Education Council Meeting

May 2, 2016

*

*

Meeting Notice

Agenda

Agenda Items

Minutes (signed)

IDAHO
REAL ESTATE COMMISSION

575 E. Parkcenter Blvd., Suite 180
Boise, Idaho 83706
(208) 334-3285 Fax: (208) 334-2050
irec.idaho.gov

PUBLIC MEETING NOTICE

Pursuant to Idaho Code 67-2343, notice is hereby given of an open meeting of the Idaho Real Estate Education Council.

DATE OF NOTICE:	April 25, 2016
DATE AND TIME:	May 2, 2016 at 8:00 a.m.
PLACE OF MEETING:	Idaho Real Estate Commission 575 E. Parkcenter Blvd., Suite 180 Boise, ID 83706
PERSONS ATTENDING:	Georgia Meacham, Anne Anderson, Beckie Kukal, Patrick Malone, and Michael J. Johnston
PURPOSE OF MEETING/AGENDA:	Regularly Scheduled Meeting

IDAHO REAL ESTATE EDUCATION COUNCIL MEETING
AGENDA
8:00 a.m., Monday, May 2, 2016

Idaho Real Estate Commission
575 E. Parkcenter Blvd., Suite 180
Boise, ID 83706

I. Call to Order .... Verbal

II. Pledge of Allegiance .... Verbal

III. Approval of January 20, 2016 Meeting Minutes 1-4

IV. Reports
   A. License Base Analysis 5
   B. License Examination Statistics Report 6
   C. Civil Penalty Fine Revenue Detail Report 7-13

V. Council Priorities 14

VI. Matters from the Education Director
   A. Post License Update .... Verbal
   B. Real Estate Finance Review 15-82
   C. Core 2016 Update .... Verbal
   D. Discussion of Education & Certification Policy .... Verbal
      1) Instructor Qualifications
      2) Make-up Work

VII. Executive Session
(Idaho Code Sections 74-206(1)(d) and 74-106(9) and 74-108(5))
   A. Instructor/Course Audits
      1) Beckie Kukal 83-84
      2) Patrick Malone 85
      3) Mike Gamblin 86-87
   B. Education Council Audit Schedule 88

XV. Adjournment

FY2016 ANALYSIS OF THE LICENSE BASE
(as of the beginning of the indicated month)

BROKER LICENSE								SALES LICENSE			TOTAL	TOTAL	TOTAL	COMPANIES			NEW		TERM
	ACTIVE					INACT		ACT	INACT		ACT	INACT	ACT/INA	ACTIVE			LICENSEES		LIC
	DB	LB	MA	AB	TOTAL	BR	TOTAL	SP	SP	TOTAL	B & S	B & S	B & S	CO	PR	TOTAL	BR	SP	BR/SP
Jul-14	1007	4	16	1037	2064	416	2480	5243	1964	7207	7307	2380	9687	753	322	1075	6	111	61
Aug-14	1014	4	16	1042	2076	394	2470	5325	1947	7272	7401	2341	9742	760	322	1082	5	77	62
Sep-14	1005	4	16	1051	2076	397	2473	5374	1942	7316	7450	2339	9789	752	319	1071	7	47	76
Oct-14	994	3	16	1045	2058	396	2454	5325	1954	7279	7383	2350	9733	743	316	1059	5	86	72
Nov-14	986	3	16	1047	2052	399	2451	5330	2000	7330	7382	2399	9781	733	314	1047	7	69	44
Dec-14	986	3	16	1050	2055	392	2447	5348	1994	7342	7403	2386	9789	732	313	1045	4	53	56
Jan-15	987	3	16	1037	2043	398	2441	5285	2064	7349	7328	2462	9790	736	312	1048	5	65	51
Feb-15	986	3	16	1036	2041	396	2437	5310	2054	7364	7351	2450	9801	739	310	1049	12	85	49
Mar-15	988	3	16	1041	2048	394	2442	5357	2025	7382	7405	2419	9824	738	313	1051	9	104	33
Apr-15	989	3	15	1054	2061	375	2436	5436	1994	7430	7497	2369	9866	743	311	1054	8	109	50
May-15	994	3	17	1056	2070	368	2438	5539	1948	7487	7609	2316	9925	744	314	1058	11	89	53
Jun-15	1002	3	17	1063	2085	361	2446	5609	1913	7522	7694	2274	9968	750	316	1066	7	128	49
Jul-15	1004	3	16	1061	2084	354	2438	5701	1885	7586	7785	2239	10024	754	314	1068	5	85	59
Aug-15	998	3	16	1066	2083	351	2434	5761	1863	7624	7844	2214	10058	756	311	1067	7	113	57
Sep-15	999	3	15	1068	2085	347	2432	5778	1900	7678	7863	2247	10110	755	312	1067	9	72	68
Oct-15	997	3	15	1060	2075	364	2439	5788	1913	7701	7863	2277	10140	749	311	1060	4	99	41
Nov-15	991	3	14	1055	2063	377	2440	5830	1939	7769	7893	2316	10209	741	311	1052	2	79	60
Dec-15	996	3	14	1050	2063	373	2436	5843	1941	7784	7906	2314	10220	744	312	1056	6	87	54
Jan-16	1001	3	14	1048	2066	382	2448	5846	2052	7898	7912	2434	10346	751	314	1065	8	80	55
Feb-16	999	3	14	1046	2062	376	2438	5858	1981	7839	7920	2357	10277	755	309	1064	8	100	65
Mar-16	1005	3	14	1050	2072	370	2442	5892	2018	7910	7964	2388	10352	758	312	1070	14	129	72
Apr-16	999	3	14	1065	2081	372	2453	6013	2010	8023	8094	2382	10476	752	311	1063			
May-16																			
Jun-16																			

NOTE: September 2007 was the all time high number of licensees at 12, 994

Total Expired Licenses: 764

DB = Designated Broker
LB = Limited Broker (no agents)
AB = Associate Broker
SP = Salesperson
PR = Sole Proprietorships

MA = Managing Associate Broker (Branch Office Manager)
BR = Inactive Broker
B&S = Brokers & Salespersons
CO = Corporations, LLC, LLP, Partnerships

License Examination Statistics

Mo/Yr	Broker								Salesperson							
	National Portion				Idaho Portion				National Portion				Idaho Portion			
	First time		Retakes		First Time		Retakes		First time		Retakes		First Time		Retakes	
	nmbr	% pass	nmbr	% pass	nmbr	% pass	nmbr	% pass	nmbr	% pass	nmbr	% pass	nmbr	% pass	nmbr	% pass
07/14	3	33%	1	100%	5	40%	12	58%	104	79%	52	50%	112	71%	66	44%
08/14	2	100%	0	0%	3	67%	2	50%	47	68%	29	28%	52	60%	32	38%
09/14	2	50%	1	100%	4	25%	3	33%	58	79%	25	36%	68	79%	34	38%
10/14	3	67%	1	100%	3	33%	9	22%	100	79%	49	45%	110	65%	77	44%
11/14	6	100%	0	0%	8	25%	5	80%	72	76%	23	52%	81	72%	43	49%
12/14	12	67%	2	100%	24	42%	30	33%	92	72%	58	45%	118	71%	68	50%
01/15	7	86%	2	0%	11	45%	13	46%	53	81%	25	40%	58	60%	44	59%
02/15	5	60%	3	67%	11	36%	7	57%	98	79%	28	50%	104	67%	46	48%
03/15	4	50%	1	0%	9	44%	11	27%	120	75%	43	58%	125	65%	71	59%
04/15	6	67%	6	33%	13	46%	14	36%	98	82%	52	42%	101	69%	83	37%
05/15	2	50%	1	100%	7	43%	11	27%	76	83%	45	47%	89	75%	70	47%
06/15	3	100%	0	0%	3	67%	5	20%	146	78%	35	60%	155	58%	90	49%
FY 15 Totals	55	69%	18	50%	101	43%	122	41%	1,064	78%	464	46%	1,173	68%	724	47%
07/15	7	71%	0	0%	12	42%	6	67%	94	65%	52	50%	99	58%	90	56%
08/15	7	25%	2	50%	10	50%	8	63%	88	78%	42	52%	96	61%	78	47%
09/15	3	33%	1	0%	8	25%	3	67%	77	86%	31	45%	89	63%	48	46%
10/15	2	50%	3	0%	4	75%	4	25%	130	82%	38	50%	136	63%	81	46%
11/15	9	56%	3	67%	13	38%	4	75%	72	76%	22	59%	82	68%	51	51%
12/15	4	75%	7	43%	10	40%	16	31%	88	83%	22	64%	95	56%	65	58%
01/16	5	60%	2	50%	11	18%	10	30%	66	82%	23	65%	75	68%	52	50%
02/16	2	50%	5	20%	9	33%	12	42%	103	79%	36	50%	111	72%	67	46%
03/16	6	83%	8	25%	11	45%	12	75%	106	81%	37	51%	129	65%	70	57%
04/16																
05/16																
06/16																
FY 16 Totals																

STATEMENT OF OPERATIONS
MARCH 2016

	PERSONNEL COSTS	OPERATING EXPENDITURES	CAPITAL OUTLAY	TOTAL W/O CP EXP.	CIVIL PENALTY EXPENDITURES	GRAND TOTAL
Legislative Appropriation FY2016:	$ 965,300.00	$ 460,184.40	$ -	$ 1,425,484.40	$ 94,015.60	$ 1,519,500.00
Actual YTD Expenditures:	$ 639,333.58	$ 286,444.45	$ -	$ 925,778.03	$ 21,612.36	$ 947,390.39
Appropriation Balance:	$ 325,966.42	$ 173,739.95	$ -	$ 499,706.37	$ 72,403.24	$ 572,109.61
Percent of appropriation used:	66.23%	62.25%		64.94%	22.99%	62.35%

Anticipated FY2016 Receipts	$ 1,088,755.00
Actual YTD Receipts:	$ 925,370.52
Percent of anticipated receipts	84.99%

	Operating Cash Balance	CP Fines Cash Balance	Total Cash Balance
Balances carried from FY2015:	$ 1,858,563.67	$ 890,836.53	$ 2,749,400.20
YTD Revenues	775,261.65	150,108.87	925,370.52
YTD Expenses	925,778.03	22,012.36	947,790.39
Cash Balances FY2016 YTD:	$ 1,708,047.29	$ 1,018,933.04	$ 2,726,980.33

Expenditures:	
Outstanding Encumbrances	$ -
YTD Encumbrances Expended	$ -
Transfer to Recovery Account	$ -
Operating Cash Balance:	$ 1,708,047.29

FY2016 CASH BALANCE SHEET
MARCH 2016

			OPERATING ACCOUNT			CP FINE ACCOUNT	
Beginning Balances FY2016:			$ 1,858,563.67			$ 890,836.53	$ 2,749,400.20
MONTH	RECEIPTS	EXPENSES	CASH BALANCE	CP FINE RECEIPTS	CP FINE EXPENSES	CP FINE BALANCE	BALANCE
JUL 2015	87,618.91	116,258.61	1,829,923.97	6,462.50	1,795.69	895,503.34	$ 2,725,427.31
AUG 2015	85,045.20	110,238.74	1,804,730.43	13,091.80	1,539.60	907,055.54	$ 2,711,785.97
SEP 2015	84,989.13	115,508.11	1,774,211.45	11,898.92	27.89	918,926.57	$ 2,693,138.02
OCT 2015	90,330.74	92,511.76	1,772,030.43	41,240.70	4,112.73	956,054.54	$ 2,728,084.97
NOV 2015	72,069.17	79,956.94	1,764,142.66	10,251.00	2,229.00	964,076.54	$ 2,728,219.20
DEC 2015	81,646.55	113,526.80	1,732,262.41	27,893.55	387.51	991,582.58	$ 2,723,844.99
JAN 2016	82,987.80	118,961.52	1,696,288.69	10,829.80	6,895.56	995,516.82	$ 2,691,805.51
FEB 2016	88,532.48	78,615.07	1,706,206.10	22,909.40	2,090.76	1,016,335.46	$ 2,722,541.56
MAR 2016	102,041.67	100,200.48	1,708,047.29	5,531.20	2,933.62	1,018,933.04	$ 2,726,980.33
APR 2016	-	-	1,708,047.29	-	-	1,018,933.04	$ 2,726,980.33
MAY 2016	-	-	1,708,047.29	-	-	1,018,933.04	$ 2,726,980.33
JUN 2016	-	-	1,708,047.29	-	-	1,018,933.04	$ 2,726,980.33
FY2016 YTD TOTALS:	775,261.65	925,778.03	1,708,047.29	150,108.87	22,012.36	1,018,933.04	2,726,980.33

TYPES OF FEES REPORT
MARCH 2016

	MAR 2015	MAR 2016	YTD FY2015	YTD FY2016	FY2014/ FY2015
New Active Individual Licenses	7	4	43	34	
	1,120.00	640.00	$ 6,880.00	$ 5,440.00	-20.93%
New Inactive Individual Licenses	98	132	706	860	
	15,680.00	21,120.00	$ 112,960.00	$ 137,600.00	21.81%
New CON/LCN/BOL Licenses	8	0	56	52	
	400.00	-	$ 2,800.00	$ 2,600.00	-7.14%
Active Individual Renewals	253	251	2351	2321	
	40,480.00	40,160.00	$ 376,160.00	$ 371,360.00	-1.28%
Inactive Individual Renewals	147	125	1082	1019	
	23,520.00	20,000.00	$ 173,120.00	$ 163,040.00	-5.82%
Active COR/LCR/BOR Renewals	21	27	272	266	
	1,050.00	1,350.00	$ 13,600.00	$ 13,300.00	-2.21%
Late Renewal Fees	62	175	424	608	
	1,550.00	4,375.00	$ 10,600.00	$ 15,200.00	43.40%
	2	14	70	101	
Print Lic Fees	30.00	210.00	$ 1,050.00	$ 1,515.00	44.29%
Land Registration	6,271.75	7,822.75	$ 38,144.00	$ 33,190.25	-12.99%
Certification Fees	1,350.00	875.00	$ 10,900.00	$ 6,250.00	-42.66%
Course Registrations	475.00	4,525.00	$ 475.00	$ 4,525.00	0.00%
	12	12	135	111	
License History	120.00	120.00	$ 1,350.00	$ 1,110.00	-17.78%
	7	1	41	23	
Education History	70.00	10.00	$ 410.00	$ 230.00	-43.90%
Non-Taxable Sales	-	-	$ 85.17	$ 577.99	0.00%
Taxable Sales	155.14	438.92	$ 2,567.85	$ 2,485.13	-3.22%
	1	2	4	6	
NSF Check Fees	20.00	40.00	$ 80.00	$ 120.00	0.00%
Misc / Overpayments	1,021.95	-	$ 1,112.60	$ -	0.00%
Sub-total Fees/Revenue	**$ 93,313.84**	**$ 101,686.67**	**$ 752,294.62**	**$ 758,543.37**	0.83%
Civil Penalty Fines	7,439.50	5,531.20	$ 81,651.47	$ 150,108.87	83.84%
Legal Fees Recovered (3)	-	355.00	$ 4,635.12	$ 16,718.28	260.69%
Grand Total Fees/Rev	**$ 100,753.34**	**$ 107,572.87**	**$ 838,581.21**	**$ 925,370.52**	10.35%

Legal Fees accrued in a previous FY but recovered in this FY will be recorded as revenue. Legal fees accrued and recovered in the same FY will be recorded as a reduction to expenses.

REVENUE STATEMENT
MARCH 2016

Description	MAR 16	Actual FY2016 YTD Totals	Projected FY2016 Totals	Difference Actual to Projected	Percentage of Projected Met
	136	894	1120	-226	
New Individual License Fees	21,760.00	143,040.00	179,200.00	(36,160.00)	79.82%
	0	52	70	-18	
New Company License Fees	-	2,600.00	3,500.00	(900.00)	74.29%
	376	3,340	4,685	-1,345	
Renewal Individual License Fees	60,160.00	534,400.00	749,600.00	(215,200.00)	71.29%
	27	266	350	-84	
Renewal Company License Fees	1,350.00	13,300.00	17,500.00	(4,200.00)	76.00%
	175	608	525	83	
Late Renewal Fees	4,375.00	15,200.00	13,125.00	2,075.00	115.81%
	14	101	122	-21	
Print Lic	210.00	1,515.00	1,830.00	(315.00)	82.79%
Land Registration Fees	7,822.75	33,190.25	37,500.00	(4,309.75)	88.51%
Certification Filing Fees	875.00	6,250.00	10,000.00	(3,750.00)	62.50%
Course Registration Fees	4,525.00	4,525.00	8,850.00	(4,325.00)	51.13%
License History	120.00	1,110.00	1,800.00	(690.00)	61.67%
Education History	10.00	230.00	550.00	(320.00)	41.82%
Non-taxable Sales	-	255.18	100.00	155.18	255.18%
Taxable Sales	438.92	2,807.94	2,185.00	622.94	128.51%
ISF Check Fees	40.00	120.00	120.00	-	100.00%
Misc./Overpayments	-	-	700.00	(700.00)	0.00%
Sub-total Receipts:	**$ 101,686.67**	**$ 758,543.37**	**$ 1,026,560.00**	**$ (268,016.63)**	**73.89%**
*Legal Fees Recovered:	355.00	16,718.28	5,000.00	11,718.28	334.37%
Civil Penalty Receipts:	5,531.20	150,108.87	105,000.00	45,108.87	142.96%
Total Receipts:	**$ 107,572.87**	**$ 925,370.52**	**$ 1,136,560.00**	**$ (211,189.48)**	**81.42%**

*** Legal Fees Recovered represents receipts from legal fees accrued in a prior fiscal year only. Legal fees accrued and recovered in this fiscal year are posted as a reduction to expenses.**

CP Fine Revenue
Detail Report
FY2016

Month	Audit Citation	Civil Penalty Fine	Late Continuing Education	Late Errors & Omissions Insurance	Late License Renewal	TOTAL Civil Penalty Fines Revenue
JULY 2015	-	4,650.00	1,362.50	450.00	-	$ 6,462.50
AUGUST 2015	293.25	5,650.00	6,509.75	600.00	38.80	$ 13,091.80
SEPTEMBER 2015	-	3,644.77	7,489.25	745.50	19.40	$ 11,898.92
OCTOBER 2015	-	8,050.00	5,134.00	28,047.00	9.70	$ 41,240.70
NOVEMBER 2015	49.25	50.00	1,333.50	8,818.25	-	$ 10,251.00
DECEMBER 2015	-	20,555.00	2,887.00	4,218.75	232.80	$ 27,893.55
JANUARY 2016	-	4,047.50	2,192.50	4,260.00	329.80	$ 10,829.80
FEBRUARY 2016	-	18,300.00	2,297.00	1,565.50	746.90	$ 22,909.40
MARCH 2016	50.00	2,673.50	2,352.50	445.50	9.70	$ 5,531.20
APRIL 2016	-	-	-	-	-	$ -
MAY 2016	-	-	-	-	-	$ -
JUNE 2016	-	-	-	-	-	$ -
FY2016 YTD Balances	**$ 392.50**	**$ 67,620.77**	**$ 31,558.00**	**$ 49,150.50**	**$ 1,387.10**	**$ 150,108.87**

DETAIL STATEMENT
MARCH 2016

	MAR 2016	YTD TOTALS	PROJECTED	BALANCE	PERCENT
PERSONNEL EXPENDITURES					
Staff	64,221.09	635,393.28	883,660.00	248,266.72	71.90%
Commissioners	-	3,940.30	3,996.00	55.70	98.61%
Total Personnel Expenditures	$ 64,221.09	$ 639,333.58	$ 887,656.00	$ 248,322.42	72.02%
OPERATING EXPENDITURES					
Professional Services:					
Legal - Internal	-	21,333.36	41,333.00	19,999.64	51.61%
Legal - External	14,441.49	49,882.76	50,000.00	117.24	99.77%
Personnel Consultations	-	15,568.17	-	-	
Court Reporter	-	-	5,000.00	5,000.00	0.00%
Hearing Officers	-	1,375.00	5,000.00	3,625.00	27.50%
Investigative Expense	-	16.70	500.00	483.30	3.34%
Security	-	74.55	500.00	425.45	14.91%
Total Prof. Services	$ 14,441.49	$ 88,250.54	$ 102,333.00	$ 14,082.46	86.24%
Travel:					
Commissioners	1,181.11	21,525.35	26,778.80	5,253.45	80.38%
Staff	490.82	8,897.10	13,994.50	5,097.40	63.58%
Audit	1,172.00	6,929.63	11,000.00	4,070.37	63.00%
Total Travel	$ 2,843.93	$ 37,352.08	$ 51,773.30	$ 14,421.22	72.15%
Rents/Leases:					
Office Rental	6,827.47	61,447.23	81,929.60	20,482.37	75.00%
Other Rent (Ofc Eq/Storage/Etc)	438.64	8,694.72	10,540.00	1,845.28	82.49%
Total Rents/Leases	$ 7,266.11	$ 70,141.95	$ 92,469.60	$ 22,327.65	75.85%
Communications:					
Teleconference calls	-	19.95	250.00	230.05	7.98%
Postage	558.08	5,582.12	8,000.00	2,417.88	69.78%
Phone	621.95	5,072.13	8,500.00	3,427.87	59.67%
Cell Phone	74.24	667.04	900.00	232.96	74.12%
Data Line Charges	168.13	1,389.22	2,300.00	910.78	60.40%
Total Communications	$ 1,422.40	$ 12,730.46	$ 19,950.00	$ 7,219.54	63.81%
Insurance:					
Auto	-	36.00	36.00	-	100.00%
Foreign Travel Insurance	-	-	-	-	0.00%
Liability Insurance	-	87.00	87.00	-	100.00%
Property Insurance	-	198.00	198.00	-	100.00%
Employee Bond	-	116.00	116.00	-	100.00%
Insurance-Admin. Chg.	-	45.00	45.00	-	100.00%
Total Insurance	$ -	$ 482.00	$ 482.00	$ -	100.00%
Administrative Services:					
Legislative Audit	-	2,500.00	2,500.00	-	100.00%
EIS	-	2,043.00	1,774.00	(269.00)	115.16%
SCO	-	1,448.00	1,721.00	273.00	84.14%
State Treasurer	-	306.00	265.00	(41.00)	115.47%
ITRMC (IT Related Gvt Overhead)	-	1,323.44	2,100.00	776.56	63.02%
Administrative Rules	-	1,395.95	1,380.00	(15.95)	101.16%
Printing Services	-	46.30	1,000.00	953.70	4.63%
Photocopy Services	73.33	820.90	1,500.00	679.10	54.73%
Photo & Other Adm Svcs	-	-	250.00	250.00	0.00%
Total Administrative Services	$ 73.33	$ 9,883.59	$ 12,490.00	$ 2,606.41	79.13%

DETAIL STATEMENT
MARCH 2016

CP FINE EXPENDITURES	MAR 2016	YTD TOTALS	PROJECTED	BALANCE	PERCENT
CP Fine Professional Services					
Honoraria - Education Council	-	800.00	2,700.00	1,900.00	29.63%
Speciality CE Course Offering	-	387.00	7,500.00	7,113.00	5.16%
Speaker Fee (IDW/Core)	-	2,225.00	5,000.00	2,775.00	44.50%
IDW Misc. Expenses	-	-	2,200.00	2,200.00	0.00%
Training DVD	-	-	15,000.00	15,000.00	0.00%
Online Course Development	2,500.00	2,500.00	15,000.00	12,500.00	16.67%
Total CP Fine Professional Service	$ 2,500.00	$ 5,912.00	$ 47,400.00	$ 41,488.00	12.47%
CP Fine Travel					
Commissioners	-	589.96	1,840.00	1,250.04	32.06%
Education Council	-	2,445.68	6,240.60	3,794.92	39.19%
Internal Legal	-	385.60	365.00	(20.60)	105.64%
Staff	-	4,408.78	4,895.00	486.22	90.07%
Total CP Fine Travel	$ -	$ 7,830.02	$ 13,340.60	$ 5,510.58	58.69%
CP Fine Communications					
Postage	-	4,084.00	13,950.00	9,866.00	29.28%
Teleconference	33.62	318.59	250.00		127.44%
Total CP Fine Communications	$ 33.62	$ 4,402.59	$ 14,200.00	$ 9,866.00	31.00%
CP Fine Administrative Services					
Printing Services	-	2,907.53	16,900.00	13,992.47	17.20%
Total CP Fine Administrative Services	$ -	$ 2,907.53	$ 16,900.00	$ 13,992.47	17.20%
CP Fine General Services					
AutoSort	-	560.22	1,925.00	1,364.78	29.10%
Total CP Fine General Services	$ -	$ 560.22	$ 1,925.00	$ 1,364.78	29.10%
CP Fine Employee Development					
Staff	400.00	400.00	325.00	(75.00)	400.00%
Total CP Fine Employment	$ 400.00	$ 400.00	$ 325.00	$ (75.00)	400.00%
CP Fine Administrative Supplies					
Education Supplies (IDW)	-	-	250.00	250.00	0.00%
Total CP Fine Administrative Supplies	$ -	$ -	$ 250.00	$ 250.00	0.00%
Total CP Fine Expenditures	$ 2,933.62	$ 22,012.36	$ 94,340.60	$ 72,396.83	23.33%
TOTAL OPERATING COSTS:	$ 38,913.01	$ 308,456.81	$ 553,877.00	$ 173,091.95	55.69%
CAPITAL EXPENDITURES:					
Office Equipment	-	-	-	-	
Office Furniture	-	-	-	-	
Computer Equipment	-	-	-	-	
Vehicles	-	-	-	-	
TOTAL CAPITAL EXPENDITURES	$ -	$ -	$ -	$ -	
GRAND TOTAL AGENCY	$ 103,134.10	$ 947,790.39	$ 1,441,533.00	$ 493,742.61	65.75%

EDUCATION COUNCIL PRIORITIES July 1, 2015 to June 30, 2016	
1 CIVIL PENALTY FINE MONIES	
a. Suggest ideas for Civil Penalty Fine Monies.	May-16
2 INSTRUCTOR DEVELOPMENT WORKSHOP (IDW)	
a. Suggest ideas and hot topics from Council members, Enforcement Department, and others for new Commission CORE Course.	Jan-16
b. Evaluate Instructor Development Workshop.	Jul-16
3 IMPROVE COMMUNICATION	
a. Each member may audit one course between Education Council meetings to review instruction and curriculum standards in the field.	ongoing
b. Council Chair will submit a regular article to the Real Estatement outlining education changes and important issues.	Nov-15 May-16
4 COURSE REVIEWS - Review to include: exams, textbooks, outline, slides, and supplemental materials as applicable.	Planned implementation date
a. Post License Fundamentals (last revised July 2015)	Jul-16
b. Post License Pricing, Marketing and Advertising (last revised July 2014)	Jul-16
c. Post License Professionalism, Negotiations, and Closings (last revised July 2014)	Jul-16
d. Post License Introduction to Commercial Real Estate (last revised July 2014)	Jul-16
e. Real Estate Law (last revised Sept 2008)	Jan-17
f. Sales Prelicense Module 1 & 2 (last revised Nov 2010)	Sep-16
g. Real Estate Finance (last revised 2009)	Oct-16
h. Valuation & Analysis (last revised Dec 2009)	Oct-16
i. Brokerage Management (last revised Sept 2010)	Jan-16
j. Business Conduct & Office Operations (LIVE/ONLINE) (last revised June 2011)	Jan-16
5 REVIEW INSTRUCTOR & PROVIDER REQUIREMENTS	
a. Minimum Standards	May-16
b. Task Force Group	May-16

Timed Outline (24 Hours)

Ch. 1: The Nature and Cycle of Real Estate Finance & Ch. 3: Additional Government Influence.............45 minutes
Real Estate Cycles
U.S. Department of Housing and Urban Development (HUD)
Consumer Financial Protection Bureau
Significant Federal Legislation
State and local programs
Agricultural Lending

Chapter 4: The Secondary Mortgage Market ....125 minutes
Major Participants in the Secondary Market
The Government-Sponsored Enterprises (GSEs)
Fannie Mae
Freddie Mac
Real Estate Mortgage Investment Conduits (REMICs)

Chapter 5: Sources of Funds: Institutional, Non-Institutional, and Other Lenders ....125 minutes
Institutional Lenders
Non-Institutional Lenders

Chapter 6: Instruments of Real Estate Finance ....180 minutes
Encumbrances and Liens
Loan Secured by a Real Estate Interest
The Note and Deed of Trust (Trust Deed)
Note and Mortgage
Contract for Deed (Land Contract)
Junior Finance Instruments
Special Provisions in Mortgage Lending Instruments

Chapter 7: Real Estate Financing Programs...285 minutes
Interest
Types of Loans
Private Mortgage Insurance
Refinancing Existing Conventional Loans
Subprime and Predatory Lending
Variations in Formats
Participation Agreements
Tax Impacts in Mortgage Lending

Chapter 8: Government Loans ....235 minutes
Federal Housing Administration (FHA)
FHA-Insured Loan Program
FHA Contributions to Real Estate Finance
VA Loan Guarantee Program
Additional VA Loan Programs

Chapter 9: Processing Real Estate Loans ....160 minutes
Borrower Qualifications
Qualifying the Collateral
Qualifying the Title
Closing the Loan

Chapter 10: Defaults and Foreclosures...45 minutes
Types of Foreclosures

Total Class Time ....1,200 minutes / 24 (50-minute) hours

Real Estate Finance

24-Hour CE Elective & Broker Prelicense Course

Course Approval #: FI002

2016 Revision

Chapters 1 - 3

LEARNING OBJECTIVES FOR THIS SECTION:

Upon completion of this chapter, the student will be able to:

- List important factors that affect real estate cycles
- List the responsibilities and activities of HUD and the CFPB
- Identify important acts of federal legislation that affect real estate finance

CLASS ACTIVITIES FOR THIS SECTION:

- Discuss current market conditions for your area, drawing on class experience to graph local real estate cycles
- Review the In Practice scenario on page 47 and discuss it as a class

HOMEWORK ASSIGNMENTS FOR THIS SECTION:

- Read pages 10-15 of chapter 1 in the textbook
- Read pages 21-27 of chapter 2 in the textbook
- Review the activity on page 25 and prepare to discuss it as a class at the start of day two

CHAPTER 1

CLASS ACTIVITY:

Discuss current market conditions for your area, drawing on class experience to graph local real estate cycles.

I. REAL ESTATE CYCLES

A. Supply and demand

1. General business conditions

    a. Short and long term cycles

    b. Cycle repeats when demand exceeds supply

2. Supply of money

    a. Drains on money supply

    b. Largest competitors for savings

3. Market response

    a. Short-term, 3 to 5-year cycles—responds to current economic conditions

    b. Long-term, 10 to 15-year cycles—time variables prevail

CHAPTER 3

I. U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)

A. Creation and purpose

B. Office of Fair Housing and Equal Opportunity (FHEO)

1. FHEO enforces the following:

    a. Fair Housing Act

    b. Title VI of Civil Rights Act of 1964 and other civil rights laws

2. Fair housing complaints may be handled at state level with equivalent enforcement program

C. Community Development Block Grants (CDBG)

1. Community economic development, job opportunities, and housing rehabilitation
2. Construction and improvement of public facilities
3. CDBG funds split between states and entitlement communities
4. Grants provided under formula based on community needs
5. Neighborhood Stabilization Program (NSP) established to help stabilize communities suffering from foreclosed and abandoned homes

D. Interstate land sales

E. Urban renewal

1. Entire neighborhoods or specific properties
2. Loans and grants for rehabilitation of property

F. Public housing programs

1. Subsidized housing
    a. Housing Choice Voucher Program (former Section 8)
        i. Rental subsidies
        ii. Paid to owners
    b. Housing Choice Vouchers for first-time homebuyers
        i. Public housing authority (PHA) allocates portion of Housing Choice Voucher monies
        ii. FHA sets minimum income and employment
        iii. Local PHA sets other eligibility requirements
    c. Native American (Indian) public housing

2. Other programs

   a. Support local governments and nonprofit organizations in moving homeless to supportive housing

   b. Good Neighbor Next Door

3. See Homes and Communities website at www.hud.gov

II. CONSUMER FINANCIAL PROTECTION BUREAU

A. Charged by Dodd-Frank Act to issue rules that combine required disclosures

   1. RESPA-TILA Integrated Disclosures final rule

   2. Loan Estimate

      a. Summary of loan terms, estimated loan costs, closing costs

      b. Can be used to compare different loan products

      c. Definition of "application"

      d. Must be provided to consumer within three days of application

   3. Closing Disclosure

      a. Summary of actual loan terms, loan costs, other settlement costs

      b. Significant changes require an updated Closing Disclosure, such as change to APR, change to loan product, or addition of prepayment penalty

      c. Must be provided to consumer at least three days before closing

   4. Loan Estimate and Closing Disclosure mandated after August 1, 2015

B. New rules for mortgage servicers, effective January 10, 2014

   1. Created to protect borrowers from lenders taking advantage of when borrowers fall behind on payments

   2. Brochure listing all new rules for lenders available to public at

www.consumerfinance.gov

III. SIGNIFICANT FEDERAL LEGISLATION

A. Equal Credit Opportunity Act (ECOA)

1. Title VII of Consumer Protection Act
2. Prohibit lender from discriminating based on the following:
    a. Race
    b. Color
    c. Religion
    d. National origin
    e. Sex
    f. Marital status
    g. Age
    h. Dependence on public assistance
3. Justice Department and HUD charged with protecting borrowers from discrimination in lending practices under fair housing laws and ECOA

B. Real Estate Settlement Procedures Act (RESPA)

1. Protection for participants in residential real estate transactions; now administered under CFPB
2. Covers almost all service providers for residential mortgage loans
3. Prohibits receiving anything "of value" for referrals when no service is rendered
    a. Exemptions: promotional and educational activities, payment for goods or services performed, and affiliated business arrangements
4. Required disclosures
    a. At loan application

i. Information booklet

ii. Loan Estimate — within three business days

iii. Mortgage servicing disclosure statement

b. Before settlement

i. Referral to any firm with ownership connection

ii. Copy of Closing Disclosure showing all closing costs and cash needed to close — delivered to borrower at least three days prior to closing

c. At settlement

i. Closing Disclosure (replaces HUD-1 Settlement Statement)

ii. Lead-based paint disclosure if built before 1978

d. After settlement

i. Annual escrow loan statement

ii. Service transfer statement if service transferred

C. Truth in Lending Act (TILA)—Regulation Z

1. APR

a. Discloses true yield to lender

b. Required disclosure prior to making loan

2. Regulation Z

a. Disclosure requirements for all elements of credit

b. Trigger terms

3. Adjustable-rate mortgage (ARM) disclosure requirements

4. TILA extends to personal property in excess of $50,000

5. No right of rescission on purchase of real property

CLASS ACTIVITY:

Review the In Practice scenario on page 47 and discuss it as a class

D. Community Reinvestment Act (CRA) - responsibility of financial institution to meet credit needs of the community served

E. Home Mortgage Disclosure Act (HMDA)

1. Mortgage originators report information regarding income level, racial characteristics, and gender of applicants
2. Applies to loans originated and those rejected

IV. STATE AND LOCAL FINANCING AGENCIES

A. Industrial development agencies

1. Industrial revenue bonds (IRBs)
2. Community growth is goal

B. Mortgage insurance programs

1. General obligation or revenue bonds
2. Special loans for purchase of farm or ranch land

C. Community redevelopment agencies

1. Expansion of low-income housing; agree to 30% of rental units for low-income tenants
2. Tax increment financing

V. AGRICULTURAL LENDING

A. Cyclical requirements for farm loans

1. Open-end mortgages

a. Designed with flexibility for payment

i. Ability to pay when possible

ii. Able to be extended

b. Need ability to pay larger portions towards principal when possible

B. Farm Credit System (FCS)

1. Provides credit for farmers, ranchers, producers, and harvesters of aquatic products, rural homeowners, agricultural cooperatives, rural utility systems, and agribusinesses.

2. Federal Agriculture Mortgage Corporation (Farmer Mac) - created to provide secondary market for agricultural and rural housing loans; Farmer Mac I purchases loans from agricultural mortgage lenders, then packaged and sold as securities

C. USDA Rural Development Program

1. Combines Farmers Home Administration, Rural Development Administration, Rural Electrification Administration, and Agricultural Cooperative Service

2. Forges partnerships with rural communities

3. Provides technical assistance and financial backing for rural businesses and cooperatives

HOMEWORK ASSIGNMENTS:

- Read pages 10-15 of chapter 1 in the textbook
- Read pages 21-27 of chapter 2 in the textbook

Chapter 4

LEARNING OBJECTIVES:

Upon completion of this chapter, the student will be able to:

- Explain the role of the FHFA
- Describe the roles of the various major agencies involved in the secondary mortgage market

CLASS ACTIVITIES FOR THIS SECTION:

- Invite a guest speaker to come and speak to the students for approximately 30 minutes regarding the secondary mortgage market.

HOMEWORK ASSIGNMENTS FOR THIS SECTION:

- Read pages 66-68 of chapter 4 in the textbook

CHAPTER 4

I. MAJOR PARTICIPANTS IN THE SECONDARY MARKET

A. Members: Fannie Mae, Freddie Mac, Ginnie Mae, Federal Home Loan Bank, Federal Agricultural Mortgage Corporation, and private mortgage investors.

B. Distribution of funds

C. Collateralized mortgage obligation (CMO)

1. Pooling of homogenous types of mortgages for collateral
2. Market for private companies developed on Wall Street

<u>CLASS ACTIVITIES FOR THIS SECTION:</u>

Invite a guest speaker to come and speak to the students for approximately 30 minutes regarding the secondary mortgage market.

II. GOVERNMENT-SPONSORED ENTERPRISES (GSE)

A. Fannie Mae and Freddie Mac

1. Tax benefits
2. Line of credit with U.S. Treasury
3. Conforming loans
4. Placed in conservatorship in 2008

B. Fannie Mae and Freddie Mac suffer great losses starting in 2007 due to subprime loans and mortgage-backed securities issued by private companies

III. FEDERAL HOUSING FINANCE AGENCY (FHFA)

A. Established in 2007 under the Federal Housing Reform Act as an independent agency to regulate the government-sponsored entities (GSEs) of Fannie Mae, Freddie Mac, and the Federal Home Loan Bank

B. On September 6, 2008, Fannie Mae and Freddie Mac were placed into conservatorship under FHFA management

1. Treasury given authority to provide unlimited capital by purchasing stocks
2. Government officially backed debt securities and MBS guarantees
3. Fannie and Freddie delisted from New York Stock Exchange in July 2010; trade in over-the-counter (OTC) market
4. FHFA taking aggressive steps to recover losses on trillions of MBS

C. FHFA actions

1. Establish conforming loan limits
2. Set goal for percentage of loans to low- and moderate-income households
3. Changes to Home Affordable Refinance Program (HARP)
4. Baseline limits set annually

IV. FANNIE MAE

A. History

1. Created as a private company in 1938 to purchase FHA-insured mortgages
2. Expanded to include VA-guaranteed mortgages in 1944

B. Empowerment to sell mortgages

1. Rechartered in 1954 to be financed by private capital
2. Empowered to sell as well as buy Federal Housing Administration (FHA) and Department of Veterans Affairs (VA) loans

    i. Discounted price

ii. Imposed criteria

3. Purchase of mortgages

    i. Servicing agreement

    ii. Ability to "roll over" money

4. Sale of mortgages through open-market transactions

C. Reorganization under the Department of Housing and Urban Development (HUD)

1. HUD Act of 1968 changed to fully private corporation

2. Called a government-sponsored enterprise (GSE)

3. Ability to purchase mortgages at a premium

4. Emergency Home Finance Act of 1970 allows purchase of conventional loans as well as FHA and VA

D. Administered price system

1. Free-market-system auction in the past

2. Change to administered price system

    a. Mandatory commitment

    b. Standby commitment with option to deliver

E. Fannie Mae mortgage-backed securities (MBS)

1. Mortgage loans packaged into securities

2. Sold in international capital markets

3. "Universal Debt Facility Offering Circular" provides information

F. Underwriting standards

1. Electronic underwriting system

    a. Desktop Underwriter®

    b. Desktop Originator®

2. Guidelines
    a. Private mortgage insurance (PMI) coverage with loan to value (LTV) exceeding 80 percent
    b. Percentage required for down payment
    c. Seller contribution toward closing costs
    d. Ratios set for housing and total debt expense
    e. Minimum down payment
    f. Prior foreclosure
3. Conforming and nonconforming loans
    a. Conforming loans conform to Fannie Mae/Freddie Mac guidelines
    b. Nonconforming loans do not meet guidelines
    c. Loan limits adjusted annually
    d. Jumbo loans exceed maximum loan limits
4. Credit scoring
    a. Based on risk factors
    b. National repositories
        i. Experian
        ii. Equifax
    c. iii. TransUnionFICO scores
5. Establishing nontraditional credit
6. Fannie Mae loan products
    a. Fixed loans
    b. Adjustable-rate loans
    c. Home construction loans

d. Renovation loans

e. HomePath loans

f. MyCommunityMortgage® loans

V. FREDDIE MAC

A. Organization

1. Created under Emergency Home Finance Act of 1970

   a. Provides secondary market for savings associations and thrifts

   b. Under direction of Federal Home Loan Bank Board

2. Since 1989, independent stock company and GSE

B. Secondary market operations

1. Purchases conventional, FHA, and VA loans

2. Collateralize mortgage packages as participation certificates (PCs)

3. Placed in conservatorship under FHFA in 2008

C. Underwriting standards

1. Guidelines generally same as for Fannie Mae

2. One exception to Fannie Mae: only use debt-to-income ratio for qualifying

3. Electronic underwriting system

   a. Loan Prospector®

   b. Assessment of risk

D. Freddie Mac loan products

1. Fixed and adjustable rate

2. Home Possible® affordable loans

E. Qualified Residential Mortgage (QRM)

1. Potential new program for Fannie Mae and Freddie Mac

a. Requires 20 percent down payment, 28/36 ratios, above-average credit score

b. lender to retain percentage interest in securities

2. CFPB re-proposed QRM, aligned with same standards as a QM (qualified mortgage).

a. Prohibits loans with negative amortization, interest-only payments, balloon payments, and terms of more than 30 years, plus all "no doc" loans

b. Points and fees may not exceed 3% of loan amount, debt-to-income ratio may not exceed 43%, and no pre-payment penalties are allowed

VI. **GINNIE MAE** - organization that guarantees FHA and VA mortgage backed securities

VII. **FEDERAL HOME LOAN BANK (FHLB)** - major function is to purchase loans from member thrifts

VIII. **FARMER MAC** - purchases qualified loans from agricultural lenders

IX. **REAL ESTATE MORTGAGE INVESTMENT CONDUITS (REMICS)**

A. Tax Reform Act of 1986 established REMICs

1. Conduit holding pools of mortgages

2. Provide for private securitization of mortgages

3. Fannie Mae, Freddie Mac, Ginnie Mae all offer multiclass mortgage-backed securities

B. Commercial mortgage-backed securities

HOMEWORK ASSIGNMENTS:

Read pages 66-68 of chapter 4 in the textbook

Chapter 5

LEARNING OBJECTIVES:

Upon completion of this chapter, the student will be able to:

- Recognize the primary sources of funds for real estate finance
- Explain the services of a mortgage broker and a mortgage banker

CHAPTER 5

I. INSTITUTIONAL LENDERS

A. Commercial Banks

1. Demand deposits (checking accounts) main source of capital

2. Mortgage loan activities

    a. Business loans to finance operations and inventories

        i. Primarily industrial and commercial in the past

        ii. Now active in one-to-four-family home loan market

    b. Interim financing—short term

        i. Construction loans (3 months to 3 years)

        ii. Home improvement loans (up to 5 years)

        iii. Manufactured housing loans (10 years or longer)

    c. Long-term mortgage loans

        i. Some kept in bank's portfolio

        ii. Most packaged and sold in secondary market

    d. Equity loans

        i. Provides tax deduction

        ii. Can be used for multiple needs

    e. Trust department

        i. Supervise and manage large amounts of money or property

        ii. Act as executors, conservators, guardians, trustees, escrow agents

        iii. Take conservative approach to preserve value

    f. Mortgage banker

i. Originate and service loans for other lenders

ii. Represent life insurance companies, investment or mortgage trusts

g. Real estate mortgage trusts (REMTs)

h. Commercial real estate development

i. Larger banks make loans on apartment projects, office buildings, or shopping centers

ii. Larger loans placed through bank holding companies or subsidiary

3. Movement toward consolidation

a. Banks merging or consolidating

b. Countermove to small bank start-ups

4. FY2009 Omnibus Appropriations Act

a. Permanently prohibits banks from entering real estate brokerage and management business

B. Mutual Savings Banks

C. Savings Associations/Thrifts

D. Life Insurance Companies

E. Pension and Retirement Programs

F. Credit Unions

1. Created under National Credit Union Administration (NCUA) in 1970

a. Nonprofit financial organizations

b. Traditionally made personal property, home improvement, auto, equity, or second mortgage loans

c. Chartered and supervised by NCUA

d. Savings insured by National Credit Union Share Insurance Fund

e. National Credit Union Share Insurance Fund (NCUSIF)

2. Competition to banking industry

a. Not governed by federal, state, or local banking regulation

b. Aggressive marketing of equity and mortgage loans

i. Competitive interest rates

ii. Low loan placement fees

3. Secondary market involvement pooling mortgage loans into real estate mortgage investment conduits (REMICs)

II. Non-Institutional Lenders

A. Mortgage Brokers and Bankers

1. Mortgage brokers

a. Bring borrower and lender together for a placement fee

b. Do not service the loan

c. Responsible for quality of the loan

d. Association of Mortgage Professionals (formerly the National Association of Mortgage Brokers)

2. Mortgage bankers (or correspondents)

a. Manage real estate loans (originate and service)

b. Not banking in traditional sense

c. Maintain high community profile

d. Regulated under state laws

e. Involved with all types of real estate loans

f. Warehouse of funds/line of credit with commercial bank

g. Mortgage Bankers Association (MBA)

3. The SAFE Act

    a. Secure and Fair Enforcement Mortgage Licensing Act of 2008

    b. Provides consumer protection and reduce fraud

    c. Encourages states to set minimum standards of mortgage loan originators

    d. All mortgage loan originators required to register with Nationwide Mortgage and Licensing System and Registry (NMLSR)

    e. Responsibility for SAFE Act moved to CFPB in July 2011

B. Real Estate Trusts

1. Originated with Real Estate Investment Trust Act of 1960

    a. Provides tax benefits like for mutual funds, sold like stock

    b. Three types of REITs

        i. Equity REIT: Invests in real estate; income from rents or sale

        ii. Mortgage REIT: Lends money for mortgages or purchases mortgages; income from interest earned

        iii. Hybrid REIT: Combines equity REITs and mortgage REITs by investing in both property and mortgages

2. Equity REIT

    a. Owners of improved properties

    b. Income derived from net profit and capital gains

    c. No tax imposed at REIT level

    d. REIT Modernization Act of 2001 expands earning opportunities

3. Mortgage REIT (REMT)
    a. Mortgage loans on commercial income properties
    b. Income derived from mortgage interest, fees, and buying and selling mortgages
4. Combination (hybrid) trusts

C. Real Estate Bonds
1. Finance real estate projects
    a. Corporate bonds
    b. Municipal bonds
    c. Administration by trustee
2. Nature of bonds
    a. Secured or unsecured (debentures)
    b. Method of payment (bearer or registered)
    c. Nature of issuer (industrial, corporate)
    d. Nature of security (mortgage, income)
    e. Date of maturity (long-term, short-term)
    f. Type of termination (convertible, serial, sinking)
    g. Purpose (construction, improvement)
3. Corporate bonds
    a. Costly compared to mortgage
    b. Require services of investment broker
    c. Value fluctuates with market
    d. Bonds are rated by financial security of issuers

4. Municipal and private bonds
    a. General obligation bonds
    b. Revenue bonds
    c. Industrial revenue bonds
    d. Industrial development bonds
    e. Mortgage revenue bonds
5. Zero-coupon bonds
    a. Patterned after World War II savings bonds
    b. Interest reported annually but not collected until bond matures
6. Mortgage loan bonds
    a. States use for low-cost mortgage loans
    b. Interest is tax-exempt

D. Private Lenders

1. Individuals
    a. Sellers
        i. First mortgage
        ii. Carry-back second mortgage
    b. Family members
        i. Gift or cosigner
        ii. Partnerships
        iii. Tax-free gifts
2. Private loan companies
    a. Junior financing arrangements

b. Loan from own funds, charge more

E. Foreign Lenders

Chapter 6

LEARNING OBJECTIVES:

Upon completion of this chapter, the student will be able to:

- Compare a mortgage with a deed of trust
- Describe the main types of financing instruments

CLASS ACTIVITIES FOR THIS SECTION:

- Review the In Practice scenario on page 97 and discuss it as a class.

CHAPTER 6

I. ENCUMBRANCES AND LIENS

A. Encumbrances

1. Right or interest in a property by someone other than the owner

   a. Affect physical condition of property

   b. Easements, restrictions, encroachments

2. Recorded covenants “run with the land”

B. Liens

1. Financial encumbrance with property as security

2. Deed of trust, mortgage, contract for deed

3. Personal in quality

   a. Voluntary or involuntary

   b. General or specific

C. Mortgage loan

1. Specific, voluntary lien

2. Recorded at courthouse where property located

3. Lenders’ rights superior to other lienholders (some exceptions)

4. “First in time, first in right” priority

II. LOAN SECURED BY A REAL ESTATE INTEREST

A. Interest in real property as security for real estate loan

1. Fee simple ownership pledged as collateral

2. Leasehold rights as collateral

3. Other interests

a. Life estate

b. Air and mineral rights

c. Personal property

B. Title, lien, and intermediate theories

1. Title theory

a. Lender legal rights

b. Borrower equitable rights

c. Equitable right of redemption

d. Statutory period of redemption

2. Lien theory

a. Lender equitable rights

b. Borrower legal rights

c. Right to possession

3. Intermediate theory

a. Right to possession

b. Statutory redemption period

C. General requirements for a finance instrument

1. Contractual written agreement

a. Description of property

b. Parties to the agreement

c. Consideration

2. Basic instruments

a. Note and deed of trust

b. Note and mortgage

c. Contract for deed

III. NOTE AND DEED OF TRUST (TRUST DEED)

A. Trust

1. Right of property held by one party for another

2. Parties

a. Trustor

b. Trustee

c. Beneficiary

3. Trust as financing instrument: deed of trust

a. In title theory state, transfers title to trustee

b. In lien and intermediate theory states, title remains with borrower (trustor)

c. Trustee empowered to foreclose

B. Note used with deed of trust

1. Note

a. Promise to pay

b. Refers to security of deed of trust

2. Deed of trust – security for a note

a. Conveys property as collateral

b. Power of sale

c. Increased foreclosure power

d. Release clause – reconveyance

IV. NOTE AND MORTGAGE

A. Note

1. Complete contract (legal evidence of a debt)

    a. Specifies amount borrowed and terms of repayment

    b. Legally enforceable and negotiable instrument

2. Unsecured note

3. Provisions of a note

    a. Date

    b. Participants

    c. Promise to pay

    d. Due dates

    e. Amount and terms

    f. Reference to security

    g. Signatures and endorsements

    h. Cosigners

B. Mortgage – security for a note

1. Provisions vary depending on lender

2. Standard components

    a. Recording information

    b. Participants

    c. Pledge

    d. Granting clause

e. Property description

f. Covenant of seisin

g. Note attachment

h. Property taxes

i. Insurance

j. Maintenance of collateral

k. Defeasance clause and acceleration clause

l. Signatures and acknowledgement

3. Release of mortgage

V. CONTRACT FOR DEED (LAND CONTRACT)

A. Various forms

1. Real estate contract, land contract, contract for sale, agreement for deed, installment sale, and articles of agreement

2. No accompanying note

3. Complete financing and sales agreement

a. Pledge of property as collateral

b. Terms and conditions for repayment

c. Borrower's responsibilities

d. Consequences of default

B. Agreement between two parties

1. Vendee (buyer/borrower) and vendor (seller/lender)

a. Seller remains legal owner

b. Buyer receives title when all terms are met

2. Components of contract

    a. Purchase price and terms of loan

    b. Buyer responsibilities

    c. Description of deed

    d. Delivery and subsequent recording

    e. Buyer takes possession

3. Foreclosure power

    a. All payments are forfeited

    b. Foreclosure power in hands of seller/lender

4. Cautions and protections

    a. Must be recorded

    b. Collection escrow established

    c. Provisions for delivery of deed

    d. Deed fully executed

    e. Seek competent legal advice

VI. JUNIOR FINANCE INSTRUMENTS

A. Junior loans

1. HELOC, second mortgage

2. Sources

    a. Seller carryback

    b. Thrifts and commercial banks

3. Uses

    a. Combinations of first and second mortgages to avoid private mortgage insurance (PMI)

b. Funds for land developers for off-site improvements

B. Second mortgage

1. Lien on property second in position to first lien

   a. Requires promissory note

   b. Relatively high-risk position

   c. Foreclosure

2. Clauses

   a. Provisions for payment of escrows

   b. Right to cure default on first mortgage

   c. Lifting clause

   d. Cross-defaulting clause

3. Pledging equity

   a. Equity loans

   b. Home improvement

   c. High-risk 100 percent loan-to-value (LTV) loans

4. Third mortgages

   a. Rare, too high risk

5. Interest rates

   a. Lending institutions—higher rates

   b. Seller financing—may be at or below market

   c. Usury laws

VII. SPECIAL PROVISIONS IN MORTGAGE LENDING INSTRUMENTS

A. Payment and prepayment

   1. Late-payment penalty

   2. Prepayment privilege

   3. Prepayment penalties

   4. Lock-in clause

B. Due-on-sale and assumption clauses

   1. Lender permission for assumption

      a. Supreme Court decision: *Fidelity Federal Savings and Loan Association v. de la Cuesta*

      b. Garn-St.Germain Act in special situations

   2. Assumption versus subject to

      a. Assumed: buyer and original borrower liable

      b. Subject to: only original borrower is liable

      c. Novation – replaces original borrower on loan

C. Subordination clause

   1. Lower priority position

D. Release clause

E. Exculpatory clause

F. Nonrecourse clause

G. Extensions and modifications

   1. Financially troubled borrower

   2. Government response to financial crisis starting in 2007

      a. Home Affordable Modification Program (HAMP)

b. Home Affordable Refinance Program (HARP)

3. Problems with right of intervening lienor and/or negating mortgage insurance

CLASS ACTIVITY:

Review the In Practice scenario on page 97 and discuss it as a class.

CLASS ACTIVITY:

Review the In Practice activity on page 25 as a class.

Chapter 7

LEARNING OBJECTIVES:

Upon completion of this chapter, the student will be able to:

- List the basic guidelines for conventional conforming loans

Explain the concept of private mortgage insurance and how it protects the lender

CLASS ACTIVITIES FOR THIS SECTION:

Invite a professional from the finance industry to come and speak to the students for approximately 30 minutes regarding the different types of loans available and to answer questions.

CHAPTER 7

I. INTEREST

A. Simple interest

B. Interest-rate factor

C. Interest-only loans

1. Term loan

2. Negative amortization

D. Points – 1% of loan amount

E. Permanent—temporary buydown of interest

F. Amortization – system of equal payments

G. Interest adjustment at closing

CLASS ACTIVITY:

Invite a professional from the finance industry to come and speak to the students for approximately 30 minutes regarding the different types of loans available and to answer questions.

II. TYPE OF LOANS

A. Conventional and government loans

1. Conforming and non-conforming

2. Packages sold to secondary market

3. Financial crisis led shift to FHA financing

B. Fixed-rate loans – most traditional loan product

1. Most popular are 30- and 15-year

2. Payment higher on 15-year loan

C. Impound or escrow funds

D. Property taxes

1. Tax liens have priority over other liens

2. Ad valorem (according to value)

E. Hazard/homeowners insurance

1. Hazard insurance based on risk to property

2. Homeowners insurance includes both hazard and liability

F. Variable payment mortgages

G. Adjustable-rate mortgage (ARM)

1. Adjustment periods

2. Initial rate

3. Note rate

4. Qualifying rate

5. Index

6. Margin

7. Interest rate caps

8. Payment caps

H. Graduated payment mortgage (GPM)

I. Low documentation loan

1. Rarely available today

J. Home equity loan

1. Tax Reform Act of 1996

2. Most interest paid is deductible

3. Based on percentage of equity

4. Establishes second mortgage

5. Home Equity Line of Credit (HELOC)

   a. Make withdrawals at will

   b. Appraisal may be required

K. Home Ownership and Equity Protection Act of 1994 (HOEPA)

L. Reverse Annuity Mortgage (RAM)

1. Based on accumulated equity

2. Source of funds for seniors

3. Monthly payments, lump sum, or line of credit

4. HUD reverse mortgage: Home Equity Conversion Mortgage (HECM)

III. CONVENTIONAL CONFORMING LOAN PRODUCTS

A. Meets Fannie Mae/Freddie Mac guidelines

B. Borrower qualification worksheet

C. Fannie Mae/Freddie Mac maximum loan limits

1. Set by Federal Housing Finance Agency (FHFA)

2. Jumbo loans

IV. PRIVATE MORTGAGE INSURANCE (PMI)

A. Required on conventional loans

1. With less than 20% down payment

2. Premium payment

   a. Monthly, added to principal, interest, taxes, and insurance (PITI)

    b. Financed over life of loan
    c. Mortgage Forgiveness Debt Relief Act of 2007
  3. PMI companies suffered during financial crisis
    a. U.S. Mortgage Insurers (USMI) – new trade association

B. PMI guidelines
  1. Factors affecting approval re-evaluated
  2. Mortgage Insurance Companies of America (MICA) (old trade association) reported $22 billion in claims paid to Fannie Mae and Freddie Mac, reducing taxpayer liability
  3. PMI premiums continue until lender releases (should be 80% LTV); borrower must initiate release; based on current value

C. Termination of PMI payments (Home Owners Protection Act of 1998)
  1. PMI automatically dropped with 22% equity; 78% LTV
  2. LTV based on original value
  3. Must have good payment history, no further debt on property

D. Split or piggy-back loan
  1. First and second mortgage simultaneous
  2. Avoids PMI

V. REFINANCING EXISTING CONVENTIONAL LOANS

A. Costs may be prohibitive (i.e., application fee, title insurance, appraisal, attorney, discount points)

B. Home Affordable Refinancing Program (HARP)

C. Streamlined Modification Program (SMP)

1. FHFA announces new Streamlined Modification Program – not required to document hardship

D. Home Affordable Modification Program (HAMP)

1. Borrower must be delinquent, occupy as principal residence, have mortgage originated before Jan. 1, 2009, balance less than $729,750
2. Lender must take certain steps to achieve 31% housing ratio
3. HAMP extended in 2012 to include more homeowners
4. Homeowners may also be eligible for HARP (new revisions)

VI. SUBPRIME AND PREDATORY LENDING

A. Subprime loans

1. A, B, C, D paper
2. Impact on homeownership figures
3. Impact on financial crisis
4. Need for some subprime lending

B. Predatory lending

1. Predatory lending practices
2. Balloon and interest-only loans

C. Mortgage fraud red flags

1. Foreclosure rescue scheme
2. False stated income fraud
3. Cash-out purchases and illegal property flipping

D. State legislation and predatory lending

E. Federal legislation and predatory lending

1. Consumer Financial Protection Bureau (CFPB)
2. HUD action against property flipping

FYI: The Idaho Real Estate Commission has developed a video on loan fraud that can be viewed via the IREC YouTube Channel located at www.youtube.com/user/IdahoRealEstateComm. The video is titled "Mortgage Fraud – Even in Idaho".

VII. VARIATIONS IN FORMATS

A. Open-end mortgage
   1. Mortgage for future advances
   2. Farmers use
   3. Construction financing
   4. Respecting existing debt agreements

B. Construction mortgage
   1. Application and requirements
   2. Pattern of disbursements
   3. Lender protection
   4. Sources of funds

C. Blanket mortgage
   1. Covers more than one property
   2. Release clause
   3. Recognition clause

D. Leasehold mortgage

1. Pledging leasehold interests

2. Subordination

E. Package mortgage

1. Includes personal property

2. Interest may be income-tax deductible

F. Manufactured housing mortgage

1. Built to HUD standards

2. Eligible for FHA or VA financing

G. Purchase-money mortgage

1. Created when seller takes back a portion of the sales price as a loan to a buyer

H. Bridge loan

1. Short-term solution to a financial problem

2. Usually interest-only term loan

I. Wraparound loan

1. All-inclusive encumbrance

2. New loan wrapped around existing loan

J. Option to buy

K. Lease with option to buy

1. Right of first refusal

2. Lease-purchase

VIII. TAX IMPACTS IN MORTGAGE LENDING

A. Mortgage interest deductible expense for taxpayers who itemize

B. Installment sales

1. Spreads capital gains tax over life of contract
2. Advantage for seller nearing retirement age

C. Exchanges

1. Internal Revenue Code Section 1031
    a. Properties to be exchanged must be held for productive use in trade, business, or for investment
    b. Properties to be exchanged must be of like kind
    c. Properties must actually be exchanged
2. Basic mathematical computations involved in the exchange process include the following:
    a. Balancing the equities
    b. Deriding realized gain
    c. Deriding recognized gain
    d. Determining income tax impacts
    e. Reestablishing book basis
    f. Allocation of new basis

Chapter 8

LEARNING OBJECTIVES:

Upon completion of this chapter, the student will be able to:

- Explain the most important components of the major FHA programs
- Calculate the down payment and loan amount for an average-price home
- Calculate the complete principal, interest, taxes, and insurance (PITI) plus the mortgage insurance premium (MIP) payment for a given loan amount
- Recognize how eligibility for VA entitlement is derived

CLASS ACTIVITIES FOR THIS SECTION:

- Invite a lender versed in FHA/VA/Conventional loans or a 203k rehab specialist to come and speak to the students for approximately 30 minutes regarding some of the loans available and to answer questions.
- Ask students to report on their homework assignment and discuss findings as a class.
- Review the activity on page 179 and answer a few questions regarding the scenario.

CHAPTER 8

I. INTRODUCTION

A. Background of the FHA

1. National Housing Act of 1934
2. Established to stimulate new jobs; stabilize mortgage market; and facilitate financing of repairs, additions, and sales of existing homes
3. Over 40 million insured under FHA mortgage insurance system

B. Background of the VA

1. Serviceman's Readjustment Act (GI Bill of Rights)
2. Provide returning veterans with medical benefits, bonuses, and low-interest loans
3. Title III provides guarantees to lenders

II. FEDERAL HOUSING ADMINISTRATION (FHA)

A. Organization and requirements

1. Under direction of HUD with regional centers
2. FHA-designated lenders
    a. Provide long-term, amortizing loans
    b. Interest rates set by market
    c. Direct endorsement
3. Requirements
    a. Careful review of loan application
    b. Comprehensive written appraisal
    c. Home inspection recommended

d. No more "spot approvals" for condominiums

e. In September 2012, FHA made temporary approval provisions to *Condominium Project Approval and Processing Guide*

B. FHA insured loan program

1. FHA program of mortgage insurance

a. In event of default, lender looks to FHA to recover balance of loan

b. Reduced the down-payment obstacle for cash-short buyers

2. Existing programs

a. Title I: Home improvement and rehabilitation loans

i. Maximum loan and term amounts

ii. Manufactured home financing

b. Title II: Basic programs

i. Section 203—one-to-four-family homes

ii. Section 207—multifamily projects

c. Additional programs

i. Section 203(b)—one-to-four-family homes and single condominium units

ii. Section 203(h)—disaster victims

iii. Section 203(k)—purchase plus rehabilitation

iv. Section 203(n)—unit in cooperative project

v. Section 221(d)—multifamily rental or cooperatives

vi. Section 223(e)—older, declining areas

vii. Section 234(c)—condominium projects

viii. Section 251—adjustable rate

ix. Section 255—home equity conversion mortgage

x. Section 811—housing for disabled persons

3. Special HUD/FHA programs

   a. Energy efficient mortgages (EEM)

   b. Home equity conversion mortgage (HECM)

      i. New provisions under HERA

      ii. Origination fees limited

      iii. Single loan limit applies nationwide

   c. Good Neighbor Next Door

   d. Homeownership vouchers

   e. Native American housing

   f. Title II manufactured home financing

   g. Disaster relief

4. Underwriting guidelines

   a. Maximum loan limitations

      i. Set by geographic area

      ii. Based on formula set by FHA using median house prices

   b. Down payment requirements

      i. Down payment now set at 3.5 percent of sales price

      ii. Borrower must provide 3.5 percent of sales price: own funds, gift, or grant

   c. Borrower's income qualifications

i. Ratios: Housing: 31%; total obligations: 43%

ii. Non-traditional credit and credit scoring

5. Mortgage insurance premium (MIP)

   a. Upfront MIP

      i. 1.75% of loan amount (February 2012)

      ii. Financed over life of loan on all FHA loans

   b. Annual renewal premium

      i. Paid monthly, added to PITI

      ii. Charged on all FHA loans

      iii. No more automatic termination

6. Allowable closing costs

   a. Seller contribution allowed up to 6 percent of sales price

   b. Covers discount points and allowable costs

7. Second mortgages/buydowns

   a. Conditions allowing second mortgages:

   b. Borrower qualifies at bought-down rate on buydown

8. Assumptions

   a. Prior to December 1989, generally assumable

   b. After December 1989, borrower must qualify

9. FHA TOTAL Scorecard

   a. Evaluate credit risk with automated underwriting

   b. Accept/approve or refer

10. FHA-HAMP Guidelines

C. Most frequently used FHA loans

1. Section 203(b): One-to-four-family mortgage insurance

    a. Mainstay of FHA programs

    b. Good for first-time buyers, those having trouble qualifying

    c. Also used for condominium and cooperative units

2. FHA 203(k): Rehabilitation mortgage insurance

    a. Loans for purchase and rehabilitation of property

    b. Special features

        i. Rehab costs must be at least $5,000

        ii. Borrower pays only taxes and insurance for six months

        iii. Rehab funds are paid in draws

        iv. Rehab costs must be approved before loan is granted

        v. Basic energy efficiency and structural standards must be met

        vi. Not available for investors

    c. Streamlined 203(k) Limited Repair Program

3. Section 251: Insurance for adjustable-rate mortgage (ARM)

    a. Same qualifying as for 203(b)

    b. Caps of one per year and five life-of-loan for one- or three-year ARM

    c. Caps of 2% and 6% for five-, seven-, or ten-year hybrid ARMs

4. Streamline refinance

    a. Reduced paperwork

    b. Basic requirements

D. Direct endorsement

1. Direct-endorsement-approved lenders
    a. Underwrite loans
    b. FHA retains risk of default

E. FHA contributions to real estate
    1. New standards for qualifying borrowers
    2. New standards for appraising property
    3. Long-term amortized loan
    4. Foundation for national market in mortgage securities

III. DEPARTMENT OF VETERANS AFFAIRS (VA)

A. VA loan guarantee program
    1. Guarantee set by Congress (25 percent of conforming loan limit set by FHFA)
    2. Lender loans four times guaranteed amount

B. Program application
    1. Guarantees loans made by institutional lenders
        a. Managed by regional offices
        b. Value established by appraisal
        c. Marriage required to guarantee total loan
        d. Loans for single-family homes, condominiums, cooperative units, manufactured housing, and farm homes
    2. Eligibility/entitlement
        a. Based on active-duty criteria
            i. 90 days in wartime
            ii. 181 days continuous active duty to 1980; 2 years for enlisted

since 1980; 2 years for officers since 1981

iii. 6 years active reservist and National Guard

b. Some unremarried spouses

c. Certificate of eligibility

i. Request with Form 26-1880 with DD 214

ii. Eligibility restored when loan paid in full and property conveyed (one-time exemption of conveyance requirement)

d. Partial entitlement

i. Veteran may have remaining entitlement after first loan repaid

ii. Formula to calculate

3. Certificate of reasonable value (CRV)

a. VA assigned appraiser submit formal estimate of value

b. If appraisal less than sale price, the following apply:

i. Buyer can pay difference in cash

ii. Seller can accept lower amount

iii. Buyer and seller can compromise

iv. Transaction can be cancelled

c. For purchase in excess of maximum loan amount

i. Veteran pays in cash

ii. VA reserves right to approve source of cash

4. Interest set by market

5. Qualifying requirements

a. One ratio of 41 percent for PITI, utilities, maintenance and repairs, plus other monthly obligations

b. Residual income required based on geographic area

c. Compensating factors

6. Closing costs

   a. Seller can pay all costs (some are required)

   b. Additional 4 percent can be provided

7. Funding fee

   a. Covers expense in case of default

   b. Cannot exceed maximum loan limit

   c. Exemption for veteran with disability

   d. Higher fee for reservists and National Guard

8. Second mortgages may be allowed

9. Buydowns are allowed

10. Assumptions

    a. Prior to March 1988, fully assumable; now require qualifying

11. Release of liability/novation

    a. Substitution of entitlement

C. Additional VA loan programs

1. Adjustable-rate mortgage

   a. Increase or decrease by 1% per year; 5% life-of-loan

   b. Underwritten at 1% over initial rate

2. Refinancing

   a. Streamline

b. Cash out

c. Conventional loan to VA

3. Special programs

a. Section 184 for Native American housing

b. Energy efficient mortgage

c. Assistance to veterans in default

CLASS ACTIVITY:

Review the activity on page 179 and answer the following questions regarding the scenario:

- Are each of these buyers entitled to use their entitlement?
- Who do you refer to them to find out?

Chapter 9

LEARNING OBJECTIVES:

Upon completion of this chapter, the student will be able to:

- Summarize the basic procedures of the standard loan process
- Identify the costs that may be involved in the closing of a real estate loan

CLASS ACTIVITIES FOR THIS SECTION:

- Review the In Practice activity on page 196 and discuss the scenario as a class.
- Invite a representative from a title company come and speak to the students for approximately 30 minutes regarding the truth in lending requirements and closing statements and to answer questions.

CHAPTER 9

I. BASIC PROCEDURES

A. Determine ability of borrower to repay the loan

B. Estimate value of property being pledged as collateral

C. Research and analyze marketability of title

D. Prepare documents necessary to approve and close the loan

II. BORROWER QUALIFICATIONS

A. In the past

1. Less emphasis on borrower's ability to repay
2. Loans created at 50 to 60 percent loan-to-value (LTV) ratio, interest only
3. Rollover pattern
4. Quick foreclosure

B. Current patterns

1. 30-year amortized loans
2. Monthly payments of principal and interest
3. Average age of loan is seven to eight years
4. Returning to lower LTV ratios
5. Lenders under insured or guaranteed programs must follow guidelines to determine attitude as well as ability to pay

C. Loan application

1. Uniform loan application form
   a. Identify property, borrower, and amount requested

b. Facts about the borrower's employment, income, assets and liabilities, credit

2. Commercial or industrial application requires more information

    a. Financial statements and audits

    b. Dun and Bradstreet credit report

    c. Profit and loss statements

D. Financial statement

1. Assets

    a. Monies invested in stocks and bonds, notes, real estate owned

    b. Automobiles owned, life insurance policies, other personal property

2. Liabilities

    a. Monetary obligations; notes payable, installment accounts

    b. Long-term liabilities: alimony and child support, liens, taxes

3. Net worth: two-to-one ratio considered good risk

E. Data verification

1. Electronic underwriting systems

    a. Desktop Underwriter® and Loan Prospector®

    b. Experian, Equifax, TransUnion credit repositories

    c. Large lenders have own automated underwriting

2. Deposits

3. Employment

4. Credit report

5. Credit score

F. Income evaluation

1. Quality of applicant's income evaluated
2. Loan qualifying income ratios
    a. Conventional: 28/36
    b. FHA: 31/43
    c. VA: 41

CLASS ACTIVITY:

Review the In Practice activity on page 196 and discuss the scenario as a class.

III. QUALIFYING THE COLLATERAL

A. Definition of value
    1. Value in use and value in exchange
    2. Market value

B. Appraisal
    1. Estimate of value at a given time
    2. *Uniform Standards of Professional Appraisal Practice* (*USPAP*)
    3. State-licensed or certified appraisers
    4. Federal Housing Finance Agency (FHFA) appraisal standards took effect July 2012

C. Valuation process
    1. Drive-by appraisals
        a. Exterior only plus computer research
        b. Can recommend more comprehensive examination

2. Broker's price opinion (BPO)

3. Full-blown appraisal process

D. Direct sales comparison approach

1. Market data approach

a. Compares subject property to similar properties recently sold

b. Includes search of country records and local multiple listing service (MLS)

2. Training and experience required

a. Subjective adjustments made to sales prices

b. Comparables adjusted to subject property

E. Cost approach

1. Based on current value of physical parts

a. Estimate cost to reproduce

b. Estimate of depreciation

c. Estimate of land value

2. Best used for new or unique properties

3. Rule of substitution

4. Depreciation

a. Physical deterioration

b. Functional obsolescence

c. Economic obsolescence

5. Cost approach formula

F. Income capitalization approach

1. Value based on ability to generate income

2. Capitalization rate: investors required rate of return

3. Gross market income compared to comparables

4. Deduction for operating expenses and reserves

5. Net annual market rental income divided by cap rate

G. Gross rent multiplier (GRM)

1. Estimate of value of single-family rental properties

2. Divide recent sales by monthly market rent

H. Reconciliation of data and opinion of value

1. Written opinion may place more emphasis on one approach

2. Weighted-average technique

IV. QUALIFYING THE TITLE

A. Title report

1. Components

a. Survey

b. Search of records

2. Constructive notice: recorded items

3. Actual notice: physical presence

B. Abstract and opinion of title

1. Synopsis of current recorded condition of title

2. Attorney indicates approval with written opinion

3. Abstract does not disclose hidden title hazards

4. No guarantee or insurance against defects

C. Title insurance

1. Insures quality of title to date, not in future

2. Title companies combine abstracting with program of insurance

3. American Land Title Association (ALTA) form

   a. Standard title policy insures against losses overlooked in search of recorded chain of title

   b. ALTA policy expands to cover unusual risks

   c. ALTA policy usually required by secondary market

D. Title commitment

E. Torrens system

1. Title search only back to previous search

2. Torrens certificate issued from the state

3. Cost of converting has inhibited adoption

F. Title faults

1. Cloud on the title

2. File suit to quiet title

G. Surveys

1. Lender may require

2. Shows possible encroachments or easements

V. CLOSING THE LOAN

A. Lender's closing department

1. Prepares loan documents

2. Establishes escrow (impound) account

3. Send to settlement agent

B. Settlement or escrow agent

1. Prepares deed

2. Fills in Closing Disclosure

C. Additional charges and requirements

1. Seller charges

    a. Broker commission

    b. Transfer tax

    c. Recording fees

2. Borrower charges

    a. POC (paid out of closing)

        i. Appraisal

        ii. Credit report

        iii. Insurance

    b. Title insurance

    c. Recording fees

3. Prorations

    a. Interest on the loan

    b. Property taxes

    c. Homeowners or condominium association fees

    d. Deposits and rent on rental property

D. Servicing the loan

1. Coupon book provided

a. Shows where, when, and how payment is to be made

b. Amount to be paid and late charges

2. Role of the servicer

   a. Collect payment

   b. Maintain escrow account

   c. Pay property tax and insurance premiums

   d. Notify borrower in case of default

3. New rules from CFPB for mortgage servicers as of January 10, 2014

E. Closing Disclosure

1. Summarizes charges and credits to buyer and seller

2. No monies paid out until after recording of loan documents and deed

F. Required lender notices

1. Dodd-Frank Act directed CFPB to develop new lender disclosure forms that are mandated for use after August 1, 2015

   a. Loan Estimate

   b. Closing Disclosure

CLASS ACTIVITY:

Invite a representative from a title company come and speak to the students for approximately 30 minutes regarding the truth in lending requirements and closing statements and to answer questions.

Chapter 10

LEARNING OBJECTIVES:

Upon completion of this chapter, the student will be able to:

Summarize the consequences of defaults in real estate finance

CHAPTER 10

I. DEFAULTS

A. Acceleration clause

1. Full amount of debt due upon default

2. Lender may foreclose on collateral

3. Workouts

B. Delinquencies

1. Principal and interest

   i. Grace period

   ii. Late-payment charge

2. Property taxes

   a. Taxes are priority lien

   b. Technical default if not paid

3. Other liens

   a. Nonpayment of federal or state taxes

   b. Construction or materialmen's liens (mechanics' liens)

4. Homeowners insurance

5. Poor property management

II. TYPES OF FORECLOSURES

A. Foreclosure and redemption periods

1. Equitable redemption period

2. Strict forfeiture

3. Statutory redemption period

a. Borrower retains possession

b. Varies by state

B. Judicial foreclosure and sale

1. Conventional mortgages

2. Conventional insured mortgages

3. FHA-insured mortgages

4. VA-guaranteed mortgages

5. Junior mortgages

C. Nonjudicial power-of-sale foreclosure – Idaho allows

1. Deeds of trust

a. No statutory right of redemption in Idaho (Idaho Code 45-1502(5))

i. 80 acres or less, non-agricultural land

ii. Any property 40 acres or less

b. Lender notifies trustee to begin foreclosure process

c. Notice of default recorded along with newspaper ads

d. Trustors or junior lienholders may cure default

2. Mortgages

a. Power-of-sale foreclosure process may be incorporated into standard mortgage in Idaho

b. Some states prohibit deficiency judgments

c. Idaho limits the amount of the deficiency (Idaho Code 6-108)

D. Strict foreclosure

1. Court establishes specific time for defaulted debt to be paid

2. Lender may secure property with value in excess of loan balance

3. Only surviving use is with contract for deed

E. Other foreclosure processes

Idaho Real Estate Education Council
May 2, 2016
Minutes

Pursuant to notice given, a meeting of the Idaho Real Estate Education Council (Council) was initiated at the Commission office, 575 E. Parkcenter Blvd., Suite 180, Boise, Idaho.

Members Present:
Georgia Meacham, Chair, Boise
Anne Anderson, Vice Chair, Coeur d'Alene
Beckie Kukal, Member, Jerome
Patrick Malone, Member, Idaho Falls
Michael J. Johnston, Commission Representative
Jeanne Jackson-Heim, Executive Director
Comprising a quorum of the Council

Members Absent:

Staff Present:
MiChell Bird, Education & Licensing Director
Melissa Ferguson, Training Specialist
Jessica Valerio, Administrative Assistant 2

Others Present:
Mike Gamblin
Kathy Weber

Call to Order: Chair Beckie Kukal called the May 2, 2016 meeting of the Idaho Real Estate Commission Education Council to order at 8:22 a.m.

Introductions: Council, Staff & Visitors

Approval of Meeting Minutes: A motion was made by Beckie Kukal to approve the January 20, 2016 Council meeting minutes. Motion carried.

Reports: The following reports were reviewed and placed on file in the Commission office.

- License Exam Statistics Report
- Analysis of the License Base Report
- Civil Penalty Fine Revenue Report

Council Priorities: Discussed completion/goal dates.

- Suggestions for CP fine money budget
- Updated course review completion dates

Matters from Education Director:

- **Education & Certification Policy**:
  - Discussions regarding instructor qualifications and possible revisions. Evaluation of CE instructors will be added to next agenda. Make-up work policy wording will be revised and brought forward in July. Attendance policy was discussed.

- **Post License Update:**
  - Contract with CE Shop for online courses was discussed.
  - Suggestion by Michael Johnston to develop Post License Commercial into online format. Discussion followed.

- **Real Estate Finance Review**
  - Revised 24 hour Finance course was discussed. Suggestions were made by the Council. Final draft expected June 2016.

- **IDW/Core 2016:**
  - MiChell reviewed Core topics.

Executive Session: In accordance with Idaho Code 74-206(1)(d), a motion was made by Michael J. Johnston to adjourn to executive session to consider records that are exempt from disclosure as provided in Idaho Code 74-106(9)and 74-108(5), which records relate to the following subject: Education Special Considerations. Roll was called; Beckie Kukal, Georgia Meacham, Anne Anderson, Mike Johnston, Patrick Malone, and Jeanne Jackson-Heim voted in favor. Motion carried. Members adjourned to executive session to consider records exempt from disclosure.

There being no further purpose for an executive session, a motion was made by Michael J. Johnston to adjourn the executive session and return to open meeting. Motion carried.

A motion was made by Beckie Kukal to adjourn the meeting at 12:12 p.m. Motion carried.

Respectfully submitted,

MiChell M Bird

MiChell Bird
Education & Licensing Director

MB: jv

Minutes of the Idaho Real Estate Education Council meeting held in Boise, Idaho, on May 2, 2016 are hereby approved.

Georgia Meacham, Chair

Anne Anderson, Vice Chair

Beckie Kukal, Member

Jeanne Jackson-Heim
Executive Director

Patrick Malone, Member

Michael J. Johnston
Commission Representative