



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



**Department of Licensing and Regulatory Affairs**  
**Real Estate Licensing**  
**Salesperson and Broker Examinations**



**CANDIDATE INFORMATION BULLETIN**

**Content Outline**

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**Please refer to our website to check for the most updated information at [www.psiexams.com](http://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 Department of Licensing and Regulatory Affairs (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/realestate](http://www.michigan.gov/realestate) and select iCOLA on the bottom left to 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.

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

Real Estate BROKER licensing examination candidates do NOT need to apply to the state before testing.

For questions about licensure requirements, please access the State of Michigan Real Estate web page at [www.michigan.gov/realestate](http://www.michigan.gov/realestate).

## EXAMINATION REGISTRATION PAYMENT AND SCHEDULING PROCEDURES

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

|                 |      |
|-----------------|------|
| Examination Fee | \$76 |
|-----------------|------|

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:** You may pay and schedule without applying to the State of Michigan. You must use your social security number as the ID# when scheduling.

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

### ■ ON-LINE ([www.psiexams.com](http://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 credit card (VISA, MasterCard, American Express or Discover).

### ■ 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 valid credit card (VISA, MasterCard, American Express or Discover), money order, company check or cashier's check. Money order or check should be made payable to PSI and must contain the last 4 digits of the applicant's social security number. CASH 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, Monday-Friday between 7:30am and 10pm, or Saturday-Sunday between 9:00am and 5:30pm, Eastern Time. You will be given available dates for scheduling your examination. Examination fee must be paid by a valid credit card (VISA, MasterCard, American Express or Discover).

## CANCELING AN EXAMINATION APPOINTMENT

You may cancel and reschedule an examination appointment without forfeiting your fee if your *cancellation notice is received 2 days before the scheduled examination date*. For example, for a Monday appointment, the cancellation notice would need to be received on the previous Saturday. You may reschedule online at [www.psiexams.com](http://www.psiexams.com) or call PSI at (800) 733-9267.

Note: A voice mail message is not an acceptable form of cancellation. Please use the PSI Website 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](http://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 (800) 733-9267. You will need to fax this form and supporting documentation to (702) 932-2666.

## ALTERNATIVE TEST DELIVERY ARRANGEMENTS

The following option is available to all candidates seeking assistance taking the Real Estate Salesperson or Broker examination for an additional fee.

### **Additional Time While Taking the Examination**

Candidates may request to take the examination with extra time. The candidate will be given time & 1/2 and there will be an additional fee of \$50 per examination.

Candidates applying for this Alternative Test Delivery Arrangement must contact PSI. Any costs associated with Alternative Test Delivery Arrangements must be paid in advance by the candidate. Please put your request in writing and mail to: PSI \* 3210 E Tropicana \* Las Vegas, NV 89121, or you may fax to 702-932-2666. You may also call PSI at 800-733-9267.

## 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 laws require 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 a discrepancy is found during the comment review, PSI and the Department may re-evaluate candidates' results and adjust them accordingly. **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-Crossroads Examination Center**

Crossroads Building

16250 Northland Drive, Suite 359

Southfield, MI 48075

*From I-75 North and South, exit West 8 Mile. Northland Drive is West of Greenfield Road. Do not go over the Bridge. Pass the Lodge Fwy (Hwy 10). Turn right on Northland Drive.*

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

### **Southfield-Lahser Road Examination Center**

26400 Lahser Road, Suite 150

Southfield, Michigan 48033

*From I-96 E merge onto I-696 E. Then merge onto MI-10 S. Take the Lahser Road exit. Keep left at the fork in the ramp. Turn left onto Northwestern Hwy. Turn right onto Lahser Road.*

### **Grand Rapids Examination Center**

4595 Broadmoor Ave SE, Suite 201

Grand Rapids, MI 49512

*From I-96, exit East Beltline Avenue and proceed south approximately 4 miles. Once you pass 28<sup>th</sup> Street, Beltline becomes Broadmoor. Continue south an additional 2 miles. 4595 Broadmoor is just south of 44<sup>th</sup> Street on the right. Use the North Entrance. Room 201 is at the top of the stairs.*

*From US-131, take exit 77 (M6 the new highway) East toward Lansing. Take exit 15 (M37/Broadmoor), head North (Left) on Broadmoor. 4595 Broadmoor is just north of Barden Street, south of 44<sup>th</sup> Street on the left. Use the North Entrance to the second floor. Room 201 is at the top of the stairs.*



### Gaylord Examination Center

440 W. Main St., Suite D

Gaylord, MI 49735

*From I-75 take exit # 282 / M-32 toward Alpena / Gaylord. From the exit ramp, turn east onto W Main (M-32) and go about half a mile. 440 W Main is at the northeast corner of Main and Indiana, halfway between KFC and Subway. Suite D opens off the parking lot.*

### 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** present two (2) valid forms of identification before you may test:

1. One form of ID must meet ALL of the following criteria:
  - ◆ be a current (not expired), valid and government-issued, photo identification (example: driver's license, state-issued identification card, passport);
  - ◆ show the name on the government-issued photo identification as the same name used to register for the exam (including designations such as "Jr." or "III", etc.) and
  - ◆ have your current photo and your signature.
2. The second form of identification must contain a signature that matches the official photo ID (e.g., credit card, bankcard, military or school identification).

If you cannot provide the required identification, you must contact PSI at least two (2) weeks prior to your scheduled examination appointment to arrange a way to meet this security requirement. *Failure to provide the required identification at the examination center will result in your not being admitted to the examination and forfeiture of your examination fee. You will be required to re-register and pay another examination fee.*

### 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.

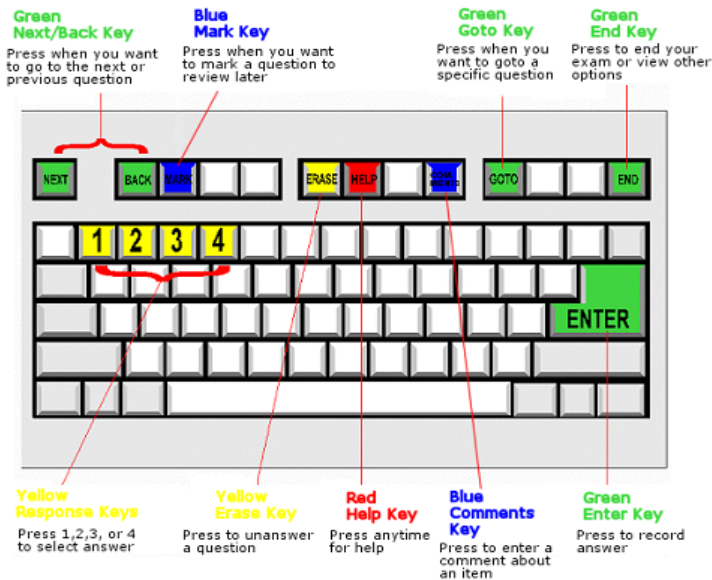
Also of note, many candidates have been arriving hours before their scheduled exam time. This is not necessary. Please plan to arrive no earlier than 30 minutes before the start-time of your exam. This will provide plenty of time for check-in.

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.





### 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.

## 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. PSI does not take appointments and print license cards for existing licensees.

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

### DUPLICATE FAILED SCORE REPORT

You may request a duplicate score report after your examination by emailing [scorereport@psionline.com](mailto:scorereport@psionline.com) or by calling 800-733-9267.

### 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 may 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 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 list of reference materials were used to verify the accuracy of the test items for this examination. These listed references are used for the purpose of test validation. These materials contain neither all of the Real Estate knowledge required to be competent in any specific area nor all of the information on which the examination is based. Other publications are also available to study for the examination.

Copies of the Michigan Laws and Rules as they pertain to Real Estate, can be obtained from the Michigan Legislature Web Site: [www.michiganlegislature.org](http://www.michiganlegislature.org) and the State Office of Regulatory Reinvention Web Site: [www.michigan.gov/orr](http://www.michigan.gov/orr). For the "Occupational Code, Articles 1 through 6 and Article 25" and "General Rules - Real Estate Brokers and Salespersons" visit the Bureau's Web Site: [www.michigan.gov/realestate](http://www.michigan.gov/realestate).

Except for the Michigan and Federal Laws, Rules, Codes and Standards, 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.

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

- **REAL ESTATE FUNDAMENTALS**, 9th Edition, Gaddy and Hart, Dearborn Real Estate Education, (800) 972-2220, [www.dearborn.com](http://www.dearborn.com)
- **MODERN REAL ESTATE PRACTICE**, 18th Edition, Galaty, Allaway, and Kyle, Dearborn Real Estate Education, (800) 972-2220, [www.dearborn.com](http://www.dearborn.com)
- **REAL ESTATE LAW**, 8th Edition, 2013, Elliot Clayman, Dearborn Real Estate Education, (800) 972-2220, [www.dearborn.com](http://www.dearborn.com)
- **THE LANGUAGE OF REAL ESTATE**, 7th Edition, 2013, John Reilly, Dearborn Real Estate Education, (800) 972-2220, [www.dearborn.com](http://www.dearborn.com)

- **REAL ESTATE PRINCIPLES AND PRACTICES**, 8th Edition, Arlyne Geschwender, OnCourse Publishing, N19W24075 Riverwood Drive, Suite 200, Waukesha, WI 53188, 855-733-7239, [www.oncoursepublishing.com](http://www.oncoursepublishing.com) ISBN 0324784554
- **REAL ESTATE PRINCIPLES**, 12th Edition, Charles Jacobus, OnCourse Publishing, N19W24075 Riverwood Drive, Suite 200, Waukesha, WI 53188, 855-733-7239, [www.oncoursepublishing.com](http://www.oncoursepublishing.com) ISBN 1285420985
- **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.
- **OCCUPATIONAL CODE (EXCERPT)**, 1980 PA 299, Articles 1-6, MCL 339.101...339.606, Article 25, MCL 339.2501...339.2518 (Recently Updated)
- **MICHIGAN ADMINISTRATIVE CODE**, Real Estate Brokers and Salespersons - General Rules, R 339.22101...339.22667
- **MICHIGAN ADMINISTRATIVE CODE**, Occupational Boards - Part 7 Disciplinary Proceedings, R 339.1701...339.1771
- **OCCUPATIONAL LICENSE FOR FORMER OFFENDERS**, 1974 PA 381, MCL 338.41...338.47
- **SELLER DISCLOSURE ACT**, 1993 PA 92, MCL 565.951...565.966
- **PERSONS WITH DISABILITIES CIVIL RIGHTS ACT (EXCERPT)**, 1976 PA 220, Article 1, MCL 37.1101...37.1103, Article 5, MCL 37.1501...37.1510
- **ELLIOTT-LARSON CIVIL RIGHTS ACT (EXCERPT)**, 1976 PA 453, Article 1, MCL 37.2101...37.2103, Article 5, MCL 37.2501...37.2507, Article 6, MCL 37.2601...37.2606, Article 7, MCL 37.2701...37.2705, Article 8, MCL 37.2801...37.2804
- **LAND DIVISION ACT (EXCERPT)**, 1967 PA 288, MCL 560.261
- **LANDLORD AND TENANT RELATIONSHIPS**, 1972 PA 348 MCL 554.601...554.616,
- **TRUTH IN RENTING ACT**, 1978 PA 454, MCL 554.631...554.641
- **CRIMINAL USURY**, 1968 PA 259, MCL 438.41...438.42,
- **REAL ESTATE TRANSFER TAX**, 1966 PA 134, MCL 207.501...207.513
- **STATE REAL ESTATE TRANSFER TAX ACT**, 1993 PA 330, MCL 207.521...207.537
- **CONDOMINIUM ACT (listed as "f. Michigan Condominium Act)**, 1978 PA 59, MCL 559.101...559.276
- **STATE HOUSING DEVELOPMENT AUTHORITY ACT OF 1966**, 1966 PA 346, MCL 125.1401...125.1402, MCL 125.1411...125.1499c
- **MICHIGAN ANTITRUST REFORM ACT**, 1984 PA 274, MCL 445.771...445.788,
- **NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION ACT (EXCERPT)**, 1994 PA 451, Part 21 General Real Estate Powers, Subpart 4 Record of Deeds for Tax of Homestead Lands, MCL 324.2109...324.211, Subpart 8, Easements over State owned Lands, MCL 324.2123...2128, Subpart 11 Conservation and Historic Preservation Easement, MCL 324.2140...2144
- **MICHIGAN RIGHT TO FARM ACT (EXCERPT)**, 1981 PA 93, MCL 286.473c



- RECORDING AFFIDAVITS AFFECTING REAL PROPERTY, 1915 PA 123, MCL 565.451...565.453

## DESCRIPTION OF EXAMINATIONS

### EXAMINATION SUMMARY TABLE

| Examination | # of Questions | Passing % Score | Passing Raw Score | Time Allowed |
|-------------|----------------|-----------------|-------------------|--------------|
| Salesperson | 115            | 70              | 80                | 180 minutes  |
| Broker      | 120            | 75              | 90                | 210 minutes  |

### EXPERIMENTAL QUESTIONS

In addition to the number of examination items specified, a small number of five to ten “experimental” 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 7 items/Broker 6 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
  - e. Physical descriptions of property and improvements
  - f. Mineral, air and water rights
3. Encumbrances and effects on property ownership
  - 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 ownership properties
- e. Bundle of rights

#### 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. 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. Homeowners association (HOA) regulations

#### Valuation and market analysis (Salesperson 8 items/Broker 6 items)

1. Value
  - a. Market value and market price
  - b. Value
    - i. Types and characteristics of value
    - ii. Principles of value
    - iii. 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 (e.g., replacement versus reproduction cost, reconciliation, depreciation, kinds of obsolescence)
3. Competitive/Comparative Market Analysis (CMA)
  - a. Selecting and adjusting comparables
  - b. Contrast CMA and appraisal
    - i. Price per square foot
    - ii. Gross rent and gross income multipliers
    - iii. Capitalization rate
4. Appraisal practice; situations requiring appraisal by a certified appraiser

#### Financing (Salesperson 6 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 and sources of loan money
  - a. Term or straight loans
  - b. Amortized and partially amortized (balloon) loans
  - c. Adjustable rate mortgage (ARM) loans



- d. Conventional versus insured
- e. Reverse mortgages; equity loans; subprime and other nonconforming loans
- f. Seller/owner financing
- g. Primary market
- h. Secondary market
- i. Down payment assistance programs
- 3. Government programs
  - a. FHA
  - b. VA
  - c. Other federal programs
- 4. Mortgages/deeds of trust
  - a. Mortgage clauses (assumption, due-on-sale, alienation, acceleration, prepayment, release)
  - b. Lien theory versus title theory
  - c. Mortgage/deeds of trust and note as separate documents
- 5. Financing/credit laws
  - a. Lending and disclosures
    - i. Truth in lending
    - ii. RESPA
    - iii. Integrated Disclosure Rule (TRID)\*
    - iv. Equal Credit Opportunity
  - b. Fraud and lending practices
    - i. Mortgage fraud
    - ii. Predatory lending practices (risks to clients)
    - iii. Usury lending laws
    - iv. Appropriate cautions to clients seeking financing

\*The new TRID rule regarding the integrated loan estimate and closing disclosure forms took effect on October 3, 2015.

#### General principles of agency (Salesperson 10 items/Broker 11 items)

1. Nature of agency relationships
  - a. Types of agents and agencies (special, general, designated, subagent, etc.)
  - b. Nonagents (transactional/facilitational)
  - c. Fiduciary responsibilities
2. Creation and disclosure of agency and agency agreements (general, not state specific)
  - a. Agency and agency agreements
  - b. Disclosure when acting as principal or other conflict of interest
3. Responsibilities of agent/principal
  - a. Duties to client/principal (buyer, seller, tenant or landlord)
  - b. Traditional common law agency duties; effect of dual agency on agent's duties
4. Responsibilities of agent to customers and third parties, including disclosure, honesty, integrity, accounting for money
5. Termination of agency
  - a. Expiration
  - b. Completion/performance
  - c. Termination by force of law
  - d. Destruction of property/death of principal
  - e. Mutual agreement

#### Property condition and disclosures (Salesperson 8 items/Broker 9 items)

1. Property condition disclosure
  - a. Property owner's role regarding property condition
  - b. Licensee's role regarding property condition
2. Warranties

- a. Purpose of home or construction warranty programs
- b. Scope of home or construction warranty programs
- 3. Need for inspection and obtaining/verifying information
  - a. Explanation of property inspection process and appropriate use
  - 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 such as roof, gutters, downspouts, doors, windows, foundation
  - e. Condition of electrical and plumbing systems, and of equipment or appliances that are fixtures
  - f. Location within natural hazard or specifically regulated area, potentially uninsurable property
  - g. Known alterations or additions
- 5. Material facts related to public controls, statutes of public utilities
  - a. 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
  - e. Stigmatized/psychologically impacted property, Megan's Law issues

#### Contracts (Salesperson 11 items/Broker 12 items)

1. General knowledge of contract law
  - a. Requirements for validity
  - b. When contract is considered performed/discharged
  - c. Assignment and novation
  - d. Breach of contract and remedies for breach
  - e. Contract clauses
2. Listing agreements
  - a. General requirements for valid listing
  - b. Exclusive listings
  - c. Non-exclusive listings
3. Buyer/tenant representation agreements, including key elements and provisions of buyer and/or tenant agreements
4. Offers/purchase agreements
  - a. General requirements
  - b. When offer becomes binding (notification)
  - c. Contingencies
  - d. Time is of the essence
5. Counteroffers/multiple counteroffers
  - a. Counteroffer cancels original offer
  - b. Priority of multiple counteroffers
6. Leases
  - a. Types of leases, e.g., percentage, gross, net, ground
  - b. Lease with obligation to purchase or lease with an option to purchase
7. Other real estate contracts
  - a. Options
  - b. Right of first refusal



#### Transfer of title (Salesperson 5 items/Broker 5 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. 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
3. Escrow or closing; tax aspects of transferring title to real property
  - a. Responsibilities of escrow agent
  - b. Prorated items
  - c. Settlement Statements
  - d. Estimating closing costs
  - e. Property and income taxes
4. Special processes
  - a. Foreclosure/short sale
  - b. Real estate owned (REO)

#### Practice of real estate (Salesperson 12 items/Broker 12 items)

1. Trust/escrow accounts (general, not state specific)
  - a. Purpose and definition of trust accounts, including monies held in trust accounts
  - b. Responsibility for earnest money and other trust monies, including commingling/conversion
2. Federal fair housing laws
  - a. Protected classes
    - i. Covered transactions
    - ii. Specific laws and their effects
  - b. Compliance
    - i. Types of violations and enforcement
    - ii. Exceptions
3. Advertising and technology
  - a. Incorrect "factual" statements versus "puffing"
    - i. Truth in advertising
    - ii. Fair housing issues in advertising
  - b. Fraud, technology issues
    - i. Uninformed misrepresentation versus deliberate misrepresentation (fraud)
    - ii. Technology issues in advertising and marketing
4. Agent supervision and broker-associate relationship
  - a. Liability/responsibility for acts of associated licensees (employees or independent contractors) and unlicensed employees
  - b. Responsibility to train and supervise associated licensees (employees or independent contractors) and unlicensed employees
5. Commissions and fees
  - a. Procuring cause/protection clauses
  - b. Referrals and other finder fees
6. General ethics
  - a. Practicing within area of competence
  - b. Avoiding unauthorized practice of law
7. Antitrust laws
  - a. Antitrust laws and purpose
  - b. Antitrust violations in real estate

#### Real estate calculations (Salesperson 6 items/Broker 4 items)

1. Basic math concepts
  - a. Area
  - b. Loan-to-value ratios
  - c. Discount points
  - d. Equity
  - e. Down payment/amount to be financed
2. Calculations for transactions, including mortgage calculations
3. Property tax calculations
4. Prorations (utilities, rent, property taxes, insurance, etc.)
  - a. Commission and commission splits
  - b. Seller's proceeds of sale
  - c. Transfer tax/conveyance tax/revenue stamps
  - d. Amortization tables
  - e. Interest rates
  - f. Interest amounts
  - g. Monthly installment payments
  - h. Buyer qualification ratios
5. Calculations for valuation
  - a. Competitive/comparative market analyses (CMA)
  - b. Net operating income
  - c. Depreciation
  - d. Capitalization rate
  - e. Gross rent and gross income multipliers (GRM, GIM)

#### Specialty areas (Salesperson 2 items/Broker 3 items)

1. Subdivisions, including development-wide CC & Rs
2. Commercial, industrial and income property
  - a. Trade fixtures
  - b. Accessibility
  - c. Tax depreciation
  - d. 1031 exchanges
  - e. Trust fund accounts for 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 Licensing and Regulatory Affairs; "Board" refers to the Board of Real Estate Brokers and Salespersons]

#### Duties and Powers of the Department and the State Board of Real Estate (Salesperson-3 Items, Broker-3 Items)

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

#### Licensing Requirements (Salesperson-5 Items, Broker-4 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-10 Items, Broker-15 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 (Broker Only)
- g. Record keeping
- h. Inducements
- i. Alternative Dispute Resolution vs. Arbitration (Broker only)
- j. No disclosure duty attaches to stigmatized property
- k. Closing responsibilities

- 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.

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

**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.

**Contractual Relationships (Salesperson - 5 Items, Broker - 5 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 fair housing
  - 1. Elliott-Larsen Civil Rights Act
  - 2. Persons with Disabilities Civil Rights Act
- c. Landlord Tenant Relationship Act, Truth in Renting Act
- d. Usury laws (Broker only)
- e. State Transfer Tax
- f. Michigan Condominium Act
- g. Michigan State Housing Development Authority (MSHDA)
- h. Uniform State Anti-trust Act
- i. Michigan Right to Farm Act (Seller's Disclosure Required)
- j. Changes in the Land Contract Laws (Dodd Frank Law-federal)

**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.



- 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.
  4. Land contract.

**Answers to Sample Broker Questions:**

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

## COMPLETING THE EXAMINATION REGISTRATION FORM

**\*\*\*VERY IMPORTANT\*\*\* \*\*PRIOR TO TESTING\*\***

### SALESPERSON CANDIDATES:

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/realestate](http://www.michigan.gov/realestate) and select iCOLA on the bottom left to apply for licensure.

Only those candidates wishing to pay the examination fee by Cashier's Check or money order, or those candidates that prefer to mail or fax the examination information, need to complete the registration form. All others may register and schedule either online or by telephone.

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.

### BROKER CANDIDATES:

Real Estate **BROKER** licensing examination candidates do NOT need to apply to the state before testing.

Only those candidates wishing to pay the examination fee by Cashier's Check or money order, or those candidates that prefer to mail or fax the examination information, need to complete the registration form. All others may register and schedule either online or by telephone. You must use your social security number as the ID# when scheduling.

For questions about licensure requirements, please access the State of Michigan Real Estate web page at [www.michigan.gov/realestate](http://www.michigan.gov/realestate).

1. **Legal Name** Print your legal name in the boxes provided, using one box per letter. If your name is longer than the boxes allow, print as many letters as possible. **NOTE: If you recently changed your name, or if your last name includes a generation indicator (e.g., Jr., III), be sure that your name is the same on your examination registration form and your two forms of VALID identification.**
2. **Social Security Number** 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.
3. **Mailing Address** Your license must include a mailing address. PO Box numbers alone are not acceptable. Print only one letter or number per box. Do not include punctuation marks; leave blank spaces to show spaces.
4. **Telephone** Please provide both home and office telephone numbers (including area codes).
5. **Email Address** Please provide your email address.
6. **Date of Birth** Please provide your date of birth (i.e., "09-18-60" for September 18, 1960).
7. **Examination Type** Check the box indicating the examination for which you are registering: Salesperson or Broker.
8. **Examination Fee** You must include the correct examination fee.
9. **Special Accommodations Request** If you will require special accommodations because of a disability, please check "YES." If you have checked "YES," follow the instructions on the Registration Form to obtain a special arrangement request form. (For more information, please refer to the Special Examination Arrangements section on page 3 of this Candidate Information Bulletin).
10. **Affidavit** Sign and date this Examination Registration Form in the space provided.





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