

EXCERPTS FROM:

Real Estate Exam Prep: Connecticut “Combo”

The Authoritative Guide to Preparing for the Connecticut General and State Exams

by John R. Morgan

Prepared for Web-Site Posting and Review

**A Connecticut student sent this regarding
how the Combo helped him pass the test:**

“I just took the PSI exam today and your book and sample questions were all I needed to pass the test. I really liked the book, it was well written. The test questions in the back of the book were worded like the PSI exam.”

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On-the-Test Publishing is the publishing arm of Morgan Testing Services, which recently delivered a special order of Bermuda-specific Real Estate Guides for licensing preparation to the Government of Bermuda. (More info at www.MorganTestingServices.com.)

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Brief Overview of this Handout of Excerpts

The Connecticut “Combo” combines the PSI General Exam Review (retail: \$33.00) with the Connecticut State-Specific License Law (“Rules & Regs”) Exam Review. (retail \$25.00).

The Second Edition has kept its retail price at \$45.00, which, compared to the two-book total of \$58.00, is a \$13 savings for buying the Combo!

Both Sections have been revised to incorporate changes to both Connecticut laws and general practice, including a brief description of the late 2007 hottest topics: “subprime” and predatory lending.

This Selection of Excerpts has been prepared to give you a thorough look at the concise, direct style of consolidating and reviewing the material you are teaching in your Principles & Practices class.

This handout begins with the Book’s Introduction, includes the PSI and Connecticut-specific exam outlines, and has selected excerpts from each of those sections. It ends with five sample questions from each of the Vendor-caliber exams for both General and State exams.

“Vendor-caliber exams” means each one is “assembled” to match the exam “blueprint” of the actual licensing exam, and each question meets or exceeds the vendor’s specifications for question style and content.

Author's Introduction (from the Book)

As a real estate student or instructor, some of the prelicensing textbook material you study makes you ask yourself that age-old question, "Will this be on the test?"

On-the-Test: Real Estate books address that question through a concentrated, no-nonsense approach that will prepare you more effectively, *in fewer than 100 pages*, than other exam prep books do with more than twice the number of pages -- and additional required reading time!

To begin with, consider the PSI exam content outline: It begins where you are, with learning basic real estate terminology and concepts of property ownership, rights, and control in Sections I and II, following these essential basics with terms, concepts, and processes common to property valuation in Section III.

Section IV concentrates on the broad range of details involved in financing a property transaction, while Sections V and VI cover those terms, concepts, principles, processes, and requirements applicable to common-law agency relationships as they relate to real estate transactions.

These are followed by Sections VII and VIII, which brings you where most successful real estate transactions go: to contractual relationships between parties, including purchase-and-sale agreements, and a property closing with a host of documents being prepared, explained, signed, and recorded.

Section IX supplements elements of Sections V, VI, and VII by separating out the terminology and requirements specified in federal Fair Housing law as well as advertising requirements found in the federal Truth in Lending Act (Regulation Z).

Section X clusters math computation questions commonly performed for various steps in a real estate transaction, and Section XI identifies and discusses several important real estate areas that do not always fit easily in ordinary sales-related transactions.

This book will build on the logical flow of the outline to clarify what you need to know in each of the outline's Topic Areas. As I have considered which terms and concepts are most logically associated with each area, I have addressed them with the following principles in mind.

1. **Exam outline-area organization of key terms and concepts**
 - This means like-terms are clustered where they are most likely to be categorized for test use, regardless of where they may appear in a standard textbook presentation.
2. **Question-count indication of relative importance of each outline topic area**
 - This should lessen anxiety about having to know *everything* in a particular topic area, since you will know that there may be just a few – perhaps no – questions from it.
3. **Concise, direct definitions and descriptions**
 - This avoids over-explanation, especially where further elaboration could detract from the central, testable content. This book provides a focused review of textbook material. If you want more words, refer to your main textbook.
4. **Synonymous terms are presented together as "extra" terms**
 - This clarifies, as often as possible, that similar terms are, in fact, synonymous, and the way your textbook presented a topic may be tested by PSI with another term.
5. **Bold-faced and italicized identification of terms, definitions, and key phrases**
 - This serves to accentuate the more important content within a description or general statement. These formats will also highlight terms that may be used as wrong

Author's Introduction (from the Book)

answers, known as "*distractors*" in the education and testing businesses, so unfamiliar terms will not trick you into thinking, "I should have studied that!"

6. **Related *nontestable* information is included, usually boldfaced and/or italicized**
 - This allows you to see more advanced, obscure, or regional information in the cluster of related material that, though inappropriate for testing, may appear as distractors.
7. **Italicized commentary**
 - This allows me to provide occasional conversational asides intended to further clarify a point, reduce potential topic-related anxiety, or stress nontestable topics.
8. **Minimal math emphasis**
 - This low emphasis is based on the 6% emphasis of math on the exam, which makes math-related questions important, but not critical to one's overall score.
*This author is unapologetic about leaving math instruction to your 500+ page textbook: Enough of the math questions on the live exam will be basic enough to be easy. (A test-wise tip for those with weak math skills or high math anxiety is to compensate by becoming stronger in *other* areas.)*
9. **Sufficient, not excessive, numbers of sample questions, and diagnostic chart**
 - The questions presented at the end of this book address central and critical topics adequately rather than exhaustively. The Sample Exam corresponds more closely to PSI's published outline specifications than any you will find in any other publication, and the diagnostic chart allows you to check your exam-readiness.

As noted on the cover, this book is designed with *both students and instructors* in mind.

- **Prelicensing students** will find it useful as a concise, comprehensive presentation of textbook principles and practices material in a test-outline format. And, since it distills the key terms and concepts presented in most standard texts, its usefulness will continue once you are licensed by serving as light, handy, quick-reference book!
- **Instructors** will find it a ready-made manual for a highly focused and effectively concentrated end-of-course review.

My only direct experience with PSI's general examination came through taking it in the spring of 1999 to earn my Connecticut real estate salesperson license. Through this exposure, I became convinced that the item pools PSI uses for its exams provide an adequate and well-crafted sampling of the content domain of real estate.

So, sorry: There are no shocking secrets to be revealed about "questions to watch out for." Everything herein is based on well-reasoned consideration and a unique perspective on which real estate terms and concepts are most appropriately suggested by the published outline headings.

Further, my involvement with Assessment Systems, Inc. (ASI)'s fully national Real Estate Job Analysis along with a close review of the follow-up ASI Job Analysis Technical Report (1998), many state-specific prelicensing course outlines, and numerous real estate and legal texts support the inclusion of the key words, topics, and distractors presented in this book.

My confidence that this book is the best one available rests primarily on my belief that the direct, concise presentation and organization of this text is grounded in unparalleled experience with real estate licensing examination subject matter and Subject Matter Experts nationwide.

So, knowing what dozens of committees of Subject Matter Experts have concluded during review sessions does give me a refined sense of what would pass muster. And soon when *you* see a strange term and wonder, "Will this be on the test?" you, too, will know *exactly* what to say!

Real Estate Exam: PSI's General Content Outline

80 questions for both Sales and Broker exams

Special Note: There are five (5) math-related questions on the exam.

(Your exam may also include an extra five unscored "pretest" questions for a total of 85.)

- I—Property Ownership (7 questions)
- A. Classes of Property
 - B. Land Characteristics and Property Descriptions
 - C. Encumbrances
 - D. Types of Ownership
- II—Land Use Controls and Regulations (7 questions)
- A. Government Rights in Land
 - B. Public Controls Based in Police Power
 - C. Private Controls
- III—Valuation and Market Analysis (7 questions)
- A. Value
 - B. Methods of Estimating Value (Applicability, Key Elements)
 - C. Competitive Market Analysis
 - D. Transactions Requiring Formal Appraisal
- IV—Financing (8 questions)
- A. General Concepts
 - B. Types of Loans
 - C. Sources of Loan Money
 - D. Government Programs
 - E. Mortgages/Deeds of Trust
 - F. Financing/Credit Laws
- V—Laws of Agency (10 questions)
- A. Law, Definition, and Nature of Agency Relationships
 - B. Common Types of Agency Agreements in Real Estate
 - C. Agency Duties
 - D. Disclosure of Agency (General) [*Detailed Requirements Are on the State Exam*]
 - E. Commission and Fees
- VI—Mandated Disclosures (6 questions)
- A. Property Condition Disclosure Forms
 - B. Need for Inspection and Obtaining/Verifying Information
 - C. Material Facts
- VII—Contracts (10 questions)
- A. General Knowledge of Contract Law
 - B. Offers/Purchase Agreements
 - C. Counteroffers/Multiple Counteroffers
 - D. Leases as Contracts
 - E. Rescission and Cancellation Agreements/Other Contract Terminations
- VIII—Transfer of Property (7 questions)
- A. Title Insurance
 - B. Deeds
 - C. Escrow or Closing
 - D. Tax Aspects
 - E. *Special Processes, e.g., Probate, Foreclosure (Broker only)*
- IX—Practice of Real Estate (10 questions)
- A. Fair Housing Laws
 - B. Advertising and Misrepresentation
 - C. *Agent Supervision (Broker only)*
 - D. Ethical Issues
 - E. Broker/Salesperson Agreements
- X—Real Estate Calculations (5 questions)
- A. General Math Concepts
 - B. Property Tax Calculations (not Prorations)
 - C. Lending Calculations
 - D. Calculations for Transactions
 - E. Calculations for Valuation
 - F. Mortgage Calculations
- XI—Specialty Areas (3 questions)
- A. Property Management and Landlord/Tenant
 - B. Subdivisions
 - C. Commercial Property/Income Property
 - D. *Business Opportunities (Broker only)*
-
- Note: There may be a few minor differences between the outline topic area labels above and the ones used in your state. Any such difference in no way affects either the subject matter on the test or its presentation in this book.
- Additionally, this outline specifically excludes the occasional one-question difference in number of questions per Section for Broker exams.
- Nevertheless, ***the material in this book will more than adequately prepare those reviewing for a Broker exam***, which may test some of the terms identified herein as too advanced for Sales-level.

Excerpts from the General Exam Review

I-A. Classes of Property

(Expect 1-2 questions from this area)

Real property, or **realty**, is **land along with its improvements**, things attached to it, and the benefits, rights, and interests included in its ownership.

Real property and real estate are well acknowledged as synonymous terms. However, "real property" is generally the preferred usage whenever it helps distinguish specific types of property as real instead of personal by avoiding the word "estate," which, in its broadest sense, means everything one owns, including both real and personal property.

As will be noted in Section I-B, **land** includes the **earth's surface, subsurface to the center of the earth, the space overhead, and the rights to each.**

Improvements are generally seen as additions to the property that increase its value or enhance its appearance and may include attached property, such as a house, garage, or fixtures like sinks or built-in bookcases, as well as trees and landscaping improvements.

The opposite of improvements is waste, which is the legal term for property deterioration, abuse, or destruction, generally by a negligent tenant.

Personal property, also known as **personalty** or **chattel**, is generally considered anything that is **unattached and moveable**, such as furniture, housewares, and throw rugs.

Personal property also includes various intangible assets, like bank accounts, stocks, and many other securities and financial instruments.

Fixtures are **once-moveable items that have been attached to real property**. Since attaching the object *may* change its status from personal to real property, as with a sink, a ceiling fan, or even a coat hook screwed to the back of a door, tenants and those selling their property must be careful about how they install items they may want to take away with them.

Trade fixtures are fixtures used by a business tenant, such as display cases or supermarket freezers, that are generally considered the tenant's removable personal property.

Annexation is the term for how, by attachment, something that was formerly personal property becomes real property. Also referred to as **accession**, which includes additions to property from natural causes, such as a riverfront property that benefits from a shift in the river's path.

Severance refers to the process of separating a fixture from the real property, thereby changing it **from real to personal** property.

The legal tests for a fixture include considering the total circumstances of these four elements to determine whether or not the fixture is real or removable property

- **intention** of the person who attached the item to make it permanent
- **method of attachment**, or **annexation**, generally meaning the degree of permanence

Excerpts from the General Exam Review

- **adaptation** of the item to the use of the property, as in a custom-made bookshelf that fits precisely into a recessed area and is attached with bolts
- **relationship and general understanding** between parties, as in whether the owner paid for and installed the fixture, or a tenant has done so at the tenant's expense with the owner's permission to remove it later

Appurtenances are those things that “belong” to something else, generally by **attachment**, and in real estate generally include any number of rights that “**run with the land**,” which means the rights do not end when a new owner takes title. Examples of these are gardens, buildings, and certain **easements**, such as deeded rights-of-way. (*More in Section I-C.*)

Emblements are crops that a tenant generally owns as personal property and may return to harvest even after a lease expires.

*Growing crops are technically referred to as **fructus industriales** (“fruits of industry”), which distinguishes them from other plants, **fructus naturales** (“fruits of nature”), such as trees and brush, which are generally considered real property.*

*These terms are popular **distractors** – the testing industry's term for “wrong answers,” but ones that will distract the less-prepared -- and way too advanced for entry-level. You are more likely to have a personal encounter with a living American president than with these terms during the course of a lengthy real estate career.*

Additional “distractor” terms related to classes and characteristics of property include

- **tangible** (or **corporeal**) property, which means **physically touchable, material** property, most notably **land and its improvements**, and
- **intangible**, (or **incorporeal**) property, which means such abstract, “untouchable,” yet very real elements as **mortgages, rights, and other encumbrances**, as well as assets such as **bank accounts and most financial instruments, like stocks and retirement accounts**.

*Though these terms **occasionally** appear in prelicensing curriculum outlines and textbooks, do NOT expect to be tested on definitions or examples of tangible, intangible, corporeal, and incorporeal property, since these terms, though they provide useful distinctions, are more legally refined than is appropriate for an entry-level exam.*

I-B. Land Characteristics and Property Descriptions

(Expect 1-2 questions from this area)

Land includes the **earth's surface, subsurface to the center of the earth, the space overhead, and the rights to each**. Some broad categories identifying the most **common rights in land** include **surface rights, subsurface rights, mineral rights, water rights, and air rights**.

An owner is entitled to handle each of these rights separately and may, for example, lease out the right to farm the land, drill for oil, or erect a billboard to each of three different tenants.

Three commonly recognized **physical characteristics of land** are its **immobility, permanence** (or **indestructibility**), and **uniqueness**.

Excerpts from the General Exam Review

*All three of these characteristics can be illustrated by the simple example of a **global positioning system (GPS)** reading at a particular spot: **the latitude and longitude reading for that spot cannot be moved, destroyed, or duplicated.***

Four commonly recognized **economic characteristics of land**, or factors that bear on a property's particular value, are **scarcity, improvements, permanence of investment, and area preference.**

*The fact that land is permanent and unique does not mean the land itself is desirable, or that there aren't similar properties available if it is. So, the elements identified above as **economic characteristics** are what add up to making a particular property valuable.*

Property descriptions may be **legal descriptions**, such as **metes and bounds** or **lot and block**, or less formal, such as a **street address**. *In some areas, street addresses will suffice to identify properties on listing agreements, but a legal description is required for a deed to be valid.*

Metes and bounds is the widely used system of property description that "walks" the property boundaries by first identifying a physical **point of beginning (POB)** and then describing the distance and directions along the property line, generally, but not always, following a clockwise direction back to the point of beginning.

A **monument** is any of a number of landmarks that provides a stable point of reference for surveys. They can be natural, such as trees, rivers, or "the northwest corner of the pasture lot near the house in which I live" (from an 1881 New England deed), or artificial, such as surveyors' stakes, metal markers, stone boundary markers, (a.k.a. **merestones**), or a government **benchmark** (see below).

*With advances in technology, **GPS coordinate readings** of latitude and longitude are appearing more frequently in surveys—and deeds—to fix the location of monuments and other points where the boundary line changes direction.*

Lot and block, or **lot, block, and tract**, system of property description is generally used for **subdivisions**. Also known as the **recorded plat system**, it identifies properties according to a **plat map**, or sometimes even an **assessor's map**, of the subdivision, which in turn shows the specific dimensions of each lot, the access roads, and easements. (*Assessor's maps almost always have a disclaimer statement that they are "for tax purposes only."*)

Government rectangular survey, or **rectangular survey**, or even **rectangular**, property descriptions are used in over thirty states, mostly in the Midwest and the West. It is a grid system that starts measuring from the axis where a **baseline**, an east-west line, and a **principal meridian**, or north-south line, intersect.

*Six-mile by six-mile squares are known as **townships** and are identified by where the **township line** (east-west) and **range line** (north-south) are in relation to the principal meridian and baseline. Each township contains 36 one-mile squares, or **sections**, each of which in turn is ordered and numbered. Four townships add up to a **quadrant**.*

*Property descriptions using this method are commonly presented in terms like, **the SW 1/4 of the SW 1/4 of Section 22, Township 15 South, Range 13 East, Gila and Salt River Base and Meridian, Arizona.***

Excerpts from the General Exam Review

Since the rectangular system is **NOT** in national use, many state licensing agencies prohibit testing on this method on the general portion of the exam used in their state.

Some of the above terms in boldface **MAY**, however, appear on tests as distractors, or be tested as part of the state-specific portion of the exam where applicable.

Vertical land descriptions are necessary for defining air rights, as in specifying the floor-to-ceiling sale of **air lots** in multistory condominiums or cooperatives (which are generally governed by state-specific **horizontal property acts**), as well as subsurface rights for mining and drilling. Terms related to vertical descriptions include

- **geodetic survey system** refers to the U. S. Coast and Geodetic Survey System, which established a series of markers nationwide that serve as permanent reference points for orienting accurate surveys
- **benchmarks**, the name for these permanent markers, are typically brass disks set in concrete and/or stone that identify the latitude, longitude, and elevation of the marker
- **datum**, which is a term for the point, line, or surface from which elevations are measured; there are local and national datum for reference in establishing local and national benchmarks for surveys

Another Excerpt:

Concurrent ownership, or **co-ownership**, refers to ownership by two or more parties at the same time. Among the types of concurrent ownership are

- **tenancy in common**, under which the parties, or **tenants in common**, hold an **undivided fractional interest in the property**. For example, three family members may own a house together as equal one-third owners, or two may own 25% each and the third owns the remaining 50%. In either case, the fractional interest does not convey either the use or ownership of separate thirds, quarters, or halves of the house itself or other physical property to any of them. *Also, each tenant may hold a deed that does not name any of the other owners; compare with unity of title below.*
- **joint tenancy**, under which the parties, or **joint tenants**, hold an **undivided equal interest** rather than uneven shares. The following considerations apply to this form of ownership
 - the **four unities**, which refers to the following **set of legal requirements for creating a joint tenancy**
 - **unity of title**, which means all parties are **named on the same deed**
 - **unity of time**, which means all parties **took title at the same time**
 - **unity of possession**, which means all parties have **undivided possession and use rights**
 - **unity of interest**, which means all parties have an **equal interest**
 - *this is a basic concept and general questions will assume interests must be equal despite at least one state, Connecticut, allowing unequal interests; Alaska has gone even further by abolishing joint tenancy altogether as a method of property conveyance—such state-specific amendments may appear on that portion of the exam*
 - the **right of survivorship***, meaning that as each individual joint tenant passes away, the remaining tenants' interest would increase until **the last remaining person becomes the sole owner**; this condition is **historically an assumed part**

Excerpts from the General Exam Review

of a joint tenancy, and *some older deeds will specify “as joint tenants and not as tenants in common”*

**state laws and court rulings in some states have interpreted some joint tenancy arrangements as being the same as a tenancy in common, and do not consider the right of survivorship as automatic*

- **joint tenancy with right of survivorship**, under which the objection noted immediately above is removed **by specifically including “with right of survivorship”** in the language of the deed; *sometimes seen abbreviated on forms and financial instruments as JTWROS or JTRS*
 - **Non-testable note:** *some textbooks illustrate this concept by referring to joint tenancy ownership of any asset as “a poor man’s (or person’s) will,” since ownership automatically transfers from a deceased owner to the remaining one(s) by operation of law without requiring either a written will or probate approval*
- **marital property ownership rights**, which **do not exist in over a dozen states, including Connecticut**, and vary from state to state where they do, include
 - **tenancy by the entirety, or tenancy by the entirety**, which has the same unities as a joint tenancy, but adds the concept that the couple owns the property as one indivisible legal unit, which provides broad property protection against creditors; *it exists in some form in over twenty states, including our Western neighbor, New York*
 - **community property**, which is generally understood to mean that property acquired by married people during the marriage is owned by both, unless it is exempted by one party acquiring it as separate property through gift, inheritance, or separate funds; *there are nine community property states*
 - *AZ, CA, ID, LA, NV, NM, TX, and WA are the eight “traditional” states; WI recognizes community property rights by a state Uniform Marital Property Act*
 - **community property with right of survivorship**, which strengthens the estate transfer and tax benefits of the survivorship right of the remaining spouse, *has become applicable in most of the above nine states within the past ten years*

Another Excerpt:

Title insurance is a common way to address the risk of buying a property with **existing, undiscovered title defects**, since title insurance **insures the policyholder against the future discovery of certain past problems**.

Common defects include **forged documents** or **undisclosed third-party interests**, such as a **lis pendens**, which is Latin for “a pending lawsuit,” **liens**, **undiscovered ownership interests** of spouses or family members, and **unrecorded prior transfers or assignments**.

A professional **title search** generally discovers all of the recorded information about the property’s **liens**, **lis pendens**, and **chain of title**.

*This chain may extend from the present back to the original owner, who may have received title through a **grant** from the King of England, ruler of France or Spain, or a **patent** from the state or federal government, depending on the state.*

However, local convention as well as statutory provisions in many states only requires searching the past 40-60 years or so to provide a due-diligence confirmation of marketable title. **In Connecticut, it is 40 years** (see Connecticut General Statutes, Chapter 821, Land Titles, Section 47-33c); many title searchers go back 60 years to be safe, even though the statutory look-back period is shorter.

Another Excerpt:

- **real property transfers** to a devisee or a buyer in order to pay estate obligations may be **conveyed by an executor's deed** or an **administrator's deed**, depending on whether or not there is a will
 - *State-specific terms for conveyance instruments that transfer title of certain properties, especially family-retained property, of a deceased owner vary, and include such alternate forms. In Connecticut, probate courts issue a **Certificate of Devise, Descent, or Distribution** to convey willed and family-retained properties – these generally function legally as quitclaim deeds granted either directly by or on behalf of the deceased. Check with a real estate attorney for other available transfer instruments and applicable terms.*

Another Excerpt:

Foreclosure types and processes are too varied and state-specific to address here, though it is worth noting that the two-party mortgage and the three-party deed of trust have different basic sets of processes. *Generally, the processes are known, respectively, as **judicial**, which means by a legal action in court that results in a sale by **court order**, or **writ of execution**, and **nonjudicial**, which means it results from the contract terms alone.*

*Special **nontestable, information-only Connecticut** note: In Connecticut, the **judicial foreclosure process** is carried out by either **strict foreclosure** or a **decree of sale**.*

- ***Strict foreclosure** permits the lender to get a court order showing the borrower has defaulted on the mortgage terms and thereby **acquire an immediate transfer of title**, though there is a **court-determined redemption period for the borrower**. If the borrower is unable to redeem the property, the process continues and **the lender soon receives absolute title rights to the property's full market value, not just the remaining loan balance**.*
- *A **decree of sale** is a court-directed process by which the court appoints a **committee to sell the property, the time and place of the sale, and three appraisers to help determine the price**; typically the lender only recovers the loan balance and costs from the sale.*

Another Excerpt:

- **prime interest rate, prime rate**, or often simply **prime**, refers to **the rate charged by banks to their most creditworthy customers**, generally large corporations, and are generally the same or very close to those of other banks; the Wall Street Journal defines it as “The base rate on corporate loans posted by at least 75% of the nation’s 30 largest banks.” **It also commonly refers to the rate the Federal Reserve System charges for its loans to banks**. Prime rates do not adjust at any regular interval.

Excerpts from the General Exam Review

- **prime** may *also refer to borrowers* considered to be of high quality, meaning low risk of default; prime borrowers are typically offered attractive, competitive interest rates
 - **subprime** or **non-prime** refers to the **credit status of borrowers** with poor, limited, or no credit history, and are therefore unable to qualify for a conventional mortgage due to the greater risk of default; **credit scores generally range between 300 and 900, and many lenders consider scores lower than 660, 620, or 600, depending on the lender, as subprime**
 - **subprime mortgages refer to mortgage loans arranged for subprime borrowers; due to strong growth in subprime mortgage lending over the past five years and subsequent, recent high default and foreclosure rates, you will undoubtedly become very familiar with this category of loans, lenders, and borrowers once you are licensed**
- **usury** refers to **a lender's charging an illegally high rate of interest**. Usury laws vary from state to state, and do not apply at all in some states.
 - *The term originally applied to charging any interest on loans and is still commonly defined as charging exorbitantly high interest; in legal terms it refers to charging a rate in excess of legal limits. Though your state may not have a usury law, this financially relevant concept is still valid for testing.*
- **predatory lending** is a term closely associated with usury, though it refers to a wide array of practices by which borrowers are taken unfair advantage of, such as extremely severe penalty fees and interest rate hikes after a late payment
 - *This term is finding widespread use in reference to the 2007 problems within the mortgage industry based on subprime borrowers' inability to make continued payments, often after an adjustable interest rate adjusts upward at the end of an introductory period, and then lose and/or owe money after a property foreclosure sale.*

***End of Excerpts from the General Exam Review
Portion of the Book.***

Comments on the Exam's Real Estate Math Calculations

General comments about this Exam Section, and about real estate Math

There are six topic areas specifically labeled in the PSI Content Outline Real Estate Calculations Section; there are five test questions from the entire Section.

Hmmm . . . simple math tells us that asking five questions from six topic areas means that only about six percent (6%) of your total test score rides on doing math, and that at least one topic area, or 17% of this Section, will not be directly included on the test.

And since asking more than one question in any one area further reduces the number of topic areas tested, it is unlikely that any one of these areas will get more than two questions.

So, relax, and do NOT let the list of math topics make you think there is too much math to master – though you should know everything, you do not need to in order to pass!

Most of the five math questions on the test will not be particularly complicated. Those that are simply require you to take a deep breath and think a little harder.

Also, in most cases the questions will include all the numbers, conditions, and other information necessary to perform the math, as well as all conditions of who pays for what and whether prorations are based on 30-day versus 31-day months and 360-day versus 365-day years.

As for individual questions, the chances are good that you will be able to at least rule out a few of the answer choices and then be able to make a better-odds guess at whatever's left.

Special Note: PSI's math questions typically use "none of the above" as the fourth option.

*This means you **MUST be confident** in the answer you arrive at through your computations, since **the correct answer MAY NOT be among those given** and your answer may be based on a commonly made math error.*

So be careful and double-check your work for the greatest confidence in your conclusions.

For those of you with math anxiety, one strategy for tackling them is to mark them on the testing device with the colored "Mark" key as soon as they appear, then move on immediately to the next non-math question.

After answering all of the non-math questions, you can then return to JUST the "marked" questions and work them as a group, doing the ones that look easiest first.

The six topics presented in this outline section are bulleted below with a brief, "textbook-reminder" definition. If you need a more detailed explanation to perform a particular type of math computation, refer to the applicable pages in the math chapter of a full-blown textbook.

All of the math questions will be about items a licensee ***might reasonably need to compute in order to provide, confirm, correct, or explain figures in the course of a real estate transaction.***

Connecticut General Statutes & Regulations (State Portion)

Real Estate Exam Content Outline

30 questions for Salesperson exams

(Your exam will include an extra five unscored "pretest" questions for a total of 35.)

- I. Connecticut Real Estate Commission and Licensing Requirements (5 questions)
 - A. Real Estate Commission purpose, powers, and duties
 - B. Activities requiring a license
 - C. Exemptions from licensure
 - D. License types and qualifications
 - E. License renewal, continuing education, and transfer
 - F. Real Estate Guaranty Fund
 - G. License suspension and revocation

- II. Connecticut Laws Governing the Activities of Licensee (10 questions)
 - A. Broker /salesperson relationship
 - B. Duties to parties
 - C. Handling of deposits and other monies
 - D. Misrepresentation
 - E. Disclosure of nonmaterial facts
 - F. Advertising
 - G. Commissions and compensation
 - H. Unlicensed personal assistants

- III. Connecticut Real Estate Agency (8 questions)
 - A. Agency: the representing of a client vs. working with a customer
 - B. Agency agreements
 - C. Agency disclosure
 - D. Subagency limitations
 - E. Dual agency
 - F. Designated agency
 - G. Confidential information
 - H. Interference with agency relationship

- IV. Connecticut-Specific Real Estate Principles and Practices (7 questions)
 - A. Connecticut-specific property ownership and transfer issues
 - 1. Co-ownership forms and shares
 - 2. Adverse possession/prescriptive easement time
 - 3. Land records and recording
 - 4. Real property taxes and assessments
 - 5. Conveyance tax
 - 6. Residential property condition disclosure
 - B. Connecticut Landlord-Tenant Act
 - C. Connecticut Common Interest Ownership Act
 - D. Connecticut fair housing law
 - E. Connecticut lead paint laws
 - F. Connecticut disclosure of off-site conditions law
 - G. Connecticut Uniform Electronic Transactions Act

V. For Broker Exam Only: *These topics are omitted since this book is primarily for Sales candidates; Broker candidates will be prepared for Sections I-IV by reading this book.*

SPECIAL EXAM NOTE

There are seven Topic Areas in this Roman Numeral Content Area, but only five test questions. This means there will be at least two areas from which you will receive no scored questions.

In reality, though, the Commission identifies some Topic Areas as being worth more emphasis than others for testing, so your version of the test may present more than one question from a particular Topic and none from certain others. Other test takers, however, will get questions from Topics your test version may have omitted.

And that is why each Topic Area in this book has a range of questions—to indicate its relative importance within its Roman Numeral Content Area.

However, the testing company “pretests” five questions on each exam that do not get counted toward your score, so you may actually see one or more questions from each Topic Area.

Since you will not be able to tell the difference between scored and pretest questions, answer every question as if it counts – it just might!

I-F. Real Estate Guaranty Fund

(Expect 0-2 questions from this area)

The Real Estate Guaranty Fund provides a State-backed last resort for consumers who got shafted by a licensee, especially through embezzlement or fraud, and have won a court judgment against the licensee for damages the licensee subsequently proves unable to pay.

By law, *the Real Estate Guaranty Fund is structured to build to a maximum of \$500,000, after which excess funds are passed over to the State’s General Fund.*

There is a complex, extensive set of requirements and procedures for consumers who appeal to the Fund for monetary compensation, all of which are procedurally too involved for entry-level testing. Besides, it would undoubtedly be up to prosecuting attorneys to wade through ways to tap the Fund for their clients, so don’t sweat the fine print.

A few key points, though, that might be pulled out for testing include

- *compensation levels max out at \$25,000 per transaction*
 - *this total is an aggregate per transaction, NOT per party involved*
- *an application for compensation is made to the Connecticut Real Estate Commission and must meet the following requirements*
 - *the applicant must already have a valid judgment in a Superior Court against a licensee and/or firm*
 - *the judgment amount must remain unsatisfied* after all legal efforts to collect them from the responsible parties have been exhausted
- *a licensee against whom an application is made is subject to the following penalties*
 - *automatic license revocation* upon the entry of the judgment against the licensee

Excerpts from the Connecticut Exam Review

- *no reinstatement of the license until the following condition is met*
 - *repayment to the Fund in full, plus applicable interest*, even if the licensee has been awarded a bankruptcy discharge of financial obligations
- *there is a two-year statute of limitations on filing an application for collection* from the Fund
 - this two-year period is triggered either by the date of the judgment's final determination or the expiration of time to appeal it, as applicable

Interestingly, an application for recovery of damages from the Fund cannot be brought by the spouse of an offending licensee, either directly or through a representative . . . there must be a story behind this restriction!

(References: Sections 20-324a; 20-324c; 20-324d; and 20-324e)

A licensee has a contributory obligation to the Fund as follows

- when paying for the *initial license, there is a separate \$20 fee that is credited to the Fund*
- *three dollars of each annual renewal fee* shall be payable to the Fund

Also, most fines collected for licensee infractions are deposited into the Fund.

(References: Sections 20-314(f); 20-320; 20-324b; and 20-324e)

IV-A. Connecticut-Specific Real Estate Principles and Practices

(Expect 2-3 questions from this area)

This Topic Area has six subtopics that provide state-specific applications of general principles.

For example, types of multi-party ownership has applications in other states regarding marital property rights, tenancy by the entirety concerns, and many other legal intricacies that do not apply in Connecticut.

And whereas each state has its own preferred methods of handling land records and assessing taxes on property sales, among other details, the Real Estate Commission feels those entering the real estate profession here should know the basics of these issues as they apply specifically to Connecticut real estate matters.

So, this Topic Area will make state-specific points on these general real estate areas; this overview will attempt to be brief yet comprehensive in treating each of the six subtopics.

1. Co-ownership forms and shares

Broadly speaking, when it comes to residential properties, *Connecticut recognizes two types of co-ownership: tenancy in common and joint tenancy*, regardless of whether ownership is by two or more unrelated people or a married couple.

Connecticut is not one of the eight or nine community property states, which have specific provisions for both spouses regarding marital property, nor does it automatically recognize tenancy by the entirety, another form of marital ownership applicable in some states, such as New York. So, you don't need to know about that, unless you buy out-of-state property.

Excerpts from the Connecticut Exam Review

But *Connecticut does have a state-specific wrinkle in the joint tenancy arena. Joint tenancy typically involves taking title subject to “the four unities,”* meaning (1) all names are on the same *title*, (2) title was taken at the same *time*, (3) there is an undivided right of *possession*, and (4) each party has the same prorated property *interest*.

In Connecticut, though, joint tenants are specifically allowed to have unequal interests. In short, three parties may buy a property together with one having a 50% interest, a second having 30%, and the third having 20%.

The interests of the grantees under any such conveyance [i.e., deeds that assign ownership to the survivor(s) of multiple owners] may be held by them in equal or unequal shares. (Reference: Section 47-14a)

Further, *in cases where a married couple divorces while holding property as joint tenants*, unless otherwise provided in the divorce or dissolution documents, *their ownership interests become tenants in common*, without “survivorship” rights.

Whenever a husband and wife are joint tenants in the same real estate . . . a divorce or dissolution of the marriage . . . severs their interests and converts them into tenants in common as to each other but not as to any remaining joint tenant or joint tenants. (Reference: Section 47-14g)

2. Adverse possession/prescriptive easement time

This subtopic is simple: In Connecticut, *the statutory period* required to have legal standing to apply for and/or acquire either *title interest through adverse possession* or an *easement interest through prescriptive easement is fifteen (15) years*.

In Connecticut, these types of acquisition of property rights are referred to as *adverse use*, and apply to both possession and easements. As the statutes put it:

When acquired by adverse use. No person may acquire a right-of-way or any other easement from, in, upon or over the land of another, by the adverse use or enjoyment thereof, unless *the use has been continued uninterrupted for fifteen years*. (Reference: Section 47-37)

There are specific requirements for applying for legal entitlement to adverse use rights, and specific obligations of owners to fend off claims. Refer to the statutes, and work with a lawyer, to ensure you correctly understand and handle your side of an adverse possession claim.

3. Land records and recording

Connecticut is one of a very few states that records land records by municipality, i.e. town or city, and not by county seat. In Connecticut, there are no county seats, just county names.

Though professionals in Connecticut are used to this system, it often seems confusing and disjointed, such as conducting title searches for properties in Mystic.

Excerpts from the Connecticut Exam Review

Since Mystic is not really a town and cannot be researched in some central New London county location, title searches for Mystic require going to the town hall in Groton, Stonington, or Ledyard, depending on the actual address. Similar situations abound.

SPECIAL EXAM NOTE: *You may see general questions that refer to county courts holding records – the county system was abolished in Connecticut a long time ago in favor of keeping land records and most other official records in the municipality.*

A few points about recording conveyances have to do with the legal status of recorded versus unrecorded conveyances, which ultimately will be left to the lawyers. However, ***in any transaction where lawyers are not involved, tell your new owner to record the deed.***

No conveyance shall be effectual to hold any land against any other person but the grantor and his heirs, ***unless recorded on the records of the town in which the land lies.*** (Reference: Section 47-10(a))

The effective date of title is the recording date; title searches to establish marketable title only have to go back forty (40) years. (References: Sections 47-33b(e); 47-33c)

And, not unlike ***changing your name*** and address information with the Department of Motor Vehicles, in the event an owner of property changes their personal or corporate name, the change ***needs to be logged into the town records within sixty days.***

Any person, corporation, limited liability company or limited liability partnership owning real estate or having an interest therein whose name has been changed . . . ***shall, within sixty days after the change . . . file with the town clerk of the town in which the real estate is located a certificate . . . giving the name before and after the change . . .*** (Reference: Section 47-12)

**This Marks the End of Excerpts from the Connecticut Regs
Portion of the Exam Review: Sample General and State
Questions Come Next.**

Sample Questions

Sample General Exam Questions

1. Which of the following statements BEST defines real property?
 1. Land and the air space above it.
 2. Land and its improvements and all included ownership rights.
 3. Property that has been surveyed and identified by a full legal description.
 4. All of the rights to land and improvements as identified in a property deed.

2. Residents of an area with wells that go dry during severe droughts arranged with the municipality to provide city water to each property. This work is MOST likely to be funded through a
 1. special assessment.
 2. general assessment.
 3. municipal bond for improvements.
 4. grant from the Environmental Protection Agency.

3. A CORRECT statement about a leasehold estate interest in real property is that it
 1. must be recorded to be valid.
 2. transfers use but not ownership.
 3. creates a reversionary interest for the holder.
 4. allows the grantee to encumber the property.

4. A homeowner hires a carpenter to build a back deck and then refuses to pay. The carpenter is entitled to take which of the following actions?
 1. Remove the deck.
 2. Levy a special assessment.
 3. Place a mechanic's lien on the property.
 4. Petition the courts for a partition sale and recover the amount due from the proceeds.

5. When applied to a real estate sales contract, the term "rescission" is MOST likely to indicate that the contract has been
 1. assigned.
 2. recorded.
 3. notarized.
 4. terminated.

**Sample Connecticut State-Specific Exam Questions and Answer Key
are on the next page.**

Sample Questions

1. A CORRECT statement about a licensee's obligation toward a former brokerage firm when the licensee changes firms is that the licensee
 1. has the option to take active listings to the new firm.
 2. must wait to transfer until all pending commissions have been paid or risk losing them.
 3. must maintain as confidential all information acquired while with the former brokerage.
 4. shall immediately turn over to the former firm all information and records gathered while there.

2. In Connecticut, listing agreements MUST contain which of the following elements in order to comply with Connecticut Real Estate License Law requirements?
 1. Listing price, brokerage compensation arrangements, and expiration date
 2. Brokerage compensation arrangements, expiration date, and full legal description
 3. Listing price, property condition disclosure statement, and signatures of all parties concerned
 4. Property condition disclosure statement, full legal description, and signatures of all parties concerned

3. A licensee is approached at a party by an enthusiastic new attorney in town who asks the licensee to put the attorney's new firm on their referral list. The attorney adds that as a start-up incentive, licensees will receive a \$500 gift certificate after every closing involving a buyer they referred to the office. A CORRECT statement about this situation is that it represents
 1. an acceptable and well-established business practice for new businesses.
 2. an instance where the licensee's broker must authorize the arrangement.
 3. a violation of license law and regulations for both the licensee and the attorney.
 4. a violation of license law and regulations only if the licensee fails to disclose the compensation.

4. Which of the following actions by a licensee represents a violation of Connecticut Real Estate License Law?
 1. Leaving an earnest money check with an office assistant
 2. Taking continuing education courses in excess of renewal requirements
 3. Changing broker affiliation more than twice within a twelve-month period
 4. Paying an unlicensed assistant who sits open houses on a commission basis

5. In order to bring a suit for an easement by prescription in Connecticut, the person seeking the easement must have had uninterrupted use of the property for a MINIMUM of how many years?
 1. 10
 2. 15
 3. 20
 4. 25

Add one number to the following "answers" to get the correct answers to the questions.

Previous Page: General Questions

Current Page: State-specific Questions

1 = 1

1 = 3

2 = 0

2 = 0

3 = 1

3 = 2

4 = 2

4 = 3

5 = 3

5 = 1

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