across when closing transactions; Determine commission rates and calculate property values
Real Estate Math: Survey Systems	Differentiate between the four legal means of describing a property; Determine property locations and parcel size from a rectangular survey description; Use formulas to calculate area and volume of land and buildings
Agency: Part 1	Define the term "brokerage relationship" and name the involved parties; Describe real estate agency and what is meant by a fiduciary relationship; Identify who is a principal and discuss the differences between clients and customers; Explain the creation and termination of agency in real estate; List agent responsibilities to principal and third parties; Describe the role of multiple listing associations and cooperative brokerage agreements
Agency: Part 2	Describe brokerage; Identify forms of commission; Explain buyer agency, seller agency, and subagency
Agency: Part 3	Explain the meaning of dual-agency relationships; Describe the responsibilities of an agent; Discuss the responsibilities of a

	dual agent
Listing Agreements	List and describe the different types of listing agreements; Describe the key provisions in a listing agreement; Identify the ways a listing agreement can be terminated; Identify various methods for determining broker's compensation; Describe the broker's entitlement to a commission; Explain the basic elements of a competitive market analysis
Legal Descriptions	Explain the basic methods of legally describing real property; Discuss the necessity of obtaining and using a correct legal description; Demonstrate proficiency in using the various land units and measurements
Basic Contract Law	Define the term "contract"; Describe the elements which a valid contract must include; Discuss standardized forms most commonly used in real estate; Apply common "buzz words" which deserve special attention; Describe the need for clarity of parties' intention in contracts; Define common changes to contracts; Describe fiduciary duty and breach of contract; State the difference between a bilateral contract and a unilateral contract; Classify a contract as being either executed or executory; Define and illustrate the legal effects of contracts: valid, void, voidable and unenforceable; Define the phrase "time is of the essence" as it pertains to contract performance; Discuss the difference between assignment and novation; Name and describe the differences on how a contract can be discharged or terminated; Describe the rights of both parties in the event of default by either party; Explain and describe the various contracts used in the real estate business
Types of Contracts	Describe oral, implied and written contracts; Define ambiguous contracts and how they will be handled by courts; Discuss equitable title; Define consideration; Discuss legal capacity; Describe offers and counteroffers
Fraud & Voidability	Define reality of consent; Describe legality of object; Identify fraud and misrepresentation; Evaluate mistakes of fact and law; Describe undue influence and duress; Classify void, voidable, and executory contracts
Termination of Contracts	Describe bilateral and unilateral contracts; Define executory contract, contract discharge and termination; Describe accord and satisfaction; Define novation and rescission; Discuss specific performance; Describe liquidated damages
Sale Contracts	Define terms and conditions of offers to purchase; Describe earnest money; Follow land contracts; Define mortgages; Describe due on sale; Demonstrate options; Define right of first refusal
Property Transfer	List what is involved in the transfer of good title; Identify and describe the methods by which "title" may be transferred; Describe voluntary and involuntary alienation

Deeds: Part 1	Identify what is needed to create a valid deed; Explain how a corporation may convey title; Describe how a partnership may convey title
Deeds: Part 2	Explain the following types of deeds: general warranty, special warranty, quitclaim, individual grant and deed of confirmation; Give a general explanation of the tax on real property; Explain title evidence
Title Insurance	Discuss what title insurance is for; Explain what title insurance does and does not cover; Define the four forms of policies: owner's policy, mortgagee's policy, leasehold policy, and contract buyer's policy; Describe the Torrens system
Environmental Issues	List at least two environmental hazards a licensee should be aware of bringing to the attention of the parties to real estate transactions, including residential or commercial developers; Discuss three ways to prevent or eliminate biological pollutants
Asbestos & Formaldehyde	Explain what asbestos is; List some of the ways asbestos was used; Explain why asbestos was a concern; Discuss what UFFI is
Lending	Explain the two groups of mortgage loans: conventional loans and FHA or VA mortgage loans; Define interest and amortization and describe the various methods by which interest is computed; List and give examples of the various sources of real estate financing
Types of Mortgages	Describe the different types of mortgages available; Discuss situations in which each type could be used
The Mortgage Market	Describe the difference between a mortgage lender and a mortgage broker; Identify common sources of mortgage lenders; Explain primary mortgage market; Explain secondary mortgage market; Describe how the two markets interact
FHA & VA Programs	Discuss FHA loans; Discuss VA loans; Describe basic loan procedures for each loan type; Explain the basic qualifiers for each loan type
Veterans' Administration Loans	Describe how a VA loan works; Identify who can qualify for a VA loan; Discuss the difference between a non-VA assumption and a VA substitution of entitlement; Name the forms and documentation needed to start the loan process
Loan Processing	Explain the loan process; Identify the major credit repositories; Explain what documentation and verification a borrower will need; Define what debt ratio is and how it is used; Discuss what an escrow or impound account is
Lending Regulations	State the purpose of RESPA; Explain Regulation Z; Discuss Equal Credit Opportunity Act; Explain the Truth-in-Lending Simplification and Reform Act; Explain why "points" are changed and how to calculate them
Principals of Financing	Explain a covenant or clause; State the rights of the borrower; Summarize the rights of the lender; Define judicial foreclosure and nonjudicial foreclosure; Describe a nonrecourse clause; Discuss recording and why it is important; Identify liability in regard to loan assumptions

Basics of Leasing	Explain the basic elements of a valid lease; Explain how leases are both a conveyance and a contract; Describe how the Uniform Residential Landlord Tenant Act creates rights and obligations in residential leases; Discuss duties, obligations, and rights of the parties to the lease agreement
Lease Contracts	Describe rent strikes; Identify what a security deposit is and what it is used for; Discuss how a lease may terminate; Explain the eviction process; Identify the various types of leases
Lease Management	Explain the duties of a property manager; Define both management proposal and management agreement; Discuss the relationship between a property manager and a property owner; Describe the role of insurance in risk management
Valuation of Property	Explain why the value of real property does not remain the same; Define market, supply and demand; Identify factors that affect supply and demand; Define and explain the difference between market value, market price and cost; Define the concepts of an appraisal; Explain the basic concept of depreciation; Define the three approaches to value, market data, cost and income and give the general use of each
CMA vs. Appraisal	Explain what a CMA is; Explain what a CMA is used for; Discuss how supply and demand affect the real estate market; List factors referred to in a neighborhood analysis; Explain the difference between an under- improvement and an over- improvement
Highest and Best Use	Explain what economic rent is; Discuss the relationship between over- and under-improvements and highest use; Define the principle of substitution; Define the principle of competition; Explain regression and progression
Appraisal Steps	List the steps in the appraisal process; List the three approaches used: market, cost and income; Discuss when each would be appropriate; Explain what a comparable is; Indicate what "plus" and "minus" adjustments are
The Net Income Approach	Describe how to arrive at net income; Explain what a fixed expense is; Explain what an operating expense is; Explain what a replacement reserve is; Define what debts are personal debts of the property owner; Explain what a cap rate is
The Cost Approach	Describe the gross rent multiplier (GRM); List the steps in the cost approach; Discuss the methods of replacement and reproduction costs; Define functional obsolescence; Define external obsolescence
Closings: Escrow	Define terms closing, escrow and settlement as they relate to a real estate transaction; Identify and describe Internal Revenue Service requirements in the closing process including 1099 reporting; Describe the role of the real estate licensee in the escrow process
Closings: Basics	Describe the difference between a whole house inspection and a walk through; Explain what a closing statement is and what it includes; Define what credits and debits are; Explain the purpose of a reconciliation; Name typical prorated items and how they affect the closing; State the purposes of RESPA

Fair Housing: Protected Classes & Blocking	Distinguish between Fair Housing violations and the application of Fair Housing exemptions; Describe and give examples of redlining; List the penalties for violations of the Fair Housing Laws; Identify local, state and federal agencies responsible for the enforcement of the Fair Housing Laws
Fair Housing: Americans with Disabilities Act	Discuss the Americans with Disabilities Act (ADA) of 1990 and Title IV regulations; Name the major provisions of the Americans with Disabilities Act regarding housing and real property transactions
Fair Housing: History	Explain the purpose of the Civil Rights Act of 1866; Discuss the purpose of the Executive Order No. 11063; Describe the purpose of the Civil Rights Act of 1964; Explain the purpose of the Fair Housing Amendments Act of 1988
Fair Housing: Protected Classes	List the protected classes; Describe and give examples of steering
Fair Housing: Rules	Differentiate between legal and illegal advertising under the Fair Housing Laws; Describe and give examples of blockbusting; Identify and describe exemptions to the fair housing laws
Definitions and The Purpose of the Board of Realty Regulations	Recite the definition of terminology commonly found in real estate license law; Describe the purpose and organizational structure of the Board of Realty Regulation; Explain requirements for securing and maintaining a license
Montana License Law	
Discipline	Recognize violations of Montana real estate license law which can result in disciplinary action Discuss the grounds for revocation or suspension of a license and the conditions for reinstatement
License Requirements	Summarize possible disciplinary actions the Board of Realty Regulation may take against a licensee and list the potential penalties they may issue for violating Montana real estate law; Discuss required topics to be covered in a broker prelicensing course and recite license renewal requirements; Explain internet advertising rules
Trust Accounts and Education	Summarize the appropriate handling of trust accounts; Describe continuing education requirements for licensees
Agency	Discuss the different types of agency relationships that are available in Montana; Recall agency relationship disclosure requirements; Define the meaning of vicarious liability and explain under what conditions brokers are liable for misrepresentations that may have been made
Real Estate Recovery Act and Fair Housing	State the purpose of the Real Estate Recovery Act; Describe what must be disclosed when someone sells their property; Recite federal and state fair housing prohibitions and protections; Recall that Montana specifically protects against discrimination based on creed, marital status, and age
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