

FUNDAMENTALS OF REAL ESTATE PRACTICE
COURSE CODE: 5450
(New for 2024-25)

COURSE DESCRIPTION: Fundamentals of Real Estate Practice is the first required course for pre-licensing students in the Real Estate program of study. This course introduces students to essential concepts of real estate sales and investing. Students will examine state, federal and local regulations impacting the real estate industry, the legal requirements to become a licensed real estate agent, and the application of sales, marketing, and entrepreneurial skills in the real estate industry. Tax implications of investing in real estate will also be addressed.

The standards listed reflect the objectives of the SC Real Estate Commission to protect the public. If implemented in full and taught by an instructor approved by the SC Department of Licensing, Labor and Regulation, this course may meet state requirements for the 90 hours of pre-licensing coursework required to obtain a real estate salesperson's license. Specific course and instructor approval from the SC Department of Labor, Licensing and Regulation and the SC Real Estate Commission is required, however, in order for this course to meet those requirements.

OBJECTIVE: Given the necessary equipment, supplies, and appropriate software, the student will be prepared to successfully complete the following standards.

COURSE CREDIT: 1 unit (120 hours)

PREREQUISITE: One-unit course in Business or Marketing

RECOMMENDED GRADE LEVEL: 11-12

COMPUTER ACCESS REQUIRED

A. REAL ESTATE FUNDAMENTALS

Proficient real estate professionals know real estate fundamentals. The following accountability criteria are considered essential for students in the Real Estate program of study.

1. Define basic real estate terms, including land, improvements, appurtenances, fixtures, real estate, personal property, trade fixtures, etc.
2. Describe the economic and physical characteristics of real estate.
3. Distinguish between real property and personal property (*land, real estate, appurtenances and improvements* versus *emblems, chattels and trade fixtures*). Identify and explain what does not ordinarily transfer to the purchaser in a real estate sale.
4. Differentiate between the three major systems used to create legal descriptions of real property in the United States, including Metes and Bounds, the Plat System and the Government Survey System. Explain where each system of legal descriptions is used and why.

5. Create a legal description for a piece of real estate using at least one of the systems mentioned above.
6. Explain the legal rights that come with property ownership (use, possession, control and disposition) as well as government controls (e.g., eminent domain, escheat, police power, planning and zoning) that limit those rights.
7. Describe how zoning ordinances impact property owners' rights, as well as quality of life and property values for neighboring property owners.
8. Distinguish between the rights of freehold estates (ownership) and non-freehold estates (leasehold or non-ownership).

B. FORMS OF OWNERSHIP AND LEGAL ISSUES

Proficient real estate professionals understand the different ways of holding title to property and the level of protection allowed by different types of deeds. The following accountability criteria are considered essential for students in the Real Estate program of study.

1. Define terms related to real estate ownership, including deed, title, lien, easement, encroachment, encumbrance, judgment, grantor, grantee, etc.
2. Distinguish between different types of deeds and the level of protection that each gives to the buyer. (General Warranty Deed vs. Special Warranty Deed vs. Quitclaim Deed vs. Tax Deed vs. Gift Deed).
3. Explain what is meant by a "cloud on a title" and how a "cloudy title" may be cleared.
4. Describe the essential elements of a deed and the significance of the habendum clause and testimonium clause.
5. Explain precisely when ownership of a parcel of real estate occurs.
6. Describe the title investigation process and what title search firms typically look for.
7. Distinguish between a title abstract, a certificate of title and affidavit of title.
8. Explain what title insurance is, what it protects against, and describe who a title insurance policy protects.
9. Describe the different ways to hold title to a piece of property, including fee-simple absolute, life estates and tenancies.
10. Compare and contrast the effect of different types of tenancies in the event of an owner's death.
11. Explain what issues may arise from the death of a property owner under various types of freehold tenancies.
12. Compare and contrast ownership rights and obligations in condominiums and cooperatives vs those of owners of fee simple absolute estates.

C. MEASURING AND APPRAISING THE VALUE OF REAL ESTATE

Proficient real estate professionals understand the appraisal process and how real property is valued. They also have a duty to keep current on market conditions in the areas they serve. The following accountability criteria are considered essential for students in the Real Estate program.

1. Define what a real estate appraisal is and the key terms related to measurement of real estate and real estate appraisal.
2. Describe the different types of appraisers under SC licensing law and the types of property each is legally allowed to appraise. Explain education requirements for each level of certification.
3. Describe the difference between Market Value and Market Price.
4. Explain the elements, forces and economic principles that affect the value of real estate.
5. List the steps in the appraisal process.
6. Explain the difference between the three approaches to valuation and when it is appropriate to use each.
7. Calculate lot size based on exterior dimensions and calculate square footage of a building based on actual measurements.
8. Convert linear feet to square feet. Convert between square footage and acreage. Convert measurements between square feet and square yards. Convert measurements from cubic feet to cubic yards.
9. Create a Market Value Analysis to estimate the value of a home based on sales and listings of comparable properties. Correctly adjust the value of comparable properties to reflect characteristics of the subject property.
10. Define the term “capitalization rate” and explain how it relates to the value of a property. Describe the relationship between expected net operating income, capitalization rates, and property values.
11. Estimate the value of a property based on the income approach.
12. Define depreciation, replacement cost and reproduction cost. Estimate the value of a property using the cost approach.
13. Calculate an opinion of value by performing a reconciliation of all three appraisal approaches, giving appropriate weight to each approach.
14. Complete a Uniform Residential Appraisal Report for a property.

D. FINANCING REAL ESTATE PURCHASES

Proficient real estate professionals understand the criteria lenders use for determining creditworthiness and making lending decisions. They assist their clients as they navigate the loan underwriting process. They also have a duty to keep current on financial regulations and underwriting guidelines. The following accountability criteria are considered essential for students in the Real Estate program.

1. Define key terms including lien, promissory note, mortgage, default, foreclosure, and redemption.
2. Identify the required elements of a loan agreement and a mortgage.

3. Differentiate between Construction Loans and permanent financing. Describe how funds are released to pay contractors in a construction loan.
4. Describe the characteristics of various financing options, including Straight Term Loans, Fully Amortized Loans, Partially Amortized Loans, Open End Loans, Package Loans, Blanket Loans, Fixed Rate Loans, Variable Rate Loans, etc.
5. Define discount points and explain the impact on the interest rate of the loan. Explain when it is advantageous to the purchaser to pre-pay interest using discount points and when it is not to the borrower's advantage to do so.
6. Describe methods of seller financing, including Purchase Money Mortgages, Land Contracts, Wrap-Around Mortgages, and Renting with an Option to Buy.
7. Explain the significance of clauses sometimes found in loan agreements and mortgages, such as pre-payment penalties, alienation clause, acceleration clause, etc.
8. Compare and contrast the three title theories (Lien Theory, Title Theory, and Trust Theory) and identify which is used in real estate transactions in SC. Explain what advantages and disadvantages of each theory to lenders and property owners are, and its impact on the foreclosure process.
9. Explain the difference between equity right of redemption and statutory right of redemption in a foreclosure situation.
10. Identify which mortgage takes priority when there are multiple loans secured by one piece of property.
11. Define deficiency judgment and explain the role of Private Mortgage Insurance in protecting lenders in the case of a default and foreclosure.
12. Describe the discharge requirements for a lender under SC law when a borrower has repaid a loan in full.
13. Compare VA and FHA financing to conventional financing.
14. Describe how FHA financing and VA financing impacts credit availability. Explain VA and FHA protections for lenders in the event of a foreclosure.

E. MORTGAGE MARKETS AND REGULATIONS

Proficient real estate professionals understand how mortgage markets work and the regulations that are designed to protect both borrowers and lenders in the marketplace. The following accountability criteria are considered essential for students in the Real Estate program.

1. Define the primary mortgage market and the secondary mortgage market and identify the participants in each market.
2. Explain the role of various governmental, quasi-governmental and private organizations in the secondary mortgage market. (e.g., Fannie Mae, Ginnie Mae, Freddie Mac, Farmer Mac)
3. Describe the steps of the loan process, from pre-approval through servicing the loan.
4. Calculate Loan-to-Value Ratio (LTV) for a property. Explain the significance of this ratio, its impact on mortgage insurance requirements and its impact on mortgage costs.
5. Describe the maximum allowable Loan-to-Value Ratio for FHA financing, VA financing and conventional financing (insured and uninsured).

6. Calculate the down payment, loan amount, and monthly payment (principal plus interest) for financing at maximum LTV for a VA loan, a FHA loan, and an uninsured conventional loan on one specific home at current interest rates.
7. Compare the impact of different loan repayment terms (e.g., 15-year vs. 30-year fixed) on the monthly mortgage payment and total interest expense over the term of the loan.
8. Define mortgage fraud. Differentiate between fraud for property and fraud for profit.
9. Define predatory lending.
10. Explain consumer rights as guaranteed under various credit laws (e.g., National Consumer Protection Act, Fair Credit Reporting Act, Fair Credit Billing Act, Equal Credit Opportunity Act, Protecting Tenants at Foreclosure Act, and the SC Consumer Protection Code).
11. Describe the impact of other federal and state laws such as the Electronic Signatures in Global and National Commerce Act (E-SIGN) and the Uniform Electronic Transaction Act (South Carolina) on the real estate and mortgage markets. List important exceptions to these laws.

F. CLOSING STATEMENTS AND RESPA

Proficient real estate professionals are capable of guiding clients through the closing process and exhibit a firm understanding of closing documents. The following accountability criteria are considered essential for students in the Real Estate program.

1. Define the Real Estate Settlement Procedures Act (RESPA) and describe its purpose.
2. Describe the legal obligations to buyers and sellers at closing under RESPA.
3. Describe and estimate typical closing costs such as deed preparation, tax stamps, broker commissions, attorney fees, termite inspection reports (CL-100), accrued expenses, etc.
4. List and explain costs usually paid by sellers at closing.
5. List and explain costs usually paid by buyers at closing.
6. Define escrow deposits for taxes and insurance required by lenders and how these are accounted for on the closing statement.
7. Calculate discount points, interim interest and prorated expenses to be paid at closing.
8. Complete a Settlement Statement correctly, in compliance with RESPA requirements.

G. REAL ESTATE AND TAXATION

Proficient real estate professionals understand the tax implications of buying, owning, and selling real estate. The following accountability criteria are considered essential for students in the Real Estate program.

1. Define key terms related to taxation, including: Ad Valorem Tax, Fair Market Value, Assessment Ratio, Assessed Value, Millage Rate, Homestead exemption, Withholding, Capital Gains Tax, Tax Deduction and Tax Credit.

2. Differentiate between mass appraisal techniques and the methods used for estimating value on a single, specific property.
3. Describe what types of property are eligible for a 4% assessment rate under SC law vs a 6% assessment rate. Calculate the impact on a homeowner's tax from using a 4% assessment vs a 6% assessment rate.
4. Explain how millage rates are set within a county or city. Examine a property tax bill and explain how tax dollars are spent.
5. Compare millage rates for different municipalities within a county and calculate the impact of a difference in millage rates on tax bills for the same value home in different municipalities.
6. Explain the impact of "rollback provisions" on property assessment ratios when changing use from agricultural to residential.
7. Describe the tax benefits available to the elderly and/or disabled under the "homestead exemption" in South Carolina.
8. List the types of taxes that may be due when a property is sold. Differentiate between long-term capital gains and short-term capital gains and explain the impact of this difference on taxes due from a sale.
9. Calculate "adjusted cost basis" on a property where improvements have been made. Calculate the "realized gain" after all expenses are paid.
10. Calculate capital gains taxes due on a realized gain. Calculate the non-resident withholding requirements for an out-of-state resident who sells property in SC for a profit.
11. Calculate the capital gains taxes due from the sale of one's primary residence and explain the criteria that must be met to qualify for the exemption from capital gains tax for the sale of one's primary residence.
12. Calculate the cost of Tax Stamps required for recording a deed in South Carolina. Explain how this differs if you are assuming an existing mortgage vs obtaining new financing or paying cash for a property.
13. Describe the criteria that must be met to qualify for a tax-free exchange of investment property.
14. Explain tax advantages of commercial property Sale and Lease Back agreements to businesses, compared with owning real estate.

H. INCOME TAX CONSIDERATIONS FOR REAL ESTATE AGENTS

Real estate professionals often work as independent contractors or business owners, and therefore must have a basic understanding of income tax considerations. The following accountability criteria are considered essential for students in the Real Estate program.

1. Define key income tax terms, including income, deduction, tax credit, independent contractor, self-employment tax, estimated taxes, and exemption.
2. Identify types of income taxes paid by real estate professionals (federal income tax, state income tax, self-employment tax).
3. Calculate income from commissions on real estate sales.
4. Identify deductible business expenses (e.g., advertising, office rent, dues and memberships, continuing education/professional development, telecommunications, equipment).

5. Given a case study, complete a federal 1040 tax return, including Schedule C income from business and calculate the taxes due.

I. PROPERTY MANAGEMENT

Real estate professionals often manage rental properties and/or represent clients who either buy or lease income-producing properties. The following accountability criteria are considered essential for students in the Real Estate program.

1. Explain tenant protections under the SC Landlord/Tenant Act.
2. Describe the four essential items that a landlord must provide access to under the SC Landlord/Tenant Act (e.g., water and sewer, adequate hot water, electricity, and heat).
3. Describe the requirements that must be met in order to market a time share under the SC Vacation/Time Share Plan Act.
4. Describe real estate licensing requirements for those who solicit timeshare sales in SC.
5. Explain consumer protections designed to protect buyers from high-pressure sales tactics in timeshare sales (e.g., cancellation notices).

J. FAIR HOUSING REGULATIONS

Real estate professionals represent a diverse group of clients and must be aware of fair housing laws and regulations, as well as their responsibilities under these regulations. The following accountability criteria are considered essential for students in the Real Estate program.

1. Identify protected classes under the Fair Housing Act of 1968 (Race, Color, Sex, Religion, National Origin, Handicap, and Familial Status).
2. Describe exemptions except for race from the Fair Housing Act of 1968.
3. Identify protected classes under the 1866 Civil Rights Act and the impact of the 1968 US Supreme Court Decision in Jones v Mayer.
4. Describe discriminatory practices prohibited under federal law (e.g., Blockbusting, steering, refusal to show, differing treatment in terms of sale or lease, discriminatory advertising, threats, and redlining).
5. Describe exemptions to Fair Housing Laws intended to provide housing for senior citizens (age-restricted communities for 55+ or senior housing for those 62 or older only).
6. Identify agencies and courts responsible for enforcing federal fair housing laws and the penalties that may be imposed for violations.
7. Explain consumer rights under SC Fair Housing Law.
8. Identify agencies and courts responsible for enforcing SC fair housing laws and the penalties that may be imposed for violations.
9. Describe consumer rights to fair housing under the Americans with Disabilities Act and obligations of landlords and property owners under the act.
10. Explain how the ADA is enforced and potential penalties for ADA violations.
11. Analyze case studies involving potential discrimination, determine whether a law has been violated and describe the potential penalty if there is a violation.

K. ENVIRONMENTAL ISSUES

Real estate professionals must be aware of environmental laws and regulations that may impact the value and potential uses of property. The following accountability criteria are considered essential for students in the Real Estate program.

1. Describe various environmental laws affecting real estate in South Carolina, including the SC Coastal Zone Management Act and the Beachfront Management Act.
2. Identify the various federal and state regulatory agencies that are responsible for enforcing environmental laws in SC and describe their roles.
3. Explain what happens to property owners when homes located seaward of the critical line are destroyed. Evaluate the potential impact of sea level rise on owners of waterfront property.
4. Debate the merits of the National Flood Insurance Program and its impact on coastal development.
5. Describe the potential costs related to remediating groundwater contamination and/or leaking underground storage tanks and explain who is responsible for cleanup costs.

L. SC REAL ESTATE LICENSING LAW

Real estate sales professionals in South Carolina must hold a professional license issued by the SC Department of Labor, Licensing and Regulation. It is essential for students to be aware of state licensing laws. The following accountability criteria are considered essential for students in the Real Estate program.

1. Explain the purpose of requiring real estate professionals to be licensed by the state government.
2. Describe the various regulatory agencies and commissions that regulate the practice of real estate sales in SC and how commissioners are selected.
3. List the powers and duties of the SC Real Estate commission.
4. Compare and contrast the different types of real estate licenses issued by the SC government and describe what each type of licensee is allowed to do.
5. Explain what activities require a person to have a valid license and what exceptions exist to exempt a person from licensing requirements.
6. Explain the penalties and consequences for practicing in real estate without the proper license.
7. Describe the licensing process and qualifications required to be eligible for licensing as a real estate agent, a property manager, a real estate broker, and/or a property manager in charge.
8. Describe licensing requirements for SC non-residents requesting to be allowed to practice real estate in South Carolina.
9. Differentiate between various license statuses (e.g., active, inactive, expired, lapsed, cancelled and revoked) and explain what each status means to the licensee.
10. Describe continuing education requirements necessary to maintain a real estate license.

11. Describe the relationship between a real estate agent and his/her Broker in Charge, as well as the relationship between a property manager and his/her property manager in charge.
12. Demonstrate knowledge of proper procedures for handling client funds and proper procedure for handling commissions and other payments.
13. Differentiate between common license law violations (e.g., misrepresentation, guaranteeing future profits, dual contracts, failure to disclose material facts, violations of agency relationships, bouncing a check, paying commissions to an unlicensed person, and breaches of fair housing law).
14. Pass an exam designed to simulate the state and national licensing laws in length and scope.
15. Complete an application to take the SC licensing exam and an application to be licensed as a real estate sales agent.

M. CAREERS IN REAL ESTATE

Students in this course should be aware of career options in Real Estate and should take steps to transition into professional employment after graduation. The following accountability criteria are considered essential for students in the Real Estate program of study.

1. Research career options in the real estate sales profession and related professions (e.g., development, building trades, lending, regulation, appraisal, law).
2. Prepare a professional resume and a cover letter.
3. Solicit opportunities for professional learning and experience (e.g., job shadowing experiences and/or internships in the real estate industry, related professions, or industries which share transferable skills).
4. Participate in CTSOs that foster skills and professionalism in students.

Safety, Student Organizations, Technology Knowledge, Personal Qualities and Employability Skills, Professional Knowledge are to be embedded in standards A-M.

SAFETY

Business professionals know the academic subject matter, including safety as required for proficiency within their area. The following accountability criteria are essential for students in the Real Estate program.

1. Review school safety policies and procedures.
2. Review classroom safety rules and procedures.
3. Review safety procedures for using equipment in the classroom.
4. Identify major causes of work-related accidents in office environments.
5. Demonstrate safety skills in an office/work environment.

STUDENT ORGANIZATIONS

Proficient professionals know the academic subject matter, including professional development, required for proficiency within their area. The following accountability criteria are essential for students in the Real Estate program.

1. Identify the purpose and goals of a Career and Technology Student Organization (CTSO).
2. Explain how CTSOs are integral parts of specific clusters, majors, and/or courses.
3. Explain the benefits and responsibilities of being a member of a CTSO.
4. List leadership opportunities that are available to students through participation in CTSO conferences, competitions, community service, philanthropy, and other activities.
5. Explain how participation in CTSOs can promote lifelong benefits in other professional and civic organizations.

TECHNOLOGY KNOWLEDGE

Proficient professionals know the academic subject matter, including the ethical use of technology as needed in their role. The following accountability criteria are considered essential for students in the Real Estate program of study.

1. Demonstrate proficiency and skills associated with the use of technologies that are common to a specific occupation.
2. Identify proper netiquette when using e-mail, social media, and other technologies for communication purposes.
3. Identify potential abuse and unethical uses of laptops, tablets, computers, and/or networks.
4. Explain the consequences of social, illegal, and unethical uses of technology (e.g., piracy; cyberbullying; illegal downloading; licensing infringement; inappropriate uses of software, hardware, and mobile devices in the work environment).
5. Discuss legal issues and the terms of use related to copyright laws, fair use laws, and ethics pertaining to downloading of images, Creative Commons, photographs, documents, video, sounds, music, trademarks, and other elements for personal use.
6. Describe ethical and legal practices of safeguarding the confidentiality of business-related information.
7. Describe possible threats to a laptop, tablet, computer, and/or network and methods of avoiding attacks.

PERSONAL QUALITIES AND EMPLOYABILITY SKILLS

Proficient professionals know the academic subject matter, including positive work practices and interpersonal skills. The following accountability criteria are essential for students in the Real Estate program.

1. Demonstrate creativity and innovation.
2. Demonstrate critical thinking and problem-solving skills.
3. Demonstrate initiative and self-direction.
4. Demonstrate integrity.
5. Demonstrate work ethic.
6. Demonstrate conflict resolution skills.

7. Demonstrate listening and speaking skills.
8. Demonstrate respect for diversity.
9. Demonstrate customer service orientation.
10. Demonstrate teamwork.

PROFESSIONAL KNOWLEDGE

Proficient professionals know the academic subject matter, including positive work practices and interpersonal skills, as needed in their role. The following accountability criteria are considered essential for students in any program of study.

1. Demonstrate global or “big picture” thinking.
2. Demonstrate career and life management skills and goal-making.
3. Demonstrate continuous learning and adaptability skills to changing job requirements.
4. Demonstrate time and resource management skills.
5. Demonstrates information literacy skills.
6. Demonstrates information security skills.
7. Demonstrates information technology skills.
8. Demonstrates knowledge and use of job-specific tools and technologies.
9. Demonstrate job-specific mathematics skills.
10. Demonstrates professionalism in the workplace.
11. Demonstrate reading and writing skills.
16. Demonstrates workplace safety.