

# Summary of Changes

## *Modern Real Estate Practice, 17<sup>th</sup> Edition*

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- Updated legislative content, including new and revised forms and updated examples to reflect current market financials. Please refer to the listing of specific, chapter-by-chapter modifications included later in this document.
- Expanded discussion on **technology** issues/topics
- Finance and appraisal updates
- **"In Practice" and "For Example"**— Additional examples and real-life practice content have been added to help the student better comprehend real estate concepts.
- **New! Key Point Reviews** — Chapter summaries have been transformed into key point, bulleted reviews providing students with a quick review tool of the most essential content covered in each chapter.
- **Revised end of chapter quizzes and sample exams** come with complete **rationales**.
- Updated Math FAQs (including new design for this section) The Math FAQs have been reorganized so that material follows a more logical and accessible flow. In some sections, the text has been revised and expanded to provide more thorough explanations of challenging math concepts.
- **New! Glossary with page references**—In order to assist students in reviewing critical terms and topics, we are introducing a new glossary format. This new glossary features page references allowing readers to find not only the definition of a term, but also the page references to where the terms is first addressed in the text.
- **New! interior design.** Table labels/titles have a new design element to help students distinguish between tables and figures (which can share the same "number.") New chapter opener photos, a new rule for A-heads to help them pop, revised Margin Notes make them really stand out, new Math Concepts design.) **Note:** Web links have been moved to the end of each chapter to improve flow of information and to consolidate additional online resource information into ONE section within each chapter.
- **New! Web site** — With the 17th edition of *Modern Real Estate Practice* we are launching a Web site dedicated exclusively to this text and all of its ancillary products. At [www.modernrealestatepractice.com](http://www.modernrealestatepractice.com) both students and instructors will have access to a robust assortment of study and teaching tools, including a student Test-Builder for students, a PIN-protected Test-Builder for Instructors, and the Instructor Resource materials (including the Power Point.)
- **New Media**— Now available exclusively online, *The Modern Real Estate Practice Test-Builders* allows students and instructors to mix and match the hundreds of questions in *Modern Real Estate Practice* into their own custom quizzes. The Test-builder tracks performance on each self-built test, and provides helpful rationales explaining the “why” behind the answers.

## Chapter One—Introduction to the Real Estate Business

The updated list of National Association of Realtor® affiliated Institutes, Societies, and Councils has been presented in bullet format to make it easier to see the professional organizations at a glance.

## Chapter Two—Real Property and the Law

New or updated information in this chapter:

- Material on manufactured housing
- List of State Real Estate Commissions and their Web addresses

## Chapter Three—Concepts of Home Ownership

New or updated information in this chapter:

- Taxes, housing affordability, and how to determine lending eligibility
- Creative financing techniques
- Section on comprehensive loss underwriting exchange (CLUE)

## Chapter Four—Agency

Much of the chapter has been reorganized to improve the flow one concept to another.

New or updated information in this chapter:

- Updated section on “Implied agency” with information about how state laws treat implied agency
- Expanded definitions of *subagent*, *customer*, and *nonagent*
- Revised section on the common law fiduciary duties an agent owes the principal
- Addition of “confidentiality” as a fiduciary duty
- Significant revision of table previously titled “Customer-level versus client-level service,” now distinguishing the seller’s broker obligations to a buyer from the buyer’s broker obligations
- Revised figures on single agency and dual agency
- Revised headings reflect current use of the terms *seller* and *buyer representation*
- New information on the accounting concept of conversion
- Revised section on confidentiality, especially as it relates to business relationship changes
- Under “Subagency,” new information concerning liability
- New “Nonagent” section taken from “Transactional Brokerage” in Chapter 5 of MREP16
- Updated agency disclosure form
- Updated section on property conditions notes the growing trend of the buyer’s responsibility to discover any material problems

- Updated section on stigmatized properties and Megan’s Law
- Updated concept of sharing commissions

## **Chapter Five—Real Estate Brokerage**

*This chapter has been slightly reorganized to help the material flow better.*

New or updated information in this chapter:

- Discussion of electronic contracting, including the Uniform Electronic Transactions Act (UETA) and the Electronic Signatures in Global and National Commerce Act (E-Sign Act)
- Revised section on technological advances and their effects on real estate brokerage, including information on cell phones, PDAs, virtual communities, digital cameras, blogs, vlogs, and technological security
- Additional information about Internet advertising and the NAR Internet Listing Display Policy
- Additional Web site management tools and good email business practices
- Information on the national Do-Not-Call Registry
- New sections on unbundling services, minimum level of service, and limited service listing agreements
- Example of “procuring cause” in a sale
- Updated math concept to determine commission figures

## **Chapter Six—Listing Agreements and Buyer Representation**

Several figures, tables, and margin notes regarding types of listing agreements have been reconfigured. In their place, the text has been revised in the section on exclusive-right-to sell, exclusive-agency listing, and open listing.

New or updated material in this chapter:

- Revised section on option listings
- Updated math concept involving the calculation of sales prices, commissions, and nets to seller
- Expanded section of listing contract forms
- Updated section on the language used in the nondiscriminatory (equal opportunity) clause in listing agreements
- New version of the sample listing agreement of exclusive right to sell

## Chapter Seven—Interests in Real Estate

New or updated material in this chapter:

- Updated section on eminent domain, including a lengthy description of the U.S. Supreme Court decision on *Kelo v. City of New London* regarding the definition of “public use” in eminent domain proceedings and the effect of that decision on real estate practice
- Expanded section on taxation, including ways that ownership of real estate is taxed
- Example showing how riparian rights are determined

## Chapter Eight—Forms of Real Estate Ownership

New or updated information in this chapter:

- Expanded definition of *severalty* as well as revised information on property ownership rights in a marriage
- New information concerning the growing popularity of living trusts as a major estate planning tool
- Better explanation of land trusts
- New section on town house ownership
- New information on the Model Real Estate Time-Share Act
- Table describing and comparing different types of attached housing

## Chapter Nine—Legal Descriptions

New or updated information in this chapter:

- Revised section on the history and use of land description systems in the United States
- Expanded definitions of metes-and-bounds descriptions and monuments
- New information on technological advances in land descriptions, especially as pertaining to the use of computers, lasers, satellites, and global positioning systems
- Example of a technically assisted metes-and-bounds description
- Revised figure on “parts of a township,” along with a more detailed explanation
- Expanded information on the kinds of maps used in property description, in particular plot surveys, plot maps, and improvement/spot surveys
- Information on the importance of accurate legal descriptions

## Chapter Ten—Real Estate Taxes and Other Liens

New or updated information in this chapter:

- Expanded definitions of *liens* and *encumbrances*
- Information on vendor’s lien as a specific lien
- Additional “In Practice” regarding title searches and liens
- Revised and expanded information on ad valorem taxes

- Definition of how to calculate a tax bill
- Additional information on determining when tax payments are due
- Broader explanation of a tax sale
- Additional sections regarding Local Improvement District Taxes (LID) and homeowner tax relief
- Revised descriptions of mechanics' liens, judgments, and attachments

## **Chapter Eleven—Real Estate Contracts**

Overall language in this chapter was edited and revised to make it easier to understand.

New or updated information in this chapter:

- Additional “In Practice” regarding the use of preprinted forms
- Expanded definitions and helpful examples of express, implied, unilateral, and bilateral contracts
- New example in the section on legal purpose
- Example of a void contract
- Information on “time is of the essence” clauses in contracts
- Revised definitions of *assignment* and *novation*
- New example of assignment

## **Chapter Twelve—Transfer of Title**

New or updated information in this chapter:

- Explanation and example of a “vested interest”
- Updated match concept of calculating transfer taxes
- Further explanation on gifts given by will

## **Chapter Thirteen—Title Records**

- Revised definitions of *chain of title* and *title search*

## **Chapter Fourteen—Real Estate Financing: Principles**

*Some sections have been reorganized so that the information on real estate financing principles flows better from one principle to the next.*

New or updated information in this chapter:

- Revised “In Practice” concerning the need for licensees to be knowledgeable about real estate financing programs and products
- Under the security and debt section, a new description of the relationship between debtor and creditor, as well as the parts of a mortgage loan
- Revised definition of *promissory note*

- Example of how to figure the number of points charged on a loan
- Revised math concept showing discount points and investor yields
- New sections on novation and owner financing
- Expanded definition of *judicial foreclosure*

### **Chapter Fifteen**—Real Estate Financing: Practice

This chapter includes revised definitions of terms used in the practice of real estate principles, more accurately reflecting current usage by groups such as Fannie Mae, Ginnie Mae, Freddie Mac, and Farmer Mac.

New or updated information in this chapter:

- New information on interest-only mortgages
- Fannie Mae and Freddie Mac conforming loan limits have been revised according to the most recent figures
- Updated math concept of the mortgage amortization triangle
- Updated figures in the examples regarding the balloon payment loan and determining LTV
- Updated section on eligibility for VA-Guaranteed Loans
- Acronym for home equity line of credit (HELOC)

### **Chapter Sixteen**—Leases

New or updated information in this chapter:

- Examples of month-to-month tenancy and tenancy at will
- Revised and expanded definitions of *holdover lease*, *assignment*, and *subleasing*
- Information on a lease's nondisturbance clause
- Expanded and clarified information on renewal and lease options and the right of first refusal clause in leases
- Sale and leaseback as another type of lease
- Concept of the right to distrain

### **Chapter Seventeen**—Property Management

*The chapter has been reorganized to reflect more practical implications of the practice of property management.*

New or updated information in this chapter:

- Revised and expanded section on the role of a property manager
- Additional section concerning new opportunities for property managers
- New section on management plans
- In the management agreement section, information on antitrust provisions has been added
- Updated examples of calculating rental commissions and monthly rent per square foot

- In the section on the property manager's responsibilities, financial duties have been expanded and clarified, particularly those regarding the operating budget, cash flow report, income, expenses, profit and loss statements, and budget comparison statements
- Additional information on marketing, advertising, management activities, and marketing costs
- Revised and expanded section on the federal laws affecting property management, and now includes the Equal Credit Opportunity Act (ECOA), the Fair Housing Act, and the Americans with Disabilities Act (ADA)
- Revised section on environmental issues relating to property management
- Additional information on tenant's insurance and flood insurance
- New information on condominium associations' "common elements" insurance
- Expanded section on handling environmental concerns includes air quality issues

### **Chapter Eighteen—Real Estate Appraisal**

Chapter has been reorganized to help it flow better from one concept to the next.

New or updated information in this chapter:

- New information concerning appraisal reports and broker's price opinions
- Updated federal regulations on appraisal activities including current figures on requirements for residential and nonresidential appraisals
- Newest version of the Uniform Residential Appraisal Report
- Broader explanation of the principle of anticipation
- Acronyms are provided for the Highest and Best Use as an economic principle affecting the value of real estate
- Additional margin note detailing the order in which Highest and Best Use is analyzed, along with an acronym
- Better explanation of the principle of substitution
- The financing concession elements under the Sales Comparison Approach have been expanded to include market conditions
- Under the three approaches to value, reconciliation has been further defined
- In the tables that provide an illustration of the sales comparison approach to value, cost approach to value, and an example of gross rent multiplier, all figures have been updated
- The term *obsolescence* has been defined

### **Chapter Nineteen—Land-Use Controls and Property Development**

New or updated information in this chapter:

- Additional information regarding zoning classifications and planned unit developments (PUDs)
- Broader explanation of the use of plats

## **Chapter Twenty—Fair Housing and Ethical Practices**

New or updated information in this chapter:

- Additional information on amendments to the Fair Housing Act
- New Web site on sex offender registries in all 50 states
- Expanded definition of the Equal Credit Opportunity Act (ECOA) as it relates to age discrimination in lending
- Addition of recent court cases highlighting interpretations of the Americans with Disabilities Act (ADA) and the Fair Housing Act
- Additional section concerning the response to concerns of terrorism by landlords and property managers in screening and rental procedures
- Updated penalties for violations of the Fair Housing Act

## **Chapter Twenty-One—Environmental Issues and the Real Estate Transaction**

New or updated information in this chapter:

- Additional information on property disclosure issues and current real estate practice regarding this issue
- Example of a court case showing the duty of the licensee in a property disclosure situation
- Example of a court case showing the collaboration of government agencies—specifically HUD, the EPA, and the U.S. Attorney’s Office—on lead paint matter
- Revised and updated sections on formaldehyde, lead-based paint, carbon monoxide, radon, and mold
- Example of a court case that demonstrates the licensee’s duties in a mold contamination matter
- Additional information on steps licensees should take to protect themselves from liability
- Information on the newest version of the Lead-Based Paint or Lead-Based Paint Hazard addendum
- Additional information on the Lead-Based Paint Reduction Act and how it affects buyer’s agents
- Additional information on chlorofluorocarbon and the Safe Drinking Water Act
- Revised sections on underground storage tanks and waste disposal sites
- Updated “In Practice” regarding Yucca Mountain and waste storage
- Additional section on environmental impact statements is added

## **Chapter Twenty-Two—Closing the Real Estate Transaction**

New or updated information in this chapter:

- Revised and expanded information on title procedures and attorney’s opinions
- Additional information clarifying the role of the licensee in a closing
- Additional information about what a licensee should do when offered compensation from a referral made or from an attorney or lender

- Updated math examples, specifically those concerning proration calculations, prepaid item calculations, and the RESPA Uniform Settlement Statement

**Appendix One:** Introduction to Real Estate Investment

The information has been better organized and streamlined. In the section on advantages of real estate investment, the information is updated to reflect current beliefs in this area. Updated examples are provided of real estate transaction profits and selling, and of capital gains.

**Math FAQs**

The sections are reorganized so that material flows better. In some parts, the text has been revised and expanded to provide more thorough explanations. As is an example on determining profit, information on understanding how much interim interest is due at closing has been added

**Glossary**

Revisions and additions have been made to the glossary.

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