

ARIZONA REAL ESTATE DEPARTMENT  
RECOMMENDED EDUCATIONAL OBJECTIVES  
(Real Estate Pre-licensure Courses)

As a result completing each module, the candidate will be able to:

**I. REAL ESTATE STATUTES**

1. Identify the sources of real estate law;
2. Understand that the Arizona real estate law consists of both Statutes and administrative rules;
3. Discuss the authority of the Department of Real Estate and its regulation of the real estate industry;
4. Discuss the purpose and duties of the Real Estate Advisory Board;
5. Describe in general the requirements for licensure and the exemptions from licensure;
6. Explain direct management and supervision of real estate activities by the broker including record keeping, disposition of funds, and compensation;
7. Identify the reasons the Commissioner may deny, suspend, or revoke a license;
8. Define administrative actions and fines the Commissioner may impose;
9. Recognize the difference between the requirements of property management and general real estate brokerage;
10. Know the definitions and public report requirements relating to subdivided and unsubdivided lands;
11. Discuss the purpose and operation Real Estate Recovery Fund; and
12. Discuss the requirements of offering real estate timeshares.

**II. COMMISSIONER'S RULES – AZ ADMINISTRATIVE CODE**

1. List the requirements for obtaining, transferring and renewing a license, the obligation of employing brokers in supervising the activities of their licensees, and the required notices to the public;
2. List the licensing requirements regarding the different types of licensed activities, also explain unlawful license activities and their consequences;
3. Explain advertising requirements including proper identification of licensees, allowable inducements, and the specific requirements for advertising of subdivisions and time-shares;
4. Explain and demonstrate knowledge of the requirements of full disclosure of compensation;
5. Review the requirements for branch offices, temporary brokers and proper notifications to the department;
6. Explain and demonstrate a knowledge of the requirements covering preparations of documents and contracts, the necessity for providing copies to all parties, record keeping requirements by the broker, the broker's obligations to the public, the obligatory disclosures to the public, and the obligatory language regarding public reports and rights of rescission;
7. List the requirements regarding the use of fictitious names;
8. Explain and demonstrate a knowledge of the requirements of professional conduct of the licensee towards clients, customers, the general, and other licensees; and

ARIZONA REAL ESTATE DEPARTMENT  
RECOMMENDED EDUCATIONAL OBJECTIVES  
(Pre-licensure Courses)

9. Discuss the investigative and administrative procedures available against a licensee, the rights of due process, the conduct of hearings, and the disciplines available to the Real Estate Commissioner.

**III. AGENCY RELATIONSHIPS AND MANAGERIAL DUTIES**

1. Understand the concepts and definition of an agency relationship and fiduciary duties together with understanding confidentiality and due diligence, and termination of employment;
2. Discuss how an agency relationship could be disclosed, created, maintained and terminated. Types of employment agreements, MLS services and co-brokerage agreements
3. Identify the various types of real estate agency relationships together with the limitations an agent has when acting as the agent of the buyer / tenant, seller / landlord, or both. Explain the concept of sub-agency;
4. Differentiate between “expressed agency” , “ implied agency” and “ratified agency”, a “ customer” and a “ client”;
5. Understand the role of the broker in an agency relationship;
6. Understand that compensation is separate from the agency relationship;
7. Differentiate between material defects and material facts and explain how the agency relationship measures the “due diligence” obligations of disclosure in each instance. Explain the purpose of errors and omissions insurance; and
8. Understand various regulatory sanctions for breach of fiduciary duty.

**IV. CONTRACTS AND CONTRACT LAW**

1. Explain and give examples of the various types of contracts as they relate to real estate transactions;
2. Explain and give examples of the elements of a valid contract;
3. Explain the concept of “reasonableness” and how it applies to contractual obligations;
4. Distinguish between a “bona fide purchaser” and an “ innocent purchaser” and relate such concepts to real estate contractual obligations;
5. Explain the responsibilities a real estate broker has regarding contracts according to the Arizona Revised Statutes and the Commissioner’s Rules;
6. Explain some of the major concerns of a purchase contract and the consequences of not addressing them in a transaction;
7. Distinguish between the use of an assignee and the use of a nominee in a contract and indicate the risks associated with the use of each;
8. Differentiate among the methods by which a contract can be terminated;
9. Discuss the concept of breach of contract and the rights and remedies to which the parties may be entitled;
10. Differentiate between an option and a first right of refusal and indicate appropriate situations in which each could be used;
11. Define and explain the purpose of the Statute of Limitations; and
12. Illustrate and define contract terminology.

ARIZONA REAL ESTATE DEPARTMENT  
RECOMMENDED EDUCATIONAL OBJECTIVES  
(Pre-licensure Courses)

**V. PROPERTY INTERESTS, ESTATES & TENANCIES**

1. Describe what hereditments are considered real property and what are considered personal property;
2. Define and give examples of fixtures, trade fixtures and emblements;
3. List and explain the physical and economic characteristics of land and its elements;
4. Discuss ownership and access rights to minerals and how those rights are conveyed;
5. Discuss ownership of air rights; subsurface rights;
6. Define “horizontal regimes” and describe what type of properties are considered to be horizontal regimes;
7. Differentiate between alternative types of housing;
8. Describe when an Affidavit of Affixture is used for mobile homes, its affect on taxation and licenses required to convey ownership;
9. Explain fractional and undivided interests in land;
10. Differentiate between freehold and less-than-freehold estates;
11. List and describe the inheritable freehold estates of fee simple, determinable fee and conditional subsequent fee, and fee tail;
12. Describe conventional life estates and how they are created;
13. Discuss dower and curtsy rights;
14. Explain how the Arizona Homestead Act provides protection of homeowner’s equity, the amount of protection, how a foreclosure sale by a judgement lien holder may be avoided, and how a homestead exemption may be created or terminated;
15. Explain how conventional life estates are created, the rights of ownership vested in the life estates, and the rights of reversion or remainder;
16. Describe rights of ingress and egress and the right of permanent access;
17. Describe an appurtenant easement, how it is created and how it is terminated;
18. Describe commercial and personal in-gross easements;
19. Define “tenancy in severalty”;
20. List the concurrent co-ownership tenancies;
21. Describe community property including the legal assumption and rights to convey or encumber by contract, will or descent;
22. Explain community property with rights of survivorship, the requirements to create or terminate, and compare to other co-ownership tenancies;
23. Define “sole and separate property” how it is acquired, maintained and the disposition of interests;
24. Explain joint tenants with rights of survivorship, the legal requirements to create and the disposition of interests by sale or death;
25. Explain tenancy in common and the legal assumptions in the creation and disposition of separate interests;
26. Define “syndication” and examples of;
27. Describe ownership interest in a cooperative and the rights to occupy and use the premises;

ARIZONA REAL ESTATE DEPARTMENT  
RECOMMENDED EDUCATIONAL OBJECTIVES  
(Pre-licensure Courses)

28. Describe the ownership of a condominium unit and the common elements, how condominiums are created, and requirements to obtain and furnish buyers with public report;
29. Describe how an association of condominium owners is created, the bylaws, assessments, maintenance and insurance;
30. Describe a time share ownership of leasehold interests, explain how they are created;
31. Describe how a land trust is created and identify circumstances when it would be used; and
32. Describe activities covered by membership camping.

**VI. GOVERNMENT RIGHTS IN REAL PROPERTY**

1. Name the four government rights in real property under allodial system of individual ownership with 100% accuracy (P.E.T.E.)
2. Explain the concept of Eminent Domain;
3. Understand that police power is the inherent power of the state to pass to municipalities and counties the power and authority to protect the public interest and welfare of its people;
4. Discuss the government's right to tax real estate and personal property to raise funds to operate the government;
5. Explain the method of arriving at the annual property tax due for residential property, vacant land, and commercial property;
6. Identify and describe assessed value ratios;
7. Identify and describe how tax rates are obtained;
8. Explain the superior lien real property taxes versus improvement tax;
9. Discuss how a property owner is charged or assessed an improvement tax; and
10. Define the State's power to escheat.

**VII. TAX IMPLICATIONS ON REAL ESTATE**

1. Describe and give examples of the classifications of income under the federal income tax regulations;
2. Demonstrate how the adjusted selling price, the adjusted cost basis, and gain (profit) are computed;
3. Define the difference between capital gain and ordinary income and how they are treated for income tax purposes;
4. Define "primary residence" and list the requirements for a tax free gain upon sale of a primary residence;
5. Demonstrate how an installment sale of real property may allow for a deferment of taxes on gains (profits);
6. Define the depreciable value, the economic life, and the cost recovery (depreciation) for residential and commercial real estate properties;
7. Describe how a Section 1031 Tax Deferred Exchange can be created and how debt forgiveness and/or boot are treated for tax purposes;
8. List the essential of a tax deferred (Starker) exchange;

ARIZONA REAL ESTATE DEPARTMENT  
RECOMMENDED EDUCATIONAL OBJECTIVES  
(Pre-licensure Courses)

9. Define the meaning of a phantom gain; and
10. Offset and carry your losses.

**VIII. WATER LAW**

1. Explain and identify various terms and definitions used to discuss water law;
2. Describe the various sources of water in Arizona;
3. Describe how the riparian doctrine of water rights applies to boundaries of parcels and land adjacent top rivers and streams;
4. Describe the Doctrine of Prior Appropriation and how it impacts the use of water in Arizona;
5. Understand the history and describe the impact of the 1980 Groundwater Code on real estate transactions in Arizona;
6. Differentiate between an Active Management Area and an Irrigation Non-expansion Area;
7. Differentiate among the various types of grandfathered water rights and describe the impact of required permits and transferable rights on real estate transactions;
8. Differentiate between “an assured water supply” and “an adequate water supply”; and
9. List and describe the permits and exemptions to use water in an Active Management Area.

**IX. ENVIRONMENTAL LAW**

1. List the federal and Arizona environmental regulatory agencies;
2. Describe the purpose and regulatory authority of the Arizona Department of Environmental Quality;
3. Describe which environmental laws regulate the production, use and disposal of hazardous substances relating to real estate, and what fines, civil liability, and remediation can be obtained by the government;
4. Describe the public health concerns and economic impacts of current issues (hot topics) on real estate;
5. List and discuss the liabilities under the superfund laws; and
6. Discuss the concept of environmental due diligence and disclosures by a real estate licensee and list the sources of information regarding contaminated properties.

**X. LAND DESCRIPTIONS**

1. Explain the basic methods of legally describing property;
2. Discuss the necessity of obtaining and using a correct legal description;
3. Discuss the necessity of obtaining and using the various land units and measurements;
4. Define subdivision law Plat of Survey and its relation to subdivision law;
5. Discuss the Assessor’s identification process; and
6. Demonstrate by exercises an understanding of the legal description process.

ARIZONA REAL ESTATE DEPARTMENT  
RECOMMENDED EDUCATIONAL OBJECTIVES  
(Pre-licensure Courses)

**XI. LAND DEVELOPMENT AND CONSTRUCTION**

1. Differentiate among the different types of shopping center developments;
2. Discuss and define various land-planning terminology;
3. Identify and discuss the fundamentals of construction; and
4. Identify required warranties and licensing requirements of builders in Arizona.

**XII. ENCUMBRANCES**

1. Identify the various types of encumbrances;  
Explain the differences between liens and other types of encumbrances;
2. List the classifications of liens;
3. Discuss mechanic's liens and their impact on real estate;
4. Discuss mechanic's liens and their impact on property ownership; and
5. Discuss the practical concerns of liens as they appear on a preliminary title report.

**XIII. ACQUISITION AND TRANSFER OF TITLE**

1. Identify and describe the various forms of deeds and their essential elements;
2. Explain recordation and why it is important in a real property transaction;
3. Give examples of constructive notice and actual notice;
4. List the requirements for the creation and the termination for adverse possession;
5. Discuss land use control through deed restrictions;
6. Define the term encroachment and give examples;
7. Define and discuss the four common methods by which "title" may be transferred;
8. Define and discuss the term "title" as it pertains to real estate;
9. List and describe the different types of title insurance policies; and
10. Explain the purpose for title insurance and title examination procedures including a chain of title, preliminary title report and endorsements.

**XIV. ESCROW AND SETTLEMENT (NOT INCLUDING MATH)**

1. Define the term closing/escrow settlement as it relates to a real estate transaction;
2. Identify the participants in closing and describe who is authorized to perform the escrow services;
3. Identify and describe the duties of the escrow officer including Internal Revenue Service requirements in the closing process, FIRPTA and 1099 reporting;
4. Identify and describe the significant elements of a uniform settlement statement including purchase price and earnest money deposit, financing, loan payoffs, closing costs, prorations, sales commissions, buyers cash requirements and sellers proceeds along with the appropriate debit/credit; and
5. Describe RESPA and its effect on settlement procedures.

ARIZONA REAL ESTATE DEPARTMENT  
RECOMMENDED EDUCATIONAL OBJECTIVES  
(Pre-licensure Courses)

**XV. FAIR HOUSING AND AMERICANS WITH DIABILITIES ACT**

1. Have a knowledge of the history and development of civil rights and fair housing legislation as they evolved in America;
2. Understand the rationale for fair housing law, and recognize the importance of its development at both the federal and state levels;
3. Understand and identify prohibited practices under the law;
4. List the protected classes under the civil rights and fair housing law;
5. Understand the exemption from the law and the limitations on the way in which exempt entities conduct themselves;
6. Understand and explain the enforcement provisions and penalties for violation of the law;
7. Know the restrictions on advertising property and loans and recognize allowable exceptions, and understand the advertising guidelines by the Arizona Attorney General;
8. Understand how the law effects purchase and rental transactions and its impact on the way real estate business is conducted;
9. Have a broad understanding of the Americans With Disabilities Act, and recognize its impact on the way real estate business is conducted; and
10. Understand and identify conflicts between local CC&R's/deed restrictions and the provision of fair housing statute. Know which takes precedence, and how disparities can be resolved.

**XVI. LEASES AND LEASEHOLD ESTATES**

1. Understand the basic types of leasehold interests as they relate to landlord/tenant relationships;
2. Understand the concept and rights of a leasehold estate and the essential elements of a valid and enforceable lease in Arizona;
3. Identify the various types of lease/rental agreement payment plans by manner of rent calculation;
4. Understand lease/rental agreement variables, such as the indexes to which adjustment's are tied;
5. Understand the elements of a commercial lease, including lease Clauses, methods of rent calculation and payment, distraint, and lease pass through and participation;
6. Differentiate between an assignment of a lease and subleasing, and identify the potential limitations on either;
7. Explain the ways in which a leasehold interest may be terminated by the parties to lease;
8. Differentiate between residential and commercial leases regarding occupancy and use, transfer of a leasehold interest, common area maintenance, and insurability of premises and inventory;
9. Understand when and how a leasehold may be used as security, and the value of a leasehold asset when transferring a leasehold interest; and

ARIZONA REAL ESTATE DEPARTMENT  
RECOMMENDED EDUCATIONAL OBJECTIVES  
(Pre-licensure Courses)

10. Describe how foreclosure affects a leasehold interest; explain non-disturbance provisions.

**XVII. ARIZONA LANDLORD AND TENANT ACTS**

1. Describe and explain the residential lease;
2. Recognize areas not covered by the Residential Landlord and Tenant Act;
3. Describe the basic provisions in a residential rental agreement;
4. Understand how the act creates responsibilities and remedies in residential leases for both the tenant and the landlord;
5. Identify prohibited acts of the landlord; and
6. Explain ways in which the rental relationship may be terminated.

**XVIII. PROPERTY MANAGEMENT**

1. List the essentials of a valid property management agreement;
2. Describe the requirements for placing funds received under employment as property managers into trust accounts;
3. Describe the record keeping requirements under a property management employment agreement,
4. List the exemptions from real estate license requirements for residential and nonresidential property management;
5. Explain the agency relationship between the property owner and the property managers;
6. Describe what property management functions can be performed by a licensed salesperson or an associate broker;
7. Discuss declarations, bylaws, rules and responsibility of an association to maintain the common elements; and
8. Discuss the right of the association to levy assessments, penalties, and rights to file a lien.

**XIX. PROPERTY INSURANCE**

1. Discuss the types of insurance required by different entities;
2. Explain the difference between insurance and warranties or guarantees;
3. Explain the purpose of flood insurance;
4. Describe and explain a claims history report; and
5. Discuss Arizona slumlord act and other property owner liabilities.

**XX. APPRAISAL TERMINOLOGY & CONCEPTS**

1. Define appraisal and competitive market analysis and differentiate between them;
2. List and discuss the four components of value and differentiate between them;
3. Define objective value and subjective value and differentiate between them;
4. Define market value and market price and differentiate between them;
5. Identify and discuss several of the different types of value;

ARIZONA REAL ESTATE DEPARTMENT  
RECOMMENDED EDUCATIONAL OBJECTIVES  
(Pre-licensure Courses)

6. Define and give examples of each of the principles of value used in real estate appraisal;
7. Understand the appraisal process;
8. Identify and discuss the three approaches to value in real estate appraisal;
9. Discuss and be able to use the steps taken in the sales comparison analysis approach to value;
10. Discuss and be able to use the steps taken in the cost approach to value;
11. Identify and distinguish between reproduction cost and replacement cost;
12. Identify and describe the three types of depreciation;
13. Cite the steps taken in the income capitalization approach to value;
14. Know the formulas for and distinguish between capitalization rates and a gross rent multiplier;
15. Analysis (yield capitalization);
16. Describe and give reasons for the reconciliation process;
17. Beware, to some degree, of the appraiser licensing legislation and the appraiser licensing legislation and the appraiser licensing authority in his or her jurisdiction; and
18. Know who orders, who owns, and who is legally entitled to receive a copy of the appraisal report.

**XXI. PRIMARY LENDERS AND THE SECONDARY MARKET**

1. Identify the sources of funds and types of loans available in the primary market;
2. Differentiate between a mortgage bank and a mortgage broker;
3. Identify the three major entities that operate in the secondary market and discuss their interaction and effect on the primary market; and
4. Identify and discuss the advantages and disadvantages of different types of repayment plans.

**XXII. RESIDENTIAL FINANCING**

1. Define and describe the three types of residential financing programs in terms of their similarities and differences;
2. Analyze a borrower's qualifications for a residential loan in terms of credit history, payment ability and, in the case of a VA loan, proper eligibility;
3. Identify various types of assumptions;
4. Explain the risks involved to a seller and buyer using carryback or wrap-around loans
5. Explain the impacts of Truth in Lending and RESPA on a residential real estate loan;
6. Role of the Federal Reserve and impact on credit conditions; and
7. Explain the function of the Equal Credit Opportunity Act.

**XXIII. COMMERCIAL FINANCING**

1. Discuss and give examples of the various types of commercial loans;

ARIZONA REAL ESTATE DEPARTMENT  
RECOMMENDED EDUCATIONAL OBJECTIVES  
(Pre-licensure Courses)

2. Discuss and give examples of the various sources of commercial loans and their underwriting concerns;
3. Discuss the involvement of federal agencies in commercial lending;
4. Explain the differences between the sale of equity and the issue of debt to raise capital;
5. Identify and explain the need for various tools of financial analysis used in commercial lending;
6. Explain the requirements of and the need for the Uniform Commercial Code and how they could impact commercial transactions; and
7. Explain the advantage and risks associated with seller financing in commercial transactions.

**XXIV. FINANCING DOCUMENTS**

1. Distinguish between lien theory and title theory and explain why lien theory is used in Arizona;
2. Differentiate between pledging property and hypothecation property and which must be used for real estate;
3. Describe the characteristics of promissory notes including debt obligation, borrower liability and types of repayment methods;
4. Describe collateral documents, the essential elements of the instruments and their relationship to the promissory note; and
5. Understand the anatomy of the three collateral documents – mortgages, deeds of trust, and agreements for sale (land contracts), understanding their purpose function, advantages and disadvantages.

**XXV. FORCLOSURES**

1. Know the foreclosure or forfeiture options available to lenders or sellers in Arizona under a mortgage, deed of trust, or agreement for sale;
2. Understand the judicial foreclosure process and the timeframes involved;
3. Define a deed-in-lieu of foreclosure and its benefits and drawbacks;
4. Understand the process of foreclosing a deed of trust under a non-judicial trustee's sale;
5. Understand the forfeiture process a seller may use under an agreement for sale;
6. Understand post-foreclosure remedies including deficiency judgments and anti-deficiency statutes; and
7. Understand the rights of junior lien holders when a prior lien is being foreclosed and the proper allocation of foreclosure proceeds.

**XXVI. BANKRUPTCY & ITS EFFECT ON REAL ESTATE BUSINESS**

1. Identify and distinguish among bankruptcy under chapter 7, 11, 13;
2. Explain the effect of bankruptcy on sellers' listings, brokers' listings, buyer/seller contracts; and
3. Define secured and un-secured lien interests regarding bankruptcy.

ARIZONA REAL ESTATE DEPARTMENT  
RECOMMENDED EDUCATIONAL OBJECTIVES  
(Pre-licensure Courses)

**XXVII. MATH**

1. Solve proration/settlement sheet problems;
2. Perform appreciation and depreciation calculations;
3. Perform property tax calculations based upon full cash value, tax assessment ratios, and tax rights;
4. Compute net proceeds and the sale price necessary to produce a given net amount;
5. Perform loan calculations consistent with the principles presented in the financing section of the course;
6. Compute area and volume;
7. Perform the mathematics associated with appraisal. The calculations would be reinforced in the appraisal section. Capitalization concepts would be covered more completely in the broker's course than in the salesperson's course;
8. Deal with various other concepts that are introduced elsewhere in the class such as capital gains and other income tax computations, land description questions, new loan fees and insurance;
9. Calculate commissions; and
10. Calculate acreage based on land description.

**XXVIII. SELLING A BUSINESS**

1. Review the financial reports of a business and evaluate the financial condition of assets, liabilities, profit or losses;
2. Make adjustments to the reported balance sheet, income statement and profit (losses) to represent the past operating history of the business and make projections for the future years;
3. Explain the differences in accounting methods used and how they can affect the value of a business;
4. Understand how to find unreported and non-business related incomes or expenses, undisclosed liabilities, confirm the accuracy of accounts receivable/payable, and how these can change the value of a business;
5. Discuss the approaches to value and how goodwill is determined;
6. Compare a letter of intent with an offer to purchase and discuss conditions to the offer normally used;
7. Discuss the legal and tax implications of a sale of business assets verses a sale of stock ownership, the assignment of values to assets and the recording of documents; and
8. Differentiate among the various forms of ownership.

**XXIX. REAL ESTATE OFFICE MANAGEMENT**

1. Distinguish and understand the differences in owning and operating residential, commercial, and property management real estate offices;
2. Identify federal, state and local governmental requirements to open and operate a business;

ARIZONA REAL ESTATE DEPARTMENT  
RECOMMENDED EDUCATIONAL OBJECTIVES  
(Pre-licensure Courses)

3. Define risk management and understand its importance in operating a business;  
and
4. Identify the different types of business ownership available for a real estate business.

**XXX. COOPERATIVE NATURE OF REAL ESTATE**

1. Discuss the professional association structure, including the purpose of the national and local associations of realtors and their professional designations;
2. Discuss the MLS system including how listings are submitted, processed and distributed, who operates it, and the differences between residential and commercial MLS;
3. Discuss the practical aspects of the real estate business including how compensation is determined between different types of brokers and their agents; licensees and their assistants; independent contractor versus employee status; insurance requirements for new agents e.g., errors and omissions, auto liability, and workers compensation insurance; office policies; broker expectations; floor times; training programs; and performance standards;
4. Discuss the NAR Realtor® Code of Ethics, what steps are taken to enforce the code, and how it relates the Commissioner's Rules;
5. Explain the purpose of the Sherman Anti-Trust Act, application and enforcement; and
6. Discuss related careers in the real estate field such as property development, finance, appraisal, and property management.

NOTE: Underlined portions are broker only.