

ARIZONA REAL ESTATE DEPARTMENT
SUGGESTED EDUCATIONAL CONTENT OBJECTIVES
(Real Estate Salesperson Pre-licensure Course)

School course content and instructors are required to meet the curriculum objectives as stated below:

I. REAL ESTATE STATUTES

1. Identify the sources of real estate law;
2. Explain that the Arizona real estate law consists of both Statutes and administrative rules;
3. Explain and emphasize the authority of the Department of Real Estate and its regulation of the real estate industry;
4. Describe the purpose and duties of the Real Estate Advisory Board;
5. Describe in general the requirements for licensure and the exemptions from licensure;
6. Explain direct management and supervision of real estate activities by the broker including record keeping, disposition of funds, and compensation;
7. Identify the reasons the Commissioner may deny, suspend, or revoke a license;
8. Define administrative actions and fines the Commissioner may impose;
9. Recognize the difference between the requirements of property management and general real estate brokerage;
Explain the definitions and public report requirements relating to subdivided and unsubdivided lands;
10. Explain the purpose and describe the process of the Real Estate Recovery Fund; and
11. Discuss the requirements of offering real estate timeshares.

II. COMMISSIONER'S RULES – AZ ADMINISTRATIVE CODE

1. Describe the requirements for obtaining, transferring and renewing a license, the obligation of employing brokers in supervising the activities of their licensees, and the required notices to the public;
2. Explain advertising requirements including proper identification of licensees, allowable inducements, and requirements for advertising of subdivisions and time-shares;
3. Explain the requirement of full disclosure of compensation;
4. Review the requirements for branch offices, temporary real estate broker's license and proper notifications to the department;
5. Explain and demonstrate a knowledge of the requirements covering preparation of documents and contracts, the necessity for providing copies to all parties, record keeping requirements by the broker, the broker's obligations to the public, the obligatory disclosures to the public, and the obligatory language regarding public reports and rights of rescission;
6. Explain and demonstrate a knowledge of the requirements of professional conduct of the licensee towards clients, customers, the public, and other licensees.

III. AGENCY RELATIONSHIPS AND MANAGERIAL DUTIES

1. Demonstrate and explain the concepts and definition of an agency relationship and fiduciary duties together with understanding confidentiality and due diligence, and termination of employment;
2. Discuss and demonstrate how an agency relationship could be disclosed, created, maintained and terminated. Types of employment agreements, MLS services and co-brokerage agreements
3. Identify the various types of real estate agency relationships together with the limitations an agent has when acting as the agent of the buyer / tenant, seller / landlord, or both.
4. Differentiate between “expressed agency”, “implied agency” and a “customer” or a “client”;
5. Explain the role of the broker in an agency relationship;
6. Explain that compensation is separate from the agency relationship;
7. Differentiate between material defects and material facts and explain how the agency relationship measures the “due diligence” obligations of disclosure in each instance. Explain the purpose of errors and omissions insurance.

IV. CONTRACTS AND CONTRACT LAW

1. Explain and give examples of the various types of contracts as they relate to real estate transactions;
2. Explain and give examples of the elements of a valid contract;
3. Explain the responsibilities a real estate broker has regarding contracts according to the Arizona Revised Statutes and the Commissioner’s Rules;
4. Explain some of the major concerns of a purchase contract and the consequences of not addressing them in a transaction;
5. Distinguish between the use of an assignee and the use of a nominee in a contract and indicate the risks associated with the use of each;
6. Differentiate among the methods by which a contract can be terminated;
7. Discuss the concept of breach of contract and the rights and remedies to which the parties may be entitled;
8. Differentiate between an option and a first right of refusal and indicate appropriate situations in which each could be used;
9. Illustrate and define contract terminology.
10. Explain the effect of bankruptcy on real estate transactions and legal actions.

V. PROPERTY INTERESTS, ESTATES & TENANCIES

1. Describe what interests are real property and what are personal property;
2. Define and give examples of fixtures, trade fixtures and emblements;
3. List and explain the physical and economic characteristics of land and its elements;
4. Discuss ownership of air rights and subsurface rights;
5. Define “horizontal property regimes” and describe what type of properties are included in that concept;
6. Differentiate between alternative types of housing;
7. Describe when an Affidavit of Affixture is used;
8. Explain fractional and undivided interests in land;
9. Differentiate between freehold and less-than-freehold estates;
10. List and describe the inheritable freehold estates of fee simple, and defeasible fee;
11. Explain how the Arizona Homestead Act provides protection of homeowner’s equity, the amount of protection, how a foreclosure sale by a judgement lien holder may be avoided;
12. Explain how conventional life estates are created, the rights of ownership vested in the life estates, and the rights of reversion or remainder;
13. Describe rights of ingress and egress;
14. Describe an appurtenant easement, how it is created and how it is terminated;
15. Describe in-gross easements;
16. Define prescriptive easements and easements by necessity;
17. List the concurrent co-ownership tenancies;
18. Describe community property including the legal assumption and rights to convey or encumber by contract, will or descent;
19. Explain community property with rights of survivorship, the requirements to create or terminate, and compare to other co-ownership tenancies;
20. Define “sole and separate property” how it is acquired, maintained and the disposition of interests;
21. Explain joint tenants with rights of survivorship, the legal requirements to create and the disposition of interests by sale or death;
22. Explain tenancy in common and the legal assumptions in the creation and disposition of separate interests;
23. Describe ownership interest in a cooperative and the rights to occupy and use the premises;
24. Describe the ownership of a condominium unit and the common elements, how condominiums are created;
25. Describe how an association of condominium owners is created, the bylaws, assessments, maintenance and insurance;
26. Explain the requirements of and the need for the Uniform Commercial Code and how they could impact commercial transactions.

VI. GOVERNMENTS RIGHTS IN REAL PROPERTY

1. Discuss and illustrate the four government rights in real property (P.E.T.E.);
2. Explain the concept of Eminent Domain;
3. Understand that police power is the inherent power of the state to pass to municipalities and counties the power and authority to protect the public interest and welfare of its people;
4. Discuss the government's right to tax real estate and personal property to raise funds to operate the government;
5. Explain the method of arriving at the annual property tax due for residential property, vacant land, and commercial property;
6. Identify and describe assessed value ratios;
7. Identify and describe how tax rates are obtained;
8. Explain the lien priorities of real property taxes and special assessments;
9. Discuss how a property owner is charged or assessed an improvement tax;
10. Define the State's power to escheat;
11. Define a Community Facilities District.

VII. INCOME TAX ASPECTS of REAL ESTATE

1. Describe and give examples of the classifications of income under the federal income tax regulations;
2. Demonstrate how the adjusted selling price, the adjusted cost basis, and gain or loss are computed;
3. Define the difference between capital gain and ordinary income and how they are treated for income tax purposes;
4. Define "primary residence" and list the requirements for a tax-free gain upon sale of a primary residence;
5. Define the depreciable value, the economic life, and the cost recovery (depreciation) for residential and commercial real estate properties;
6. Describe how a Section 1031 Tax Deferred Exchange can be created and how debt forgiveness and/or boot are treated for tax purposes.

VIII. WATER LAW

1. Explain and identify various terms and definitions used to discuss water law;
2. Describe the various sources of water in Arizona;
3. Describe the riparian doctrine of water rights;
4. Describe the Doctrine of Prior Appropriation and how it impacts the use of water in Arizona;
5. Explain the history and describe the impact of the 1980 Groundwater Code on real estate transactions in Arizona;
6. Differentiate between an Active Management Area and an Irrigation Non-expansion Area;

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7. Differentiate among the various types of grandfathered water rights and describe the impact of required permits and transferable rights on real estate transactions;
8. Differentiate between “an assured water supply” and “an adequate water supply”;
9. Describe and discuss exempt domestic wells in an AMA and how they are registered and transferred;
10. Explain the Central Arizona Groundwater Replenishment District
11. Discuss the adjudication of Indian Tribe Claims

IX. ENVIRONMENTAL LAW

1. List the federal and Arizona environmental regulatory agencies;
2. Describe the purpose and regulatory authority of the Arizona Department of Environmental Quality;
3. Describe federal and state environmental laws, Superfund and WQARF sites;
4. Describe the public health concerns and economic impacts of current issues (hot topics) on real estate;
5. List and discuss the liabilities under the superfund laws; and
6. Discuss the concept of environmental due diligence and disclosures by a real estate licensee and list the sources of information regarding contaminated properties.
7. Describe common adverse environmental conditions.

X. LAND DESCRIPTIONS

1. Explain the basic methods of legally describing property;
2. Discuss the necessity of obtaining and using a correct legal description;
3. Define the various land units and measurements used in describing real property;
4. Define and discuss recorded plat (lot & block) descriptions, metes and bounds descriptions and Rectangular Survey descriptions;
5. Discuss the Assessor’s identification process; and
6. Demonstrate by exercises an understanding of the legal description process.

XI. LAND DEVELOPMENT AND ZONING

1. Discuss and define various land-planning terminology;
2. Define a Planned Unit Development (PUD);
3. Discuss the Interstate Land Sales Act;
4. Explain and discuss the new home sales process.

XII. ENCUMBRANCES

1. Identify the various types of encumbrances; Explain the differences between liens and other types of encumbrances;
2. List the classifications of liens;
3. Discuss mechanic’s liens and their impact on real estate;
4. Discuss the practical concerns of liens as they appear on a preliminary title report.

XIII. ACQUISITION AND TRANSFER OF TITLE

1. Identify and describe the various forms of deeds and their essential elements;
2. Explain recordation and why it is important in a real property transaction;
3. Give examples of constructive notice and actual notice;
4. Explain adverse possession and list the requirements for its creation and prevention;
5. Discuss land use control through deed restrictions;
6. Define the term encroachment and give examples;
7. Define and discuss the four common methods by which “title” may be transferred;
8. Define and discuss the term “title” as it pertains to real estate;
9. List and describe the different types of title insurance policies; and
10. Explain the purpose for title insurance and title examination procedures including a chain of title, preliminary title report.

XIV. ESCROW AND SETTLEMENT

1. Define the term closing/escrow settlement as it relates to a real estate transaction;
2. Identify the participants in closing and describe who is authorized to perform the escrow services;
3. Identify and describe the duties of the escrow officer including Internal Revenue Service requirements in the closing process, FIRPTA and 1099 reporting;
4. Identify and describe the significant elements of a closing statement including purchase price and earnest money deposit, financing, loan payoffs, closing costs, prorations, sales commissions, buyers cash requirements and sellers proceeds along with the appropriate debit/credit; and
5. Describe RESPA and its effect on settlement procedures;
6. Describe the requirements for escrow to disburse commissions directly to salespersons.
7. Discuss the concept of a double escrow.

XV. FAIR HOUSING AND AMERICANS WITH DISABILITIES ACT

1. Deliver a brief history and development of civil rights and fair housing legislation as they evolved in America;
2. Explain the rationale for fair housing law, and recognize the importance of its development at both the federal and state levels;
3. Identify prohibited practices under the law;
4. List the protected classes under the civil rights and fair housing law;
5. List and explain the exemptions from the law and the limitations on the exempt entities;
6. Explain the enforcement provisions;
7. Explain and list the requirements and restrictions on advertising property;
8. Explain the effect of the law on purchase and rental transactions and its impact on the way real estate business is conducted;
9. Explain the Americans With Disabilities Act, and recognize its impact on the way real estate business is conducted; and

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10. Identify conflicts between local CC&R's/deed restrictions and the provision of fair housing statute. Know which takes precedence, and how disparities can be resolved.

XVI. LEASES AND LEASEHOLD ESTATES

1. Explain the basic types of leasehold interests as they relate to landlord/tenant relationships;
2. Explain the concept and rights of a leasehold estate and the essential elements of a valid and enforceable lease in Arizona;
3. Identify the various types of lease/rental agreement payment plans by manner of rent calculation;
4. Identify lease/rental agreement variables, such as the indices to which adjustments are tied;
5. Describe the elements of a commercial lease, including lease Clauses, methods of rent calculation and payment, distraint, and lease pass through and participation;
6. Differentiate between an assignment of a lease and subleasing, and identify the potential limitations on either;
7. Explain the ways in which a leasehold interest may be terminated by the parties to lease;
8. Differentiate between residential and commercial leases regarding occupancy and use, transfer of a leasehold interest, common area maintenance, and insurability of premises and inventory;
9. Describe how foreclosure affects a leasehold interest; explain non-disturbance provisions;
10. Define excess rent, positive and negative leaseholds.

XVII. ARIZONA RESIDENTIAL LANDLORD AND TENANT ACT

1. Describe property types not covered by the Arizona Residential Landlord and Tenant Act;
2. List the obligations of a landlord and;
3. Identify prohibited acts of the landlord;
4. Explain ways in which the rental relationship may be terminated.

XVIII. PROPERTY MANAGEMENT

1. List the essentials of a valid property management agreement;
2. Describe the requirements for placing funds received under employment as property managers into trust accounts;
3. Describe the record keeping requirements under a property management employment agreement,
4. List the exemptions from real estate license requirements for residential and nonresidential property management;
5. Explain the agency relationship between the property owner and the property managers;

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5. List the duties and responsibilities of a property manager;
6. Discuss the requirement for Arizona Residential Rental Property Registration per ARS 33-1902

XIX. PROPERTY INSURANCE & WARRANTIES

1. Discuss the different types of insurance related to real estate;
2. Explain the difference between insurance and warranties;
3. Explain the purpose of flood insurance;
4. Describe and explain a claims history report;
5. Define types of business insurance
6. Explain the concept of home warranties.

XX. APPRAISAL

1. Define appraisal and competitive market analysis and differentiate between them;
2. List and discuss the four components of value and differentiate between them;
3. Define objective value and subjective value and differentiate between them;
4. Define market value and market price and differentiate between them;
5. Identify and discuss the different types of value;
6. Define and give examples of each of the principles of value used in real estate appraisal;
7. Explain and illustrate the appraisal ordering process;
8. Identify and discuss the three approaches to value in real estate appraisal;
9. Discuss and be able to use the steps taken in the sales comparison analysis approach to value;
10. Discuss and be able to use the steps taken in the cost approach to value;
11. Identify and distinguish between reproduction cost and replacement cost;
12. Identify and describe the three types of depreciation;
13. Illustrate the steps taken in the income capitalization approach to value;
14. Explain and illustrate the formulas for and distinguish between capitalization rates and a gross rent multiplier;
15. Describe the reconciliation process;
16. Describe basic appraiser licensing requirements, appraiser regulation and the appraiser licensing authority in his or her jurisdiction.

XXI. PRIMARY & SECONDARY MARKETS/FINANCING CONCEPTS

1. Identify the sources of funds and types of loans available in the primary market;
2. Differentiate between a mortgage bank and a mortgage broker;
3. Identify the entities that operate in the secondary market and discuss their interaction and effect on the primary market; and
4. Identify and discuss the advantages and disadvantages of different types of loans and loan clauses.

XXII. RESIDENTIAL & COMMERCIAL FINANCING

1. Define and describe the types of residential financing programs in terms of their similarities and differences;
2. Describe and discuss FHA, VA and Conventional Loans
3. Identify various types of assumptions;
4. Explain the risks involved to a seller and buyer using seller financing;
5. Explain the impacts of Truth in Lending and RESPA on a residential real estate loan;
6. Explain the provisions of the Equal Credit Opportunity Act;
7. Discuss and give examples of the various types of commercial loans;
8. Discuss and give examples of the various sources of commercial loans;
9. Identify and explain the need for various tools of financial analysis used in commercial lending;
10. Explain the advantage and risks associated with seller financing in commercial transactions.
11. Define and discuss commercial financing terminology.

XXIII. FINANCING DOCUMENTS

1. Distinguish between lien theory and title theory and explain why lien theory is used in Arizona;
2. Differentiate between pledging property and hypothecation property and which must be used for real estate;
3. Describe the characteristics of promissory notes including debt obligation, borrower liability and types of repayment methods;
4. Describe collateral documents, the essential elements of the instruments and their relationship to the promissory note; and
5. Explain the anatomy of the three collateral documents – mortgages, deeds of trust, and agreements for sale (land contracts), understanding their purpose function, advantages and disadvantages.

XXIV. DEED of TRUST FORECLOSURE

1. Explain and illustrate the foreclosure or forfeiture options available to lenders or sellers in Arizona under a mortgage, deed of trust, or agreement for sale;
2. Explain and illustrate the judicial foreclosure process and the timeframes involved;
3. Define a deed-in-lieu of foreclosure and its benefits and drawbacks;
4. Understand the process of foreclosing a deed of trust under a non-judicial trustee's sale;
5. Explain and illustrate the forfeiture process a seller may use under an agreement for sale;
6. Explain and illustrate the post-foreclosure remedies including deficiency judgments and anti-deficiency statutes; and
7. Explain the rights of junior lien holders when a prior lien is being foreclosed and the proper allocation of foreclosure proceeds;

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8. Discuss distressed property transactions.

XXV. DISCLOSURE AND CONSUMER PROTECTION

1. Explain the consumer privacy laws that apply to real estate transactions;
2. Discuss mandatory disclosures required by Arizona statute or commissioner's rules;
3. Discuss the situations in which licensed contractors must be used to make improvements to a property slated for re-sale or lease.

XXVI. MATH

1. Solve proration/settlement sheet problems;
2. Perform appreciation and depreciation calculations;
3. Perform property tax calculations based upon full cash value;
4. Compute net proceeds and the sale price necessary to produce a given net amount;
5. Perform loan calculations consistent with the principles presented in the financing section of the course;
6. Compute area;
7. Perform the mathematics associated with appraisal. The calculations would be reinforced in the appraisal section. Capitalization concepts would be covered more completely in the broker's course than in the salesperson's course;
8. Deal with various other concepts that are introduced elsewhere in the class such as capital gains and other income tax computations, land description questions, new loan fees and insurance;
9. Calculate commissions; and
10. Calculate acreage based on land description.

XXVII. COOPERATIVE NATURE OF REAL ESTATE

1. Discuss professional associations, their structure, purpose and professional designations;
2. Explain the purpose of the Sherman Anti-Trust Act, application and enforcement;
3. Discuss related areas in real estate such as licensed contractors, home inspectors, lenders, escrow and title insurance companies, etc.