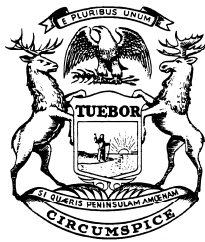




PSI licensure:certification
 3210 E Tropicana
 Las Vegas, NV 89121
 www.psiexams.com

*Before paying for
 your examination registration,
 be sure you understand
 the contents of this bulletin.
 Please retain and use it as a reference
 when contacting PSI.*

**Michigan Department of Energy, Labor & Economic Growth
 Real Estate Licensing
 Salesperson and Broker Examinations**



CANDIDATE INFORMATION BULLETIN

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Please refer to our website to check for the most updated information at www.psiexams.com.

EXAMINATIONS BY PSI licensure:certification

This Candidate Information Bulletin provides you with information about the examination process for becoming licensed as a Real Estate Salesperson or Broker in the State of Michigan.

The Michigan Department of Energy, Labor & Economic Growth (referred to as the Department) has contracted with PSI licensure:certification (PSI) to conduct the examination program. PSI works closely with the Department to make certain that these examinations meet the State's as well as nationally established technical and professional standards for examination development and administration. PSI provides these examinations through a network of computer examination centers in Michigan.

VERY IMPORTANT
PRIOR TO TESTING

LICENSE APPLICATION INFORMATION

Before applying to PSI to take your Real Estate SALESPERSON licensing examination you must first access the State of Michigan's iCOLA website located at www.michigan.gov/iCOLA and apply for licensure.

Upon authorization by the Department to test, you may proceed with the Examination Registration and Scheduling process. The Department will electronically submit your authorization to test information to PSI.

Real Estate BROKER licensing examination candidates must continue to complete and file the PSI examination registration form, found at the back of this bulletin. Brokers do NOT need to apply to the state before testing. Also there is no education requirement prior to testing.

Only the State of Michigan may determine your eligibility for a license.

For questions about licensure requirements, please access the State of Michigan Real Estate web page at www.michigan.gov/realestate.

EXAMINATION FEE

Examination Fee	\$72
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NOTE: REGISTRATION/EXAMINATION FEES ARE NOT REFUNDABLE. FEES EXPIRE AFTER ONE YEAR OF REGISTERING. Your examination fee will be forfeited if you do not test within 1 year of the date your examination fee is received by PSI.

SCHEDULING AN APPOINTMENT TO TAKE THE EXAMINATION

SALESPERSON candidates: Once the State of Michigan has authorized your eligibility, you are responsible for contacting PSI to schedule an appointment to take the examination.

BROKER candidates: Once PSI has processed your registration form (approximately 2 weeks for first-time candidates) you are responsible for contacting PSI to schedule an appointment to take the examination.

PSI will make every effort to schedule the examination site and time that is most convenient for you.

You may schedule for an examination via the Internet 24 hours a day, or by using a touch-tone phone. If space is available in the examination site of your choice, you may schedule an examination 1 day prior to the examination date of your choice, up to 7:00 p.m. ET. Please be prepared to offer alternate examination appointment choices.

■ ON-LINE (www.psiexams.com)

Upon completing the on-line registration, send it to us via the Internet. You will be given available dates for scheduling your examination. Examination fee must be paid by a valid VISA or MasterCard.

■ MAIL (PSI, 3210 E Tropicana, Las Vegas, NV 89121)

Send the completed registration form to the above address. Allow 2 weeks for processing before scheduling the examination date. Examination fee must be paid by a MasterCard, VISA, money order or cashier's check (made payable to PSI and must contain the last 4 digits of the applicant's social security number). CASH, COMPANY CHECKS, AND PERSONAL CHECKS, ARE NOT ACCEPTED FOR MAIL-IN REGISTRATIONS.

■ FAX (702-932-2666)

Fax completed registration form to PSI. Allow 4 business days for processing before contacting PSI to schedule the examination. Examination fee must be paid by a valid VISA or MasterCard.

■ PHONE (800-733-9267)

Contact a PSI registrar by telephone. You will be given available dates for scheduling your examination. Examination fee must be paid by a valid VISA or MasterCard.

EXAMINATION REGISTRATION PAYMENT AND SCHEDULING PROCEDURES

You must pay for the examination at the time you register.

SALESPERSON candidates may register for the examination and pay the examination fee on-line, by mail, fax or telephone.

BROKER candidates: If this is a first time registration, you must mail or fax the registration form. Please allow 2 weeks for processing your initial registration form before attempting to schedule an examination appointment. Subsequent registrations may be made on-line, by mail, fax or phone.



CANCELING AN EXAMINATION APPOINTMENT

You may cancel and reschedule an examination appointment without forfeiting your fee *if your cancellation notice is received 2 days prior to the scheduled examination date.* For example, for a Monday appointment, the cancellation notice would need to be received on the previous Saturday. You may call PSI at (800) 733-9267. Please note that you may also use the automated system, using a touch-tone phone, 24 hours a day in order to cancel and reschedule your appointment.

Note: A voice mail message is not an acceptable form of cancellation. Please use the internet, automated telephone system, or call PSI and speak to a Customer Service Representative.

MISSED APPOINTMENT OR LATE CANCELLATION

If you miss your appointment, you will not be able to take the examination as scheduled, further you will forfeit your examination fee, if:

- You do not cancel your appointment 2 days before the scheduled examination date;
- You do not appear for your examination appointment;
- You arrive after examination start time;
- You do not present proper identification when you arrive for the examination.

SPECIAL EXAMINATION ARRANGEMENTS

All examination centers are equipped to provide access in accordance with the Americans with Disabilities Act (ADA) of 1990, and every reasonable accommodation will be made in meeting a candidate's needs. Applicants with disabilities requesting special testing arrangements must fill out the special arrangement request form found at www.psiexams.com. Select Michigan, and the license type, and the form will be found under "Information Links." A copy of this form may also be obtained by phoning 1-800-733-9267. You will need to fax this form and supporting documentation to (702) 932-2666.

Candidates applying for assistance other than an ADA accommodation must contact PSI in writing. Any costs associated with a non-ADA accommodation will be paid by the candidate.

EXAMINATION SITE CLOSING FOR AN EMERGENCY

In the event that severe weather or another emergency forces the closure of an examination site on a scheduled examination date, your examination will be rescheduled. PSI personnel will attempt to contact you in this situation. However, you may check the status of your examination schedule by calling (800) 733-9267. Every effort will be made to reschedule your examination at a convenient time as soon as possible. You will not be penalized. You will be rescheduled at no additional charge.

SOCIAL SECURITY NUMBER CONFIDENTIALITY

PSI will use your social security number only as an identification number in maintaining your records and

reporting your examination results to the state. Both Federal and State law requires state agencies to collect and record the social security numbers of all licensees of the professions licensed by the state. **You must include your Social Security Number on the registration form.** This number is required by the Department in order to issue you a license. Your Social Security Number is held in the strictest of confidence.

EXAMINATION REVIEW

PSI, in cooperation with the Department, will be continually evaluating the examinations being administered to ensure that the examinations accurately measure competency in the required knowledge areas. Comments may be entered on the computer keyboard during the examination. Your comments regarding the questions and the examinations are welcomed. Comments will be analyzed by PSI examination development staff. While PSI does not respond to individuals regarding these comments, all substantive comments are reviewed. If an error affecting examination results is discovered, which occurs very rarely, the examination results of all affected candidates will be automatically adjusted. **This is the only review of the examination available to candidates.**

EXAMINATION SITE LOCATIONS

Holt-Lansing Examination Center

4202 Charlar Drive, Suite 1

Holt, Michigan 48842

Follow I-496 E, which becomes US-127 S. Take the Holt Rd exit 70. Turn right onto Holt Rd. Turn left onto Cedar St. Turn right onto Charlar Dr.

Southfield (Detroit area) Examination Center

Crossroads Building

16250 Northland Drive, Suite 361

Southfield, MI 48075

From I-75 North and South, exit West 8 Mile Rd. Cross the Lodge Fwy (Hwy 10). Turn right on Northland Drive. Northland Drive is next to the Northland Shopping Center.

From Southfield Fwy North and South, exit East 8 Mile Rd. Go east on 8 Mile to Northland Drive. Northland Drive is next to the Northland Shopping Center

Grand Rapids Examination Center

4595 Broadmoor, Suite 201

Grand Rapids, MI 49512

From I-96, exit East Beltline Avenue and proceed south approximately 4 miles. Once you pass 28th Street, Beltline becomes Broadmoor. Continue South an additional 2 miles. The examination center is just south of 44th Street on the right.

From US-131, take exit 77 (M6 the new highway) East toward Lansing. Take exit 15 (M37/Broadmoor), head North (Left) on Broadmoor. The examination center is on the left in the Kentwood Corporate Complex.

Gaylord Examination Center

440 W. Main St., Suite D

Gaylord, MI 49735

From I-75 North take exit #282 / M-32 toward



Alpena/Gaylord. Turn Right on W Main St (M-32) and go a little less than half a mile. 440 W. Main St. is on the left hand side of the road, in the Alpine Executive Center. (Turn at "Brothers Coffee & Tea" which faces Main Street. The building is at the corner of Main and Illinois.)

Marquette Examination Center
Mid Towne Office Complex
1229 W. Washington
Marquette, MI 49855

Complex is across the street from Shopko. Enter the building on the left, and go up the stairs. Go left at the top of the stairs, suite is at the end of the hall on the right.

REPORTING TO THE EXAMINATION SITE

On the day of the examination, you should arrive at least 30 minutes prior to your scheduled appointment time. This allows time for sign-in and identification verification and provides time to familiarize yourself with the examination process. *If you arrive late, you may not be admitted to the examination site and you will forfeit your examination registration fee.*

REQUIRED IDENTIFICATION AT EXAMINATION SITE

You must provide 2 forms of identification. One must be a VALID form of government issued identification (driver's license, state ID, passport, military ID), which bears your signature and has your photograph. The second ID must have your signature and preprinted legal name. All identification provided must match the name on the Examination Registration Form.

If you cannot provide the required identification, you must call (800) 733-9267 at least 3 weeks prior to your scheduled appointment to arrange a way to meet this security requirement. *Failure to provide all of the required identification at the time of the examination without notifying PSI is considered a missed appointment, and you will not be able to take the examination.*

SECURITY PROCEDURES

The following security procedures apply during examinations:

- No children, notes, books, briefcases, backpacks, hats, cellular telephones, or pagers are allowed in the examination area. (Note: There is no space to store these materials at the examination center.) Small purses (size of a wallet) will be permitted. Larger purses cannot be taken to the candidate's seat.
- No smoking, eating, or drinking is allowed in the examination center.
- Only calculators that are silent, battery-operated, do not have paper tape printing capabilities, and do not have a keyboard containing the alphabet are permitted.
- Once you have been seated and the examination begins, you may leave the examination center only to use the restroom, and only after obtaining permission from the proctor. You will not receive extra time to complete the examination.

- Any candidate seen giving or receiving assistance, found with unauthorized materials, or who violates any security regulations will be asked to surrender all examination materials and to leave the examination center. All such instances will be reported to the Department and you may be denied licensure.
- Copying or communicating examination content is a violation of security regulations and may result in the cancellation of your examination results or legal action taken under copyright laws.

IMPORTANT NOTICE FOR ALL CANDIDATES

Due to many complaints from the buildings' tenants, PSI (and the properties which house the PSI test centers) cannot accommodate any individuals other than the person who is being tested.

PSI understands that test candidates are often comforted by having guests accompany them to their exams. It may also be necessary for a guest to drive the candidate to the test center. However, incidents from previous guests have prompted warnings from Property Management. For this reason, PSI has adopted the following policy concerning guests.

"Person(s) accompanying a test candidate may not wait in the test center, inside the building or on the building's property. This applies to guests of any nature, including drivers, children, friends, family, colleagues or instructors."

There are facilities nearby such as shopping malls, stores or restaurants where guests may go while the candidate takes a test. Please take the time to visit those locations instead of waiting in or around the building.

Also of note, many candidates have been arriving hours before their scheduled exam time. This is not necessary. Please plan to arrive no earlier than 30 minutes before the start-time of your exam. This will provide plenty of time for check-in.

Thank you for your understanding and for your cooperation.

TAKING THE EXAMINATION BY COMPUTER

Taking the PSI examination by computer is simple. You do not need any computer experience or typing skills. You will use fewer keys than you use on a touch-tone telephone. All response keys are colored and have prominent characters. An illustration of the special keyboard is shown next.



SCORE REPORTING

Candidates passing the examination will receive ONLY a score indication of PASS. Passing numeric scores are not available. Candidates who do not pass will receive an individual score for each of the major sections in the examination outline. Candidates should use this information to assist them in studying for the re-examination.

When you have passed the examination required for the desired license, you will receive your passing score report at the examination site.

ON-SITE LICENSURE

Salesperson Candidates: Only the State of Michigan may determine your eligibility for a license. Prior to testing, the State of Michigan will determine your eligibility to receive a license on-site, immediately upon passing the required examination. If you are deemed eligible for an on-site license, one will be given to you at the examination site.

Broker Candidates: At this time, on-site licensure is NOT available to broker candidates.

DUPLICATE FAILED SCORE REPORT

You can write to PSI, within 30 days of taking the examination, to request a duplicate of your failed score report. After 30 days there will be a fee for a duplicate score report of \$10. *Money Order or cashier's check ONLY.*

VERIFICATION OF FAILED SCORE

If you receive a failing score on the examination, you may request that the examination be re-scored for verification of the score.

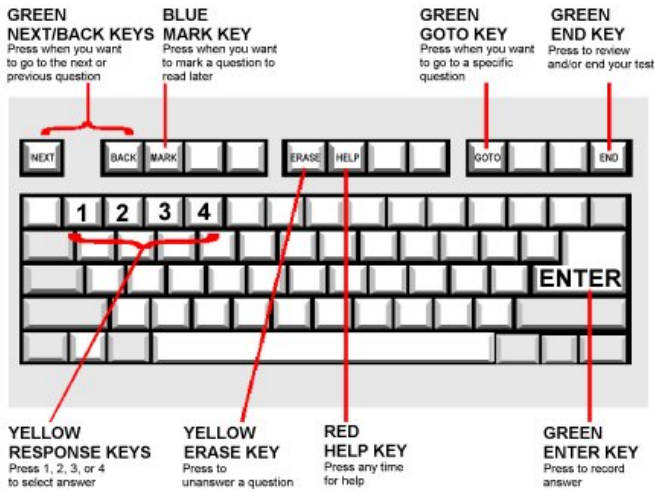
Re-scoring of computer based examinations **WILL NOT** include any verification of the content of an examination, or the content or accuracy of specific items received by the candidate. Re-scoring of computer based examinations also will not include any investigation of comments about items entered by the candidate during administration of the examination.

You can write to PSI to request the re-scoring of your failing examination. Please include your name, social security number, and date of the test.

TIPS FOR PREPARING FOR YOUR LICENSE EXAMINATION

The following suggestions will help you prepare for your examination.

- Planned preparation increases your likelihood of passing.
- Start with a current copy of this Candidate Information Bulletin and use the examination content outline as the basis of your study.
- Read study materials that cover all the topics in the content outline.
- Take notes on what you study. Putting information in writing helps you commit it to memory and it is also an



IDENTIFICATION SCREEN

You will be directed to a semiprivate testing station to take the examination. When you are seated at the testing station, you will be prompted to confirm your name, identification number, and the examination for which you are registered.

TUTORIAL

Before you start your examination, an introductory tutorial to the computer and keyboard is provided on the computer screen. The time you spend on this tutorial, up to 15 minutes, DOES NOT count as part of your examination time. Sample questions are included as part of the tutorial so that you may practice using the keys, answering questions, and reviewing your answers.

One question appears on the screen at a time. During the examination, minutes remaining will be displayed at the top of the screen and updated as you record your answers.

EXAMINATION QUESTION EXAMPLE

During the examination, you should press 1, 2, 3, or 4 to select your answer or press "MARK" to mark it for later review. You should then press "ENTER" to record your answer and move on to the next question. A sample question display follows:



IMPORTANT: After you have entered your responses, you will later be able to return to any question(s) and change your response, provided the examination time has not run out.



excellent business practice. Underline or highlight key ideas that will help with a later review.

- Discuss new terms or concepts as frequently as you can with colleagues. This will test your understanding and reinforce ideas.
- Your studies will be most effective if you study frequently, for periods of about 45 to 60 minutes. Concentration tends to wander when you study for longer periods of time.

EXAMINATION STUDY MATERIALS

The following is a list of possible study materials for the real estate examinations. Use the latest edition available. Except for the Michigan Laws and Administrative Rules, neither the Department nor PSI endorses any of the materials listed. However, we try to ensure that the references are currently available and consist of recognized industry standards. Information from the suggested study materials listed here takes precedence over information from all other sources or persons. This is only a sample of the available reference materials that contain information about the professions. These materials contain neither all of the general trade knowledge required to be competent in any specific area nor all of the information on which you will be tested. Please contact a pre-license education provider, community college, currently practicing real estate broker, or other specialists in the profession for additional information or reference material.

These examinations are CLOSED BOOK, reference materials are not allowed in the examination center.

- *Real Estate Fundamentals*, 7th Edition, 2007, Gaddy and Hart, Dearborn Real Estate Education, 30 S. Wacker Drive, Chicago, IL 60606-7481, (800) 972-2220, www.dearbornRE.com, ISBN 0793164710
- *Modern Real Estate Practice*, 17th Edition, 2006, Galaty, Allaway, & Kyle, Dearborn Real Estate Education, , 30 S. Wacker Drive, Chicago, IL 60606-7481, (800) 972-2220, www.dearbornRE.com, ISBN 0793144280
- *Real Estate Principles & Practices*, 8th Edition, 2009, Arlyne Geschwender, South-Western, a division of Thomson Learning, 5191 Natorp Blvd., Mason, OH 45040, (800) 730- 2214, www.swcollege.com, ISBN 0324187475
- *Real Estate Law*, 7th Edition, 2009, Karp and Clayman, Dearborn Real Estate Education, 30 S. Wacker Drive, Chicago, IL 60606-7481, (800) 972-2220, www.dearbornRE.com, ISBN 0793149568
- *Real Estate Principles*, 9th Edition, 2003, Charles Jacobus, South-Western, a division of Thomson Learning, 5191 Natorp Blvd., Mason, OH 45040, (800) 730-2214, www.swcollege.com, ISBN 0324143877 (10th Ed. In preparation)
- *The Language of Real Estate*, 6th Edition, 2006, John Reilly, Dearborn Real Estate Education, 30 S. Wacker Drive, Chicago, IL 60606-7481, (800) 972-2220, www.dearbornRE.com, ISBN 0793131936
- *Michigan Real Estate Law and Practice: A Contemporary Guide to a Changing Industry*, Version 6, Waller, J.D., Jack, K. Madison Heights, MI, Ritam Press, Ltd.
- *Real Estate Law Book*, February 2007, Occupational Code, Related Statutes and Related Rules relating to

the operations of real estate brokers and salespersons, available at:
www.michigan.gov/realestate.

DESCRIPTION OF EXAMINATIONS

EXAMINATION SUMMARY TABLE

Examination	# of Questions	Passing % Score	Passing Raw Score	Time Allowed
Salesperson	110	70	77	180 minutes
Broker	110	75	83	180 minutes

PRETEST ITEMS

In addition to the number of examination items specified, a small number of five to ten “pretest” questions may be administered to candidates during the examinations. These questions will not be scored and the time taken to answer them will not count against examination time. The administration of such non-scored experimental questions is an essential step in developing future licensing examinations.

CONTENT OUTLINES

The examination content outlines have been prepared and are periodically updated by committees of professionals who are subject matter experts in real estate practice, real estate instruction, and regulatory issues. The examination content outlines these professionals have prepared identify areas of importance to licensees in order for them to perform their duties to the public in a competent and legally responsible manner.

Use the outline as a guide for pre-examination review course material. The outlines list the topics that are on the examination and the number of questions for each topic. Do not schedule your examination until you are familiar with the topics in the outline.

(REAL ESTATE PRINCIPLES AND PRACTICES)

CONTENT OUTLINE

Property Ownership (Salesperson 6 Items, Broker 5 Items)

1. Classes of Property
 - a. Real versus Personal Property
 - b. Defining Fixtures
2. Land Characteristics and Legal Descriptions
 - a. Physical Characteristics of Land
 - b. Economic Characteristics of Land
 - c. Types of Legal Property Descriptions
 - d. Usage of Legal Property Descriptions
3. Encumbrances
 - a. Liens (Types and Priority)



- b. Easements and Licenses
- c. Encroachments
- 4. Types of Ownership**
 - a. Types of Estates
 - b. Forms of Ownership
 - c. Leaseholds
 - d. Common Interest Properties
 - e. Bundle of Rights

5. Physical Descriptions of Property

- a. Land and Building Area
- b. Basic Construction Types and Materials

Land Use Controls and Regulations (Salesperson 5 Items, Broker 5 Items)

1. Government Rights in Land

- a. Property Taxes and Special Assessments
- b. Eminent Domain, Condemnation, Escheat
- c. Police Power

2. Public Controls Based in Police Power

- a. Zoning and Master Plans
- b. Building Codes
- c. Environmental Impact Reports
- d. Regulation of special land types (floodplain, coastal, etc.)

3. Regulation of Environmental Hazards

- a. Abatement, mitigation and cleanup requirements
- b. Contamination levels and restrictions on sale or development of contaminated property
- c. Types of hazards and potential for agent or seller liability.

4. Private Controls

- a. Deed Conditions or Restrictions
- b. Covenants (CC&Rs)
- c. HOA Regulations

Valuation and Market Analysis (Salesperson 8 Items, Broker 7 Items)

1. Value

- a. Market Value and Market Price
- b. Characteristics of Value
- c. Principles of Value
- d. Market Cycles and other Factors Affecting Property Value

2. Methods of Estimating Value/Appraisal Process

- a. Market or Sales Comparison Approach
- b. Replacement Cost or Summation Approach
- c. Income Approach
- d. Basic Appraisal Terminology (Replacement versus Reproduction Cost, Reconciliation, Depreciation, Kinds of Obsolescence)

3. Competitive/Comparative Market Analysis (CMA)

- a. Selecting and Adjusting Comparables
- b. Factors to Consider in a CMA
- c. Contrast CMA, Broker Opinion of Value (BOV), Appraisal
- d. Price/Square Foot
- e. Gross Rent and Gross Income Multipliers

4. When Appraisal by Certified Appraiser is Required

Financing (Salesperson 7 Items, Broker 7 Items)

1. General Concepts

- a. LTV Ratios, Points, Origination Fees, Discounts, Broker Commissions
- b. Mortgage Insurance (PMI)
- c. Lender Requirements, Equity, Qualifying Buyers, Loan Application Procedures

2. Types of Loans

- a. Term or Straight Loans
- b. Amortized and Partially Amortized (Balloon) Loans
- c. Adjustable Rate Loans (ARMS)
- d. Conventional versus Insured
- e. Reverse mortgages; equity loans; subprime and other nonconforming loans

3. Sources of Loan Money

- a. Seller/Owner Financing
- b. Primary Market
- c. Secondary Market
- d. Down Payment Assistance Programs

4. Government Programs

- a. FHA
- b. VA

5. Mortgages/Deeds of Trust

- a. Mortgage Clauses (Assumption, Due-On-Sale, Alienation, Acceleration, Prepayment, Release)
- b. Lien Theory versus Title Theory
- c. Mortgage/Deed of Trust and Note as Separate Documents

6. Financing/Credit Laws

- a. Truth in Lending, RESPA, Equal Credit Opportunity
- b. Mortgage Loan Disclosure and Seller Financing Disclosure

7. Mortgage Fraud, Predatory Lending Practices (Risks to Clients)

- a. Usury and Predatory Lending Laws
- b. Appropriate Cautions to Clients Seeking Financing

Laws of Agency (Salesperson 10 Items, Broker 11 Items)

1. Laws, Definitions, and Nature of Agency Relationships

- a. Types of Agents/Agencies (Special, General, Designated, Subagent, etc.)



- b. Possible Agency Relationships in a Single Transaction
- c. Fiduciary Responsibilities
- 2. **Creation and Disclosure of Agency and Agency Agreements (General; Regulatory Details in State Portions)**
 - a. Creation of Agency and Agency Agreements
 - b. Express and Implied
 - c. Disclosure of Representation
 - d. Disclosure of Acting as Principal or other Conflict of Interest
- 3. **Responsibilities of Agent to Seller, Buyer, Landlord or Tenant as Principal**
 - a. Traditional Common Law Agency Duties (“COALD”)
 - b. Duties to Client/Principal (Buyer, Seller, Tenant or Landlord)
 - c. Effect of Dual Agency on Agent’s Duties
- 4. **Responsibilities of Agent to Customers and Third Parties**
- 5. **Termination of Agency**
 - a. Expiration
 - b. Completion/Performance
 - c. Termination by Operation of Law
 - d. Destruction of Property/Death of Principal
 - e. Termination by Acts of Parties

Mandated Disclosures (Salesperson 7 Items, Broker 8 Items)

- 1. **Property Condition Disclosure Forms**
 - a. Agent’s Role in Preparation
 - b. When Seller’s Disclosure Misrepresents Property Condition
- 2. **Warranties**
 - a. Types of available warranties
 - b. Coverages provided
- 3. **Need for Inspection and Obtaining/Verifying Information**
 - a. Agent Responsibility to Verify Statements included in Marketing Information
 - b. Agent Responsibility to Inquire about “Red Flag” Issues
 - c. Responding to Non-Client Inquiries
- 4. **Material Facts Related to Property Condition or Location**
 - a. Land/Soil Conditions
 - b. Accuracy of Representation of Lot or Improvement Size, Encroachments or Easements affecting Use
 - c. Pest Infestation, Toxic Mold and other Interior Environmental Hazards
 - d. Structural Issues, including Roof, Gutters, Downspouts, Doors, Windows, Foundation
 - e. Condition of Electrical and Plumbing Systems, and of Equipment or Appliances that are Fixtures
 - f. Location with in Natural Hazard or Specially Regulated Area, Potentially Uninsurable Property)

- g. Known Alterations or Additions
- 5. **Material Facts Related to Public Controls, Statutes or Public Utilities**
 - a. Local Zoning and Planning Information
 - b. Boundaries of School/Utility/Taxation Districts, Flight Paths
 - c. Local Taxes and Special Assessments, other Liens
 - d. External Environmental Hazards (lead, radon, asbestos, formaldehyde foam insulation, high-voltage power lines, waste disposal sites, underground storage tanks, soil or groundwater contamination, hazardous waste)
 - e. Stigmatized/Psychologically Impacted Property, Megan’s Law Issues

Contracts (Salesperson 10 Items, Broker 10 Items)

- 1. **General Knowledge of Contract Law**
 - a. Requirements for Validity
 - b. Types of Invalid Contracts
 - c. When Contract is Considered Performed/Discharged
 - d. Assignment and Novation
 - e. Breach of Contract and Remedies for Breach
 - f. Contract Clauses (Acceleration, etc.)
- 2. **Listing Agreements**
 - a. General Requirements for Valid Listing
 - b. Exclusive Listings
 - c. Non-Exclusive Listings
- 3. **Management Agreements [Broker Only]**
- 4. **Buyer Broker Agreements/Tenant Representation Agreements**
- 5. **Offers/Purchase Agreements**
 - a. General Requirements
 - b. When Offer becomes Binding (Notification)
 - c. Contingencies
 - d. Time is of the Essence
- 6. **Counteroffers/Multiple Counteroffers**
 - a. Counteroffer Cancels Original Offer
 - b. Priority of Multiple Counteroffers
- 7. **Lease and Lease-Purchase Agreements**
- 8. **Options and Right of First Refusal**
- 9. **Rescission and Cancellation Agreements**

Transfer of Title (Salesperson 4 Items, Broker 6 Items)

- 1. **Title Insurance**
 - a. What is Insured Against
 - b. Title Searches/Title Abstracts/Chain of Title
 - c. Cloud on Title/Suit to Quiet Title
- 2. **Conveyances After Death**
 - a. Types of Wills



- b. Testate vs. Intestate Succession
- 3. Deeds
 - a. Purpose of Deed, when Title Passes
 - b. Types of Deeds (General Warranty, Special Warranty, Quitclaim) and when Used
 - c. Essential Elements of Deeds
 - d. Importance of Recording
- 4. Escrow or Closing
 - a. Responsibilities of Escrow Agent
 - b. Prorated Items
 - c. Closing Statements/HUD-1
 - d. Estimating Closing Costs
- 5. Foreclosure, Short Sales
- 6. Tax Aspects of Transferring Title to Real Property
- 7. Special Processes [Broker Only]

Practice of Real Estate (Salesperson 12 Items, Broker 11 Items)

- 1. Trust Accounts (General; Regulatory Details in State Portions)
 - a. Purpose and Definition of Trust Accounts
 - b. Responsibility for Trust Monies
 - c. Commingling/Conversion
 - d. Monies held in Trust Accounts
- 2. Fair Housing Laws
 - a. Protected Classes
 - b. Covered Transactions
 - c. Specific Laws and their Effects
 - d. Exceptions
 - e. Compliance
 - f. Types of Violations and Enforcement
 - g. Fair Housing Issues in Advertising
- 3. Advertising
 - a. Incorrect "Factual" Statements versus "Puffing"
 - b. Uninformed Misrepresentation versus Deliberate Misrepresentation (Fraud)
 - c. Truth in Advertising
- 4. Agent Supervision
 - a. Liability/Responsibility for Acts of Associated Agents
 - b. Responsibility to Train and Supervise
 - c. Independent Contractors
 - d. Employees
- 5. Commissions and Fees
 - a. Procuring Cause/Protection Clauses
 - b. Referrals and Finder Fees
- 6. General Ethics
 - a. Practicing within Area of Competence
 - b. Avoiding Unauthorized Practice of Law

- 7. Issues in Use of Technology (electronic signatures, document delivery, internet advertising)
- 8. Antitrust Laws
 - a. Antitrust Laws and Purpose
 - b. Antitrust Violations in Real Estate

Real Estate Calculations (Salesperson 7 Items, Broker 5 Items)

- 1. General Math Concepts
 - a. Addition, Subtraction, Multiplication, and Division
 - b. Percentages/Decimals/ Fractions
 - c. Areas, including Acreage
- 2. Property Tax Calculations (not Prorations)
- 3. Lending Calculations
 - a. Loan-to-Value Ratios
 - b. Discount Points
 - c. Equity
 - d. Qualifying Buyers
- 4. Calculations for Transactions
 - a. Prorations (Utilities, Rent, Property Taxes, Insurance, etc.)
 - b. Commissions and Commission Splits
 - c. Seller's Proceeds of Sale
 - d. Total Money Needed by Buyer at Closing
 - e. Transfer Tax/Conveyance Tax/Revenue Stamps
- 5. Calculations for Valuation
 - a. Comparative Market Analyses (CMA)
 - b. Net Operating Income
 - c. Depreciation
 - d. Capitalization Rate
 - e. Gross Rent and Gross Income Multipliers (GIM, GRM)
- 6. Mortgage Calculations
 - a. Down Payment/Amount to be Financed
 - b. Amortization
 - c. Interest Rates
 - d. Interest Amounts
 - e. Monthly Installment Payments

Specialty Areas (Salesperson 4 Items, Broker 5 Items)

- 1. Property Management and Landlord/Tenant
- 2. Common Interest Ownership Properties
- 3. Subdivisions
- 4. Commercial, Industrial, and Income Property

(MICHIGAN SPECIFIC PORTION)
MICHIGAN STATE LAWS AND RULES

[NOTE: On examination questions dealing with Michigan Laws and Rules, "Department" refers to the Department of Energy, Labor & Economic Growth; "Board" refers to the Board of Real Estate Brokers and Salespersons]

Duties and Powers of the Department and the Board (Salesperson-3 Items, Broker-3 Items)

- a. General powers
- b. Investigations, conferences, hearings, and exemptions
- c. Penalties

Licensing Requirements (Salesperson-5 Items, Broker-3 Items)

- a. Activities requiring a license and exemptions
- b. Types of licenses
- c. Eligibility for licensing
- d. License renewal, including continuing education
- e. Transfer or change in license

Statutory Requirements Governing the Activities of Licenses (Salesperson-11 Items, Broker-12 Items)

- a. Advertising
- b. Commissions and Specific Services for Which Fees may be charged
- c. Disclosure/conflict of interest
- d. Handling of contracts, documents, listing and recommendations
- e. Handling of monies and trust accounts
- f. Place of business/branch office requirements
- g. Record keeping
- h. Inducements
- i. Alternative Dispute Resolution vs. Arbitration (Broker only)
- j. No disclosure duty attaches to stigmatized property
- k. Closing responsibilities

Contractual Relationships (Salesperson - 6 Items, Broker - 6 Items)

- a. Agency relationships available in MI
 1. Transaction coordinator
 2. Designated agency
 3. Dual agency
 4. Agency disclosures
- b. Broker/Salesperson relationships
- c. Service Provision Agreements (Listings, Buyer Broker)

Additional State Topics (Salesperson-5 Items, Broker-6 Items)

- a. Land Division Act - Public Act 591 (Disclosure of Private Road)
- b. Michigan Land Sales: Land Sales Act, Out-of-state Promotional Sales

- c. Michigan fair housing: Elliott-Larsen Act, Persons with Disabilities Civil Rights Act
- d. Landlord Tenant Relationship Act, Truth in Renting Act
- e. Usury laws (Broker only)
- f. State Transfer Tax
- g. Michigan Condominium Act
- h. Michigan State Housing Development Authority (MSHDA)
- i. Uniform State Anti-trust Act
- j. Michigan Environmental Protection Act (MEPA)
- k. Michigan Right to Farm Act (Seller's Disclosure Required)

SAMPLE QUESTIONS

The following questions are offered as examples of the types of questions you will be asked during the course of the Michigan real estate salesperson and broker examinations. They are intended primarily to familiarize you with the style and format of questions you can expect to find in the examinations. The examples do NOT represent the full range of content or difficulty levels found in the actual examinations.

SAMPLE SALESPERSON QUESTIONS

- A. Which of the following interests in property is held by a person who is granted a lifetime use of a property that will be transferred to a third party upon the death of the lifetime user?
 1. A life estate.
 2. A remainder estate.
 3. An estate for years.
 4. A reversionary estate.
- B. Which of the following statements BEST identifies the meaning of the term, "rescission of a contract"?
 1. A ratification of a contract by all parties.
 2. A return of all parties to their condition before the contract was executed.
 3. A transfer or assignment of a particular responsibility from one of the parties to another.
 4. A review of the contract by the legal counsel of either party that may result in a cancellation without penalty or further obligation.
- C. Which of the following clauses in a mortgage allows the lender to demand loan repayment if a borrower sells the property?
 1. Defeasance
 2. Prepayment
 3. Acceleration
 4. Alienation
- D. How much cash MUST a buyer furnish in addition to a \$2,500 deposit if the lending institution grants a 90% loan on an \$80,000 property?
 1. \$5,500.
 2. \$6,975.
 3. \$7,450.
 4. None of the above.



4. Land contract.

E. Which of the following single-family residences would get the MOST accurate appraisal by applying the reproduction cost approach to value?

1. A rental property.
2. A vacant property.
3. A new property.
4. An historic property.

Answers to Sample Salesperson Questions:

A: 1; B: 2; C: 4; D: 1; E: 4

Answers to Sample Broker Questions:

A: 2; B: 1; C: 1; D: 3; E: 4

SAMPLE BROKER QUESTIONS

A. A real estate licensee acting solely as a seller's agent is MOST likely to be held liable for claims of misrepresentation by a buyer if the licensee committed which of the following acts in the course of the transaction?

1. Failed to provide previous purchase prices for the property.
2. Obeyed the seller's instructions to leave all discussions of property condition to the seller.
3. Continued to accept and present offers on the property after the seller accepted the buyer's offer.
4. Deposited the earnest money check in a personal account to clear before transferring it to the trust account.

B. A lender wanting title insurance coverage on property pledged as collateral would ask for which of the following policies?

1. A mortgagee's policy.
2. An owner's policy.
3. An errors and omissions policy.
4. An extended homeowner's policy.

C. A business property is valued at \$20,000. To earn 12% on the total investment, the property should return a monthly income of

1. \$200.
2. \$500.
3. \$1,200.
4. None of the above.

D. A lender is making a loan on a property and wants to make sure that a borrower will be legally obligated to pay off the entire unpaid loan balance if the borrower defaults on the payments. Which of the following clauses should be included in the contract?

1. Defeasance.
2. Prepayment.
3. Acceleration.
4. Due-on-sale.

E. A financial arrangement by which a buyer purchases property using borrowed funds but does not actually receive title to the property until after the loan has been fully repaid is BEST referred to as a

1. Leveraged sale.
2. Sale and leaseback.
3. Purchase money mortgage.



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