

## NORTH CAROLINA REAL ESTATE COMMISSION

### Problem Topics on the License Examination

March 2020

Candidates have experienced varying levels of difficulty indicated below with the topics in the noted sections of the Broker Prelicensing Course Syllabus (see *Real Estate Licensing in North Carolina* booklet, pp. 16-17). The bulleted topics are the more specific topics or points with which candidates either had substantial difficulty or greater difficulty than Commission staff believes they should. [Bracketed info is relevant Syllabus sub-section.]

This information is provided to assist education providers, instructors, and applicants by identifying the topics where candidates' testable knowledge is relatively weak.

As used in this document:

- "National" refers to problem items from the National section of the license exam.
- "State" refers to problem items from the NC-specific section of the license exam.
- "Comments" refers to the *North Carolina Real Estate License Law & Rule Comments*
- "Prelicensing text" refers to the textbooks used for Prelicensing courses
- "Manual" refers to the *North Carolina Real Estate Manual*

#### Overarching Issues

- Not reading the entire item and considering all answer options carefully
- Not paying attention to "absolute words," such as *must, shall, all, only, never*, etc.

#### Broker Prelicensing Course Syllabus Section

- I. **Basic Real Estate Concepts** [*no noted issues*]
- II. **Property Ownership & Interests**
  - **Encumbrances:** [National - D. 1.] More than 55% of the candidates do not understand encumbrances.
- III. **Property Taxation & Assessment**
  - **Property Taxation:** [State - A. 1.] Half of the candidates do not understand when *ad valorem* property tax rates can be adjusted.
- IV. **Transfer of Title**
  - **Title Insurance:** [National - D.] Half of the candidates do not understand the purpose of title insurance or possible title problems that are covered.
  - **Deeds:** [National - C.] Over half of the candidates do not understand the purpose, essential elements, when to use various deed types, or importance of recording.

## V. Land Use Control

- **Government Controls:** [National - A.] Over than half of the candidates do not understand public land use controls.

## VI. Environmental Issues in Real Estate

- **Disclosure:** [National - A. & B.] About 60% of candidates do not understand when disclosure is required.

## VII. Brokerage Relationships: Laws & Practice

- **Agent's Duties:** [National - D. & E.] More than half of the candidates do not understand agent's duties to a principal and a third party, including affirmative duty to discover and disclose possible material facts to all parties.
- **Dual and Designated Agency:** [State - H.]
  - **In-house Agency Options:** More than 60% of candidates do not understand what agency relationships are possible when a buyer client is interested in the listings of the buyer's firm.
  - **Reducing Dual Agency to Writing:** More than half of the candidates do not understand when permission for dual agency must be reduced to writing.

**Suggestions:** (See *Prelicensing text, Comments, Manual, and Rule 58A .0104.*) Instructors should use numerous examples of various fact situations (preferably enhanced with student role-play) in their instruction about application of the dual agency rules. Do not neglect scenarios where oral buyer agency is in play.

## VIII. Agency Contracts (Sales) & Related Practices

- **Square Footage Guidelines:** [State - F. 2.] About half of the candidates do not understand the difference between above-grade and below-grade square footage.
- **Termination of Agency Agreement/Contract:** [National - C. 6.] About 80% of the candidates do not understand that the concept of termination by "operation of law" is *automatic due to no intentional action of the parties*, e.g., death of a party. (Refer to Termination of Contract under Section IX.)

## IX. Basic Contract Law

- **Basic Contract Law Concepts:** [National - A., B., C., F.] About 50% of the candidates do not understand basic contract concepts; the essential elements needed to mature an offer to a valid contract; contract breach and possible remedies; and paperless transactions.
- **Offers:** [National - B. 1.] More than 50% of the candidates do not understand how offers, counteroffers, and multiple offers work. Topic should include coverage of contingencies, and the concept of "*time is of the essence.*"  
**Suggestions:** (See *Prelicensing text, Manual, and Rule 58A .0115.*) Instructors should use numerous examples of various fact situations (preferably enhanced with student role-play) in their instruction.

- **Termination of Contract:** [National - F. 2. d.] About 80% of the candidates do not understand the concept of contract termination by “operation of law.” Candidates need to understand that this concept does not include all legal actions used by parties to terminate a contract, such as a law suit between parties. Termination by operation of law is *automatic due to no intentional action of the parties*, e.g., void due to fraud, statute of limitations, or unauthorized term changes.

## **X. Sales Contracts & Related Practices**

- **Sales Contract:** [State - B. 2. e.] About half of the candidates do not understand actions by contract parties that would constitute a breach of contract.
- **Handling Multiple Offers:** [State - C. 2.] between 50-65% of the candidates do not know how the sharing of offer information must be handled.
- **Delivery of Instruments:** [State - C. 2. and *Rule 58A .0106*] About 50% of candidates do not know when documents must be delivered and to whom. It appears that candidates are confused about the number of days and/or whether it is *calendar* or *business* days.  
**Suggestions:** (*See Prelicensing text, Comments, Manual, and Rule 58A .0115.*) Instructors should use numerous examples of various fact situations (preferably enhanced with student role-play) in their instruction.

## **XI. Real Estate Financing**

- **Financing Basics:** [National - A. 1. & B. 1.-3.] More than 45% of candidates are having difficulty with basic concepts and terminology.
- **Special Processes:** [National - B. 5. & 6.] Half of the candidates do not understand the concepts of foreclosure and short sale.
- **Types of Loans:** [National - D. & E.] More than 45% of candidates cannot differentiate between basic types of loans.
- **Lending Procedures, Practices & Legislation:** [National - J. & K.] About half of the candidates do not understand the lending process through closing, including underwriting and the relevant federal laws.
- **Advertising:** [National & State - K. 1. d.] Between 50-60% of candidates cannot apply advertising guidelines.  
**Suggestions:** (*See Prelicensing text and Manual.*) Instructors should use numerous advertising examples to reinforce student’s ability to identify whether an ad is compliant.

## **XII. Closing a Sales Transaction [no noted issues]**

## **XIII. Real Property Valuation**

- **Estimating Value:** [National - B. 3. & D.] About half of the candidates do not understand the economic principles of value and/or the 3 approaches to value.
- **CMA:** [National – D. 1.] About half of the candidates cannot select or make appropriate adjustments to comparables.

**Suggestions:** (See *Prelicensing text and Manual.*) Instructors should include numerous exercises to allow students to practice completion of a CMA. Math problems are possible on the National section of the exam.

**XIV. Property Insurance Basics**

- **Flood Insurance:** [State - B.] About 80% of the candidates do not understand when flood insurance is required.

**Suggestions:** (See *Prelicensing text and Manual.*) Such low performance on this topic indicates that a significant increase in coverage is needed.

**XV. Landlord & Tenant**

- **Eviction:** [State - B.] More than half of the candidates do not understand the term or the concept of summary ejection.
- **Tenant Security Deposit:** [State - B. 4.] More than half of the candidates do not understand the landlord's responsibility regarding the tenant security deposit, especially in regard to final accounting.

**XVI. Property Management** *[no noted issues]*

**XVII. Fair Housing**

- **Advertising:** [National & State - A. 1.] Between 50-60% of candidates cannot apply advertising guidelines.

**Suggestions:** (See *Prelicensing text and Manual.*) Instructors should use numerous advertising examples to reinforce student's ability to identify whether an ad is compliant.

**XVIII. Federal Income Taxation of Home Ownership** *[no noted issues]*

**XIX. Basic Construction** *[no noted issues]*

**XX. Basic Real Estate Investment** *[no noted issues]*

**XXI. NC Real Estate License Law & Commission Rules**

- **Licensing:**
  - **Firm:** [State - A. 2. c.] More than 60% of candidates do not know when a firm license is required.  
**Suggestions:** (See *Comments* and Video "Firm Licensing" on Commission website under Resources tab.)
  - **Unlicensed Assistant:** [State - A. 4.] About 50% of candidates do not know permitted activities of an unlicensed assistant/employee of a broker.

- **Advertising:** [State - E. 1.] More than 50% of candidates cannot apply advertising guidelines.  
**Suggestions:** (See *Prelicensing text, Comments, Manual, and Rule 58A .0105.*) Instructors should use numerous advertising examples to reinforce student's ability to identify whether an ad is compliant.
- **Delivery of Instruments:** [State - E.2. and *Rule 58A .0106*] About 50% of candidates do not know when documents must be delivered and to whom.
- **Trust Funds:** [National - G.] About 45% of the candidates do not understand the prohibition against commingling of funds.

**XXII. Safety** *[not tested on exam]*

**XXIII. Real Estate Mathematics**

- **Payments:** [National - G. 2.] About 50% of candidates are having difficulty with monthly PITI payment calculations.