A Look Inside Rockwell's Instructor Materials

Real Estate Principles

Rockwell's instructor materials provide innovative tools to complement the high-quality content of our textbooks and online courses. Our instructor materials for *Real Estate Principles* contain helpful resources for teachers and students alike.

For the instructor:

- Clearly written learning objectives and lesson plans for each chapter
- Comprehensive outlines to help instructors focus on key topics
- Exercises to assess student learning throughout each lesson
- Cumulative quizzes with detailed answer keys
- PowerPoint presentations to enhance classroom lectures

For the student:

- Active exercises that help students apply new concepts, including:
  - Hands-on exercises that improve their professional skills
  - Role playing exercises that deal with "real world" situations and transactions
  - Critical thinking exercises and discussions that involve legal, regulatory, and ethical issues (and relevant "do's and don'ts")

The following excerpts will give you an idea of the quality you can expect.

Learning Objectives

After completing this lesson, students should be able to…

Define the terms "encumbrance" and "lien"

Distinguish a mortgage from a deed of trust

Summarize the role of mechanic's liens, judgment liens, and attachment liens

Illustrate how lien priority works

Explain the purpose of homestead laws and the homestead exemption

Contrast easements appurtenant with easements in gross

Describe how easements can be created and terminated

Differentiate between an easement, a license, and a profit

Discuss how private restrictions can be created and terminated

Compare the consequences of violating a covenant and a condition

(For Chapter 5, "Encumbrances")

Suggested Lesson Plan

1. Give students Exercise 14.1 to review the previous chapter, "Real Estate Appraisal."
2. Provide a brief overview of Chapter 14, "Closing Real Estate Transactions," and review the learning objectives for the chapter.
3. Present lesson content:
   - Closing and Escrow
     - Process
     - Termination
   - Closing Costs and Settlement Statements
     - Buyer and seller debits and credits
     - Prorations
     - Cash at closing

   EXERCISE 14.2 Prorations and interest calculations

   - Income Tax Aspects of Closing
     - Form 1099-S reporting
     - Foreign Investment in Real Property Tax Act
   - Real Estate Settlement Procedures Act
     - Transactions covered
     - RESPA requirements
     - Uniform Settlement Statement

   EXERCISE 14.3 What is a kickback?

4. End lesson with Chapter 14 Quiz.

(For Chapter 14, "Closing Real Estate Transactions")

Chapter 18 Outline: Home Ownership and Construction

I. To Rent or To Buy?
   A. Advantages of renting include less financial commitment, less financial risk, easier mobility, no need to perform maintenance and repairs, and access to amenities
   B. Advantages of buying include long-term security, privacy and freedom from restrictions, stable monthly payments, appreciation of the investment, and tax advantages (such as mortgage interest deduction)
   C. Real estate agents may use worksheets to show prospective buyers the net costs of renting and buying (taking into account increases in equity and income tax deductions)

EXERCISE 18.2 Renting vs. buying

II. Factors to Consider When Choosing a Home
   A. Types of housing
      1. A buyer may choose between single-family homes, mobile homes, townhouses, duplexes, condominiums, cooperatives, planned use developments, or mixed use developments
   B. Neighborhood considerations
      1. A buyer should consider the neighborhood's percentage of home ownership, conformity, land use changes, presence of streets and sidewalks, availability of utilities and public services, school district, and overall property values
   C. The home
      1. A buyer should consider the site and view, the architectural style of the house, the exterior appearance, the plumbing, electrical, and HVAC systems, energy-efficient features, and overall interior design
      2. Possible environmental hazards that should be considered include asbestos, urea formaldehyde, radon, lead-based paint, underground storage tanks, water contamination, illegal drug manufacturing, mold, and geologic hazards

EXERCISE 18.3 Neighborhood and home considerations

III. Property Insurance
   A. A homeowner (the insured) pays premiums to an insurance company (the insurer) in exchange for a promise to reimburse the insured for losses caused by specific perils
   B. The insurer will usually pay the replacement cost of the damage (or alternately the cash value of the loss)
   C. The most common homeowner's policy is the basic form; others include the special form, tenant's form, comprehensive form, condominium unit owner's form, mobile home form, and older homes form
   D. Flooding is excluded as a peril from most homeowner's policies, but affordable flood insurance for homeowners in flood-prone areas is available through the National Flood Insurance Act
   E. Home warranties are not insurance policies, but protect owners against defects in a home's utilities or systems

(Excerpt of outline for Chapter 18, "Home Ownership and Construction")

EXERCISE 2.2 Transfer of air rights

Discussion Prompt: In the 1980s, New York City faced a problem: owners of low-rise vintage buildings were tearing down these landmarks to build more profitable high-rise structures. To slow this trend, the city passed an ordinance allowing these owners to sell the right to develop the airspace over their buildings to developers of new buildings who wanted to exceed height limits. For instance, the owner of an old five-story building in a part of the city zoned for 30-story buildings could sell the right to build 25 additional stories to a developer who wanted to build in an area limited to 50-story buildings. By paying the owner of the old building for a so-called "transfer of development rights," the developer could then build a 75-story building. A real life example involving a transfer of development rights is Trump Tower, which was built higher than the zoning allowed by using air rights purchased from a neighbor, Tiffany & Co., a vintage building with comparatively few stories. Do TDR programs seem like a good idea?

Analysis: While transfer of development rights can help owners of historic buildings maintain profitability, what about the neighbors of the new buildings built in excess of height limits—limits enacted to promote neighborhood conformity and livability? This drawback may help explain why only a few U.S. cities and counties have implemented TDR programs.

(For Chapter 2, "The Nature of Real Property")

Chapter 14 Quiz

1. Which of the following events would terminate an escrow?
    a. Death or incapacity of a party
    b. Revocation of the escrow instructions by the broker
    c. Mutual agreement of the parties
    d. Withdrawal from escrow by either party

2. Under the Real Estate Settlement Procedures Act, a lender must provide the borrower with:
    a. a Uniform Settlement Statement
    b. a property disclosure statement
    c. the loan's annual percentage rate
    d. certified copies of buyer and seller closing statements

3. Which of the following would not be prorated at closing on the sale of a rental property?
    a. Prepaid property taxes
    b. Interest on seller's existing loan
    c. Security deposit
    d. Interest on buyer's new loan

4. The buyer's good faith deposit appears on the settlement statement as a:
    a. debit for the buyer, and as a credit for the seller
    b. credit for the buyer, and as a debit for the seller
    c. credit for the buyer only
    d. debit for the buyer only

Answer Key

1. C. The only ways an escrow may terminate are when the transaction closes, when the termination date is reached (or a reasonable amount of time passes, if no termination date is specified), or by mutual agreement of the parties.

2. A. RESPA requires that a lender give the borrower a Uniform Settlement Statement.

3. C. A security deposit would not be prorated at closing, as it must continue to be held in trust. It would simply pass from seller to buyer.

4. C. The good faith deposit appears on the settlement statement as a credit for the buyer. Since the full purchase price has already been credited to the seller, there is no mention of the good faith deposit on the seller's side.

(Excerpt of quiz for Chapter 14, "Closing Real Estate Transactions")