

Linda L. Crawford  
with Denise Stolar Johnson  
45th EDITION

# FLORIDA

REAL ESTATE EXAM MANUAL FOR SALES ASSOCIATES AND BROKERS

Dearborn<sup>™</sup>  
Real Estate Education



# Florida Real Estate Exam Manual for Sales Associates and Brokers

45th Edition

Linda L. Crawford with Denise Stolar Johnson

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FLORIDA REAL ESTATE EXAM MANUAL FOR SALES ASSOCIATES AND BROKERS  
45TH EDITION

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# HOW TO USE THIS MANUAL

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The *Florida Real Estate Exam Manual for Sales Associates and Brokers* provides a concise, focused approach to preparing for the Florida real estate license exams, and is designed to aid both sales associate students and broker students. You can review key concepts in a relatively short span of time and work through a variety of practice questions. The State of Florida does *not* use national real estate exams. The license exams are developed by the Bureau of Education and Testing within the Florida Department of Business and Professional Regulation (DBPR). The material in this book is specifically designed to prepare you for Florida's license exams.

The Key Point Reviews contain the most important concepts explained in the textbook, *Florida Real Estate Principles, Practices & Law (PP&L)*, and will reinforce the information learned in the sales associate course. Sales associate *and* broker candidates are tested on material from the sales associate prelicense course, so it is important to study this material to prepare for the license exam.

It may seem a little odd that the Key Point Reviews are not in numerical order. Instead, we have grouped the reviews by topics: real estate law, Florida real estate license law, general real estate law, and real estate principles and practices. The units listed in the Contents refer to the units of *PP&L*. Because a good portion of the state exam concerns Florida license law, we have grouped these units together to make exam preparation easier.

This edition has been revised to further assist broker candidates with preparing for the broker license exam. The sample exam questions indicate the unit in the sales associate textbook, *PP&L*, that corresponds to the sample exam questions. We have also included the corresponding units in the broker textbook, *Florida Real Estate Broker's Guide*. If there is a set of questions that are particularly troubling for you, refer to the corresponding units in *PP&L* and the units in *Broker's Guide* for additional study. This edition also features math problems and a broker-only section exclusively designed for broker candidates. Broker candidates should be proficient in solving *all* of these math problems, including the closing disclosure questions.

## SUCCESSFUL EXAM-TAKING STRATEGIES

This section of the book lays out a strategy for answering multiple-choice questions. You need a proven strategy (or plan) for taking and passing the exam on the first try. Part of a successful strategy is learning how to become "test wise." It also involves understanding a test writer's objectives. If you understand how questions are constructed and are familiar with the subjects that are tested, you are well on your way to reaching your goal on exam day.

## KEY POINT REVIEWS

The Key Point Reviews are a no-nonsense approach to reviewing the most important concepts in *PP&L*. The Key Point Reviews are organized into three parts. The first two parts cover Florida real estate license law and general real estate law. Sales associate candidates *and* broker candidates need to study these units carefully to prepare for the state license exams! Part three covers real estate principles and practices. The principles and practices units cover primarily sales associate material. However, broker candidates are tested on sales associate material.

Broker candidates should study all of the material in this manual to properly prepare for their state license exam.

Each section in this manual begins with a Key Term Review. Each key term features a straightforward definition. Terminology is a big part of testing! Study each of the terms carefully. The glossary in the back of the book provides the key terms in one handy location for review.

Key Concepts follows Key Terms. Key Concepts lists the most important concepts found in each unit. The background material and explanations have been omitted and just the highlights are presented here. If a concept seems foreign to you, go back to *PP&L* for a complete explanation. The purpose here is to help you focus on the exam and bring the most important concepts in each unit together in a simple, straightforward review.

At the end of some of the sections in this book you will find Important Dates and Time Periods to Remember. Some of the license exam questions require you to recall a certain number of days (for example, a licensee has just 10 days to notify the DBPR of a change in mailing address). The most important dates and time periods are featured at the end of each section (if applicable). These time periods should be memorized as part of the exam preparation process.

At the end of some of the sections in this book you will find Important Formulas to Remember. Many of the types of math calculations that may appear on your exam are featured. The formula and a sample problem have been worked for you. Be sure to master the various types of math calculations. If math is not your “bag,” so to speak, consider purchasing a copy of the author’s *Real Estate Math: What You Need to Know*, published by Dearborn™ Real Estate Education. It provides numerous practice problems with the solutions so that you can study step-by-step how to perform each type of math problem.

## PRACTICE QUESTIONS

This section of the manual is composed of sample exam questions and practice exams. The first part consists of multiple-choice questions on license law followed by general real estate law. Sales associate candidates *and* broker candidates will benefit from studying the law questions. The practice questions use the same type of item format that is used on the license exam. Many of the practice questions are difficult. Do not let that deter you. You want to be prepared for whatever you find on the license exam. The purpose here is to help you stretch. Just can’t figure out the answer to a tough practice question? No worries—an explanation to every practice question is in the back of this manual. Reading the explanation to each practice question after you have taken the practice quiz is part of test preparation.

The next part of the practice questions section contains real estate principles and practices multiple-choice questions. The principles and practices questions (as well as the law and math questions) are presented in the same unit sequence as is used in the Key Point Reviews section of the manual.

The last part of this section is made up of math problems. Each math area is represented. A step-by-step math solution is provided for every math calculation. This edition also features math problems and a broker-only section exclusively designed for broker candidates. Broker candidates should be proficient in solving all of these math problems, including the closing disclosure questions.

Practice Exam 1 and Practice Exam 2 are found after the broker-only questions. These are 100-question practice exams. The exams have been carefully constructed to match the



proportion of principles and practices, license law, and math questions on the state license exam. Every effort has been made to ensure that the practice exams are approximately as difficult as the typical Florida state license exam. Use the answer sheets to fill in your answers to the practice exams.

## ANSWER KEYS

Answer keys to all the questions appear at the end of this book. The answer keys to the two practice exams are cross-referenced to the appropriate unit in *PP&L*. This will help you focus on those areas where you need additional review. The answer key explanations and solutions provide immediate feedback on what you answered right and wrong on all test items. In addition, a Math Cross-Reference Key lists the math testing areas by name and unit number.

I want to extend a special thank you to Karen Climer, owner of Demetree School of Real Estate in Orlando, Florida, for her valuable contributions to this edition of *Florida Real Estate Exam Manual*.

Every effort has been made to provide you with a great study tool. But success doesn't come easy. It takes hard work and determination. So pull up a chair and get a cup of coffee or your favorite beverage and get to work. I know you can accomplish your goal!

Best of luck,

Linda L. Crawford

Denise Stolar Johnson

November 2021

# SUCCESSFUL EXAM-TAKING STRATEGIES

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## PURPOSE

The main purpose of this section is to help you master a strategy for success. A *strategy* is a plan or method for achieving a specific goal. An effective strategy is what successful persons develop and use. This section of the book is designed to show you proven strategies to help you succeed on the Florida real estate license exam.

## STATE LICENSE EXAM PROCESS

If you have not already done so, you will need to submit a license application to the Department of Business and Professional Regulation. The application form and information concerning application fees are posted at the real estate page of the DBPR's website at <http://www.myfloridalicense.com/DBPR/real-estate-commission/>. Once your application has been approved by the DBPR, a file of authorized candidates is electronically submitted to the test vendor, Pearson VUE. Candidates will be eligible to schedule an examination within 72 hours after the candidate's examination application has been approved by the Department. The test vendor loads the candidate authorization file into its reservation system and then emails authorization letters to each eligible candidate. Upon receipt of the authorization letter, candidates are eligible to reserve an exam date and location through Pearson VUE.

## SCHEDULING YOUR TEST DATE

Exam reservations may be made by calling Pearson VUE Customer Care at 1-888-204-6289 Monday through Friday from 8:00 am to 11:00 pm, Saturday 8:00 am to 5:00 pm, and Sunday from 10:00 am to 4:00 pm (ET). It is recommended that you call Pearson VUE at least five business days before the desired examination date. Reservations are made on a first-come, first-served basis. Candidates will receive a confirmation number at the time of the call. (Jot down the confirmation number because you will need it when you go to the test center.)

Internet reservations may be made at Pearson VUE's website, [www.pearsonvue.com](http://www.pearsonvue.com). You will need to include a valid email address and a credit card number or electronic check. A reservation confirmation will be returned via email. Examination reservations may be canceled or changed via the Pearson VUE website.

When making your exam reservation, you will be asked to indicate a desired test center location. Test centers are located throughout the state. The license exam may also be taken in any state where the test vendor has a test center. To find the location nearest to you, visit Pearson VUE's website. Addresses, days and hours of operation, and directions to each test site are posted on the website.

Candidates are charged an examination fee payable directly to Pearson VUE. You will be instructed to pay the fee with a major credit card or electronic check at the time you make your test reservation. Examination fees are posted on Pearson VUE's website. Payments are not accepted at the test center. Choose your test date and location carefully. Candidates who wish to cancel or change an examination reservation may do so without penalty up to four business days before the examination. Candidates who are absent

from or late for an examination, or who change or cancel their reservations without proper notice, will be charged the full examination fee. For additional information, refer to the Candidate Information Booklet for Real Estate at [www.myfloridalicense.com/DBPR/examination-information/candidate-information-booklets/](http://www.myfloridalicense.com/DBPR/examination-information/candidate-information-booklets/). Select the real estate booklet that applies to you: broker or sales associate.

### What to Bring on Exam Day

Allow sufficient time to arrive at the test center 30 minutes prior to your exam time. You will be required to show the test administrator two forms of signature identification, one of which must be a photo ID. You must take a copy of your course completion slip (Certificate of Prelicensing Education Completion). You will also be asked for the confirmation number that was given to you when you made your test reservation. Although it is not required, it is recommended that you bring with you the official authorization notice that Pearson VUE emailed to you.

You are allowed to bring a silent, hand-held, battery-operated, nonprinting calculator. The calculator cannot have an alphabetic keypad. Standard (nonprinting) four-function electronic calculators are recommended for the Sales Associate examination. However, financial calculators with an alpha button are allowed. Put fresh batteries in your calculator on exam day and run a few simple calculations on your calculator to verify that it is working properly. Avoid using a solar-powered calculator because the light may be insufficient for sustained use. Cell phones and pagers are *not* allowed in the testing center.

You are allowed to bring and use one foreign language translation dictionary to the exam. Translation dictionaries must contain only word-for-word or phrase translations. Dictionaries that contain definitions of words, explanations of words, or handwritten notes may not be used. For information regarding acceptable translation dictionaries, contact the Bureau of Education and Testing, Examination Administration Unit, at 1-850-488-5952.

## COMPUTER-BASED EXAM

You will take your exam on a computer. Each test question will be displayed on the computer screen. You will record your answer to each question by clicking the answer choice (A, B, C, or D) with your mouse. Your answer choice will be highlighted so that you immediately know the answer choice that is recorded electronically. Read every answer choice before choosing the answer!

You can go forward or backward through the test, mark test questions for review, and change answers. A summary screen, which can be accessed at any time during the exam, informs the candidate of the number of test questions answered, the number unanswered, and/or the number of questions skipped. The time remaining is displayed on the computer screen.

The PC (computer) you will be using is easy to operate. However, it is *strongly recommended* that you take the tutorial provided before the exam starts to familiarize yourself with the equipment. The tutorial takes about 15 minutes. It provides sample test questions so that you can familiarize yourself with how to indicate your answer choice and how to navigate through the exam. The tutorial explains all the test features, such as how to turn the exam clock on and off and how to access the summary screen.

## A Strategy for a Paperless Exam

The computer will automatically keep track of any questions you skip. For this reason, it is recommended that you plan on going through the entire exam at least twice. On the first time through, answer the easy questions first. These are the test questions that you are familiar with and are confident that you know the correct answer. There are three types of test questions for which you should press “next screen,” skipping them until the second time through. They are

- unfamiliar questions for which the correct answer is not obvious;
- lengthy questions that fill up much of the computer screen; and
- math questions (it is most efficient to do all of the math questions at one time when you have your calculator and scratch paper ready).

Your strategy is to use your time efficiently and to get every point possible. Therefore, answering the questions that are easiest for you first is a strategic way of maximizing your score. Once you have finished the first pass, it is time to take a second pass through the exam. Go to the summary page on your testing device. Press “Review Unanswered,” and the test questions left unanswered will appear, one after the other. Now it is time to finish the examination and add to your total score.

## ORDER OF TEST QUESTIONS

Your exam is made up of three broad categories (law, principles and practices, and math). Math questions are sprinkled throughout the exam. The questions have no particular order, and they are *not* arranged from “easy” to “difficult” (or vice versa). This is why the strategy of answering the easy questions first is so important. In addition to law, principles and practices, and math questions, broker candidates must answer eight questions regarding the closing disclosure. The closing disclosure questions require broker candidates to calculate closing entries and know what information is entered on the pages of the closing disclosure without access to the form.

## PREPARING FOR SUCCESS

Knowing how to study increases your knowledge of the subject. Knowing how to take exams helps raise your score when you are tested on that subject. Now it’s time to prove to yourself and to the Florida Real Estate Commission (FREC) that you have mastered the subject areas of real estate law, principles and practices, and math. The strategies described in the following paragraphs will help build your test taking skills. You *can* raise your score. Here is how to do it!

## DEVELOP A POSITIVE ATTITUDE

Research shows that optimists do much better than pessimists in classes, on exams, and at work. Pessimism and optimism are *not* fixed at birth. Attitude is learned, so pessimism can be unlearned. The night before and the day of the exam, put yourself in a positive frame of mind. Reject any negative thoughts, such as “I’m not sure I’m ready” or “I don’t think I’ll pass,” because they are self-defeating and can contribute to failure. Too much test anxiety can seriously interfere with your ability to succeed on the exam. On the other hand, a little anxiety can increase your mental processes. Adopt a positive attitude toward the exam. The exam is based on information you have already studied and been tested on in class. Use the many memory aids from your course to help you recall important facts, terms, and concepts. Maintain a confident outlook. Put yourself in the exam driver’s seat. Acknowledge that there



are easy *and* difficult questions to answer. Don't panic if you draw a blank on a question. Visualize yourself as relaxed and in control of the situation. See yourself as working all the way through the exam with good concentration and energy. Stay in control to maximize your exam results. The power of positive thinking applies in the test-taking arena just as it does throughout life's activities. Picture yourself leaving the test center with your passing notice!

## CONTROL ANXIETY

Again, some pre-exam anxiety is natural and helpful. It “psychs” you up, sharpens your senses, and gets the adrenaline flowing. But too much worrying gets in the way of your timing, as will anger, resentment, disgust, and a lot of other counterproductive emotions. Prepare an antipanic strategy!

If you become uptight or tense, use relaxation techniques to reduce the effect. Move your muscles (for example, briefly let your arms hang at your sides or shake or rotate your arms and hands). Relax with a sigh. Take a deep breath and hold it for a second or two. Close your eyes, clear your mind, relax your body (but don't fall off your chair). Practice this five-second “exam-jitters eliminator” *before* exam day so that you can personally experience the benefits should you need the technique on exam day.

## BUDGET YOUR TIME

Allotted exam time (currently three and one-half hours) is at a premium for most examinees and must be used wisely. Although everyone feels the pressure of time, not every examinee makes good use of it. Too many start right off answering questions, acting like a motorist with the gas pedal to the floor and no trip itinerary! The goal is to pass the exam, so you cannot afford to rush blindly. Successful carpenters “measure twice, cut once.” The following suggestions will help you improve your exam score by using time more efficiently.

One useful technique for planning your test-taking time is to set a mental *halfway point* on the exam as well as on your watch. Think in terms of three hours for taking and one-half hour for reviewing your exam. Because you are taking a 100-question exam with each question counting as one point, be sure that you have finished about 50 questions midway through the three-hour period. Continue to work at the remaining questions in the next hour and a half and use the remaining one-half hour for review. Keep track of the passing time, but don't panic if you get slightly off schedule. Work swiftly but intelligently. Don't linger too long over difficult questions—skip and return to them. Do not get uptight or rush if you see other examinees finishing early or before you. Studies prove that students who turn in their exams early include high *and* low scorers. To stay on your preplanned time schedule, be emotionally as well as academically prepared.

Toward the end, you may feel you are running out of time, that if you only had more time you could answer all the questions. As mentioned earlier, everyone feels pressured by time. Try to keep that thought from hurting your exam-taking schedule. You have allowed time for going back to questions you couldn't answer or were unsure of on the first pass. Go over difficult questions you marked for review. Do *not* leave any questions unanswered (we can't say this enough) because then your chances of getting the correct answer are zero!

## Your Personal Strategy

Because different exam-taking strategies work for different people, some of the strategies in this section may not work for you. Follow those techniques that seem best for *you*. Do not

consider the ideas set forth here to be a lock-step guide to follow—take the ones that make sense to you. Using *your common sense* throughout is the single best guide. Why? Because some of the situations described in exam questions are simply facts of everyday life and experience.

*For example:*

1. An acre consists of
  - A. 208 cubic feet.
  - B. 360 degrees.
  - C. 5,280 feet.
  - D. 43,560 square feet.

Stop and answer the question. Using common sense as well as common knowledge, you know answer A is a measure of volume, answer B is a circular measure, and answer C is a linear measure. An acre is a *surface* measure of area, so answer D is correct. You didn't even have to know the numbers, although as familiar "traps," each side of an acre is approximately 208 feet, a circle has 360 degrees, and a mile is 5,280 feet in length. When answering a multiple-choice question, your common sense, sound reasoning, personal experience, and known information all come into play.

## QUESTION TERMINOLOGY

If you do not know the parts and functions of an exam question, you begin with one strike against you. Because only multiple-choice formats are used on the exam, you need to understand that the first part of a question is called the *stem* or *lead-in*. It may come in the form of a question ("Which statement best defines a title search?"), an incomplete sentence ("A title search is defined as:"), or a direction ("Select the definition that best describes a title search."). The stem provides the information needed to determine the correct answer. The four possible answers are called *choices*, *alternatives*, *options*, or *responses*. One of the four choices will be the correct (or best) answer; the other three will be incorrect answers called *distractors* or *throwaways*. They are called distractors because their purpose is to distract (divert) your attention away from the correct option.

Occasionally, distracting or irrelevant information may also appear in the stem of a question to test your knowledge of the key point or formula being examined. Distractors in the lead-in may appear to you to be tricky or unfair, but if you know the course material and read carefully, you will not be misled by such distractors.

*For example:*

2. An efficiency condo unit sold for \$45,000. The new owner applied for and was granted a \$25,000 homestead tax exemption. The property was assessed for \$40,500, which is 90% of its selling price. If the tax rate is 28.8 mills, how much will the property taxes be?
  - A. \$1,049.76
  - B. \$576.00
  - C. \$446.40
  - D. \$401.76

Stop now and work the problem. To solve this property tax problem, subtract allowable tax exemptions from the assessed value and multiply the result by the tax rate:  $[(\$40,500 - \$25,000) \times .0288]$ . The price the property sold for is a distractor, as is the phrase, "which is 90% of its selling price." Both are irrelevant to solving this problem. Answers A, B, and D are

also distractors—wrong answers in this case. Math questions are often designed so that each wrong answer can be arrived at if you fail to read the question carefully or do not know the correct way to solve the problem. Answer A  $[(\$40,500 \times .90) \times .0288]$ , answer B  $[(\$45,000 - \$25,000) \times .0288]$ , and answer D  $[\$446.40 \times .90]$  demonstrate this. Like life, an exam is full of “red herrings.” Now you see how important it is to know the component parts and structure of a question and, in the case of a math problem, to also know how to solve it.

## MORE ABOUT MATH QUESTIONS

Another important strategy is to read the math exam question and then make a mental estimate of the answer. So often, teachers are amazed at how students calculate a number that is not plausible. *Estimating* the answer first before *calculating* the answer will raise a red flag if the number you calculate isn't in the estimated ballpark. An important word of caution—the incorrect answer choices typically are the results of common mistakes, such as reversing dividend and divisor, failing to carry the math calculation to the final step, failing to convert inches to feet or feet to yards, misplacing the decimal point, and so forth. So if you mentally estimate how big a number should be *before* you calculate the answer, you are less likely to fall for one of those red herrings!

## RESTATE THE STEM

If you have difficulty understanding the meaning of a question, mentally restate the stem from its present form into another form. If the stem is in the form of an incomplete statement, recast it into a question if that helps you. *For example*, if the stem reads “A deed is defined as,” then put the stem in question form: “How is a deed defined?” Or, “How do you define the term ‘deed’?” If the stem is in the form of a question, rephrase it in the form of a complete or an incomplete statement. *For example*, if the lead-in is “Which condition may result from a change of zoning?” reword it mentally to “A change in zoning may result in ...”. By rephrasing a sentence that has a confusing or complex word order, you can analyze the stem more easily and determine the correct answer more readily.

**Caution:** When changing the form of a stem, be certain *not* to change the meaning!

## FOREIGN QUESTIONS

You may also come across one or two questions that might just as well have been written in a foreign language you've never seen or heard! It may be a genuinely difficult question. It may represent a blind spot in your learning. It may be a point never covered in class. In a 63-hour course (in fact, 60 “classroom hours” plus exam translates into 50 hours of class time, given the “50-minute hour”), thousands of facts and hundreds of concepts are covered in a short time. Therefore, not everything can be taught or learned in that period, realistically speaking. Keep in mind that a “foreign” question represents only 1 out of 100 points. Choose the correct answer using a process of elimination (common sense plus sound reasoning and your own knowledge). Don't panic and bog down. Minimize the effect this one question has on your overall positive approach to the exam.

## THE BEST ANSWER

On the state license exam, the three basic approaches to structuring the stem are: find the correct answer, find the incorrect answer, and find the best answer. When you are asked to select the “best” (or “most accurate”) answer or description of the situation (as opposed to the

“correct” answer), you are being alerted to the strong possibility that more than one answer is correct. Your strategy, as with all questions, is to read the lead-in carefully, think of the correct answer, and read the four choices given. Because only one of the choices is the “best” answer, you must systematically eliminate the other three.

*For example:*

3. Checks, townships, and sections are
  - A. units of measurement.
  - B. measurements of areas.
  - C. measured by surveyors’ tapes.
  - D. metric measurements.

Stop and answer this question. You look at answer A and it seems to be correct. The same holds true for B. Answer C is too limiting. Answer D seems ridiculous. So you reexamine A and B and determine that, whereas A is a “correct” answer, it is not as specific a description of the lead-in as is B. Thus answer B is the best choice.

## THE INCORRECT ANSWER

Whenever you come across an exam instruction that requires you to find the incorrect answer among the choices, apply the lead-in to each listed answer, one at a time, and determine if each choice is T or F.

*For example:*

4. Select the incorrect answer. A broker retains a buyer’s deposit in an escrow account until the
  - A. transaction is concluded.
  - B. deposit is forfeited by the buyer.
  - C. FREC issues an escrow disbursement order (EDO).
  - D. buyer changes his/her mind after the seller’s acceptance of the offer.

Answer the question by choosing T or F for each choice. If necessary, keep track of this on the scrap paper provided at the test center. For answer A, you should have written a T because this is the typical time at which a deposit is released. For answer B, you know that when a buyer forfeits a deposit for whatever the reason, this too constitutes a “correct” time to release a deposit. So, you should have put down a T. For answer C, an “escape procedure” has been used due to conflicting demands on escrowed funds, and the broker is therefore required to release the deposit. You should have marked T for answer C. Finally, for answer D, the buyer is bound by acceptance of his/her offer, and because the seller accepted it, answer D is the choice you were looking for—the incorrect answer (the broker should not release a buyer’s deposit under the conditions specified).

## GUESSING

It is important to understand that there is *no* penalty for guessing on the state license exam. This means that wrong answers are *not* subtracted from right answers to arrive at your exam score. However, not answering a question is counted as a wrong answer! Therefore, make certain that all 100 questions have been answered. Now, let’s see what intelligent guessing—not wild haphazard guessing—can do to raise your score.



With careful reading, rereading, common sense, and logic, you will find you are able to eliminate one, perhaps two, of the wrong answers in almost every case. Educated guessing on the remaining possible answers increases your chances of correctly handling a difficult question and scoring an overall 75 or higher. You have 25 chances to be wrong and still pass the state license examination and receive your license. An illustration of guessing at the correct answer, but doing so using common sense and solid reasoning, might help you understand this strategy.

*For example:*

5. Inflation by itself
  - A. makes it possible for more people to buy homes.
  - B. is good for the overall economy.
  - C. has no effect on buying power.
  - D. decreases buying power.

Stop and answer this question. In thinking about the concept of inflation and analyzing your four choices, answer A makes no sense; B is silly; C can't be right; and D makes sense, and it is correct.

Another guessing strategy arises with an answer that contains an *unfamiliar* word or words. This may be a distractor. In other words, do *not* assume that a word or term that is foreign to you is probably the correct answer. More often, the unfamiliar is a deliberate distractor—an incorrect answer.

## IMPROVING YOUR ODDS

When you haven't a clue as to the correct answer, don't mentally flip a coin or throw a dart! Instead, remember that *the correct answer to every question is right in front of you* on the exam! You don't have to cope with fill-in-the-blank or essay-type questions. Sure, the right answer is carefully hidden among the group of wrong answers (distractors), but you have a one-in-four, or 25%, chance of choosing the correct answer. If you can eliminate just one choice for whatever the reason, you increase your odds of getting credit for a correct answer to one in three, or 33⅓%. If you can eliminate two choices, you raise your odds to 50%. Theoretically, if you know the answers to only 72 questions (failing) but make educated guesses at the remaining 28, you could end up with a score ranging from 79 to 86, which would be passing! Making the odds work in *your* favor is using your head.

## IGNORING THE ANSWERS

Most test takers read a question stem and immediately look at all four answers. For some, this approach causes no problems. For others, it causes unnecessary tension and confusion over every question. Common errors are often used as incorrect choices (distractors), so to prevent individual question anxiety, try not reading the four choices while reading the stem. After you have read the stem one or more times, think about (or calculate) the correct answer. Then read the four choices and see if your thought-out answer is there. The result of using this approach could be to reduce your nervousness, heighten your confidence, and raise your score.

## HANDLING NEGATIVES

The shock of encountering questions that are worded in unexpected and awkward ways can scare and frustrate anyone. On the state license exam, *negatives* in the stem or in a choice (for

example, “not” or “un-” or “except”) are typically in uppercase letters for emphasis. A negative in a stem is asking you to respond in the opposite manner from an affirmative statement. Whereas usually you eliminate incorrect answers to a question, in the case of a negative in a stem, you *discard the correct answers*. Therefore, be alert for a negative, particularly one found in the stem of a multiple-choice question.

*For example:*

6. Escape procedures available to a licensee for resolving conflicting demands on escrowed funds do NOT include
  - A. mediation.
  - B. arbitration.
  - C. subpoena.
  - D. lawsuit.

Stop and answer this question. Because of the word “NOT” in the stem, you need to rule out the correct answers (A, B, and D), and thus C is the answer to this negatively worded question.

The form of a negative question may be shaped by the word “except,” which is usually in uppercase letters. Use the same strategy by ruling out the correct answers, or put another way, choose the one answer that is different from the other three.

*For example:*

7. These features affect the size of the monthly payments for adjustable-rate mortgages EXCEPT
  - A. index rate used by the lender.
  - B. margin used by the lender.
  - C. principal borrowed by the mortgagor.
  - D. assumability of the loan.

Stop and answer the question. From your knowledge of the components of adjustable-rate mortgages, you know that the index, margin, and principal affect the monthly payment amount. So you reject the correct answers and are left with D as your answer choice.

## CLUES IN STEMS AND CHOICES

A clue may come from the use of “general qualifiers” or “absolute words” in the choices.

*For example:*

8. When reconciling value, an appraiser
  - A. usually weighs the quantity and quality of the relevant data/information.
  - B. must select the highest price in terms of cash equivalency.
  - C. gives the most weight to the median indicator of value.
  - D. always chooses the mean of the three indicators of value.

Stop and answer the question. Because qualifiers, such as “usually” (as well as “generally,” “tends to,” “most,” and “some”) *lessen* the strength of a statement or answer, they are often clues to a correct response. Because absolutes such as “always” (as well as “all,” “entirely,” and “never”) *tighten* a statement or answer, they are often hints to an incorrect response (distractor). In the example, “usually” is a clue to the right answer (A), whereas clues to wrong

answers are “must” (B) and “always” (D). You know answer C is incorrect as a result of your knowledge of the subject area being tested.

Other strategies could be lumped under the heading “clues in stems and choices,” but it is unnecessary to cover them in light of the higher quality of questions now appearing on real estate license examinations.

## DESPERATION STRATEGIES

Originators of exam questions generally find it easier to create the wrong answers than the right (or best) answers. Consequently, test-writers sometimes have a tendency to qualify the correct answer with extra words to ensure its preciseness. Therefore, the correct choice is sometimes the longest answer among the four choices because it is more detailed. However, recognize this as a desperation strategy, one that should be used only if you “draw a blank.”

By this same reasoning, you may be able to increase your odds by dismissing the shortest answer. But again, this is very nearly “blind guessing,” as is the tactic of throwing out answers A and D on the grounds that test-writers tend to “hide correct answers in the pack.” A similar but equally blind approach is to eliminate the highest and lowest answers to a math problem. These three strategies are in the same league as the longest-answer approach—rash moves indeed!

## EXAM RESULTS

Exams are graded at the test site and candidates are given a grade notice at that time. The grade notice includes pass/fail information, and failure notices include a breakdown of the points scored in each major subject area. An initial inactive license is emailed directly to licensees following notification of a passing score. Sales associate applicants may legally begin to operate as licensees once the DBPR website indicates their status is active with their employer’s name and address.

## EXAM-TAKING REMINDERS

Start your review several weeks, or at least several days, before the exam. Get plenty of rest the night before the exam. Be careful of “cramming” to the point that you are drained and unable to think clearly on exam day. Study smart, not necessarily more. Wear comfortable clothing and shoes to the test center. Remember to bring whatever materials are required. Don’t arrive hungry or too full—eat “appropriately” beforehand. Be at the test center a little ahead of the start time. Make a “pit stop” before you go into the exam room. Be mentally and physically prepared; listen to, understand, and follow all verbal and written instructions. Budget your exam time by preparing a preplanned approach. Read every word of every question (stem as well as choices). Think before you answer. Answer the question asked—not the one you expected or hoped would be on the exam. Check and recheck. Answer all 100 questions even though you don’t know the answer to every question on the exam—no one knows it all. Review your work as time permits. Remember that the objective is a passing score, not necessarily a perfect score.

The preceding strategies constitute neither solutions nor substitutes for learning and knowing the required subject matter. They are offered as guides to improve your exam-taking ability and to assist you in passing the state license examination. Put these strategies to work for you by systematically progressing through the review outlines that follow, answering the math questions, and taking the two practice 100-question exams.

**Key Point Review:  
Real Estate Law, Florida Real  
Estate License Law**

STAMP LIFE



SAMPLE

## SECTION

# Real Estate License Law and Qualifications for Licensure

**(See Unit 2 in *Florida Real Estate Principles, Practices & Law* and Unit 1 in *Florida Real Estate Broker's Guide*)**

## KEY TERM REVIEW

**Broker** is a person who, for another and for compensation or other consideration (or anticipation of compensation or other consideration), performs real estate services.

**Broker associate** is an individual who meets the requirements of a broker but who chooses to work (operate) in real estate under the direction (employ) of another broker.

**Compensation** is anything of value or a valuable consideration, directly or indirectly paid, promised, or expected to be paid or received.

**Expungement** is a process by which the record of a criminal conviction is destroyed or sealed after expiration of time.

**Florida resident**, for application and licensing purposes, is a person who has resided in Florida continuously for a period of four calendar months or more within the preceding year, regardless of whether the person resided in a recreational vehicle, hotel, rental unit, or other temporary or permanent location. Also, any person who presently resides in Florida with the intention of residing continuously in Florida for four months or longer.

**License** is a written document issued by the DBPR that serves as *prima facie evidence* (valid on its face) that the person is licensed on the date shown.

**Mutual recognition agreement** is a transactional agreement between Florida and another state that provides for the two states to recognize each other's real estate prelicense education.

**Nolo contendere/no contest** is a plea of no contest entered in a criminal court of law. The defendant does not admit or deny the charges, though a fine or sentence may be imposed by the court.

**Owner-developer** is an unlicensed entity that sells, exchanges, or leases its own property.

**Prima facie evidence** is a legal term used to refer to evidence that is good and sufficient on its face to establish a given fact or prove a case.

**Real estate services** include any real estate activities involving compensation for performing the service for another.

**Reciprocity** is the practice of mutual exchanges of privileges. Some states have reciprocal arrangements for recognizing and granting licenses to licensed real estate professionals from other states.

**Registration** is the official placement of a real estate business or individual into the DBPR's records (database).

**Sales associate** is a person who performs real estate services for compensation but who does so under the direction, control, and management of an active broker or owner-developer.

**Sealed** records cannot be examined except by order of the court or by designated officials.

**Withhold adjudication** occurs when the court determines that a defendant is not likely to again engage in a criminal act and that the ends of justice and the welfare of society do not require the defendant suffer the penalty imposed by law. After such determination, the court may withhold adjudication of guilt, stay (stop) the imposition of the sentence, and place the defendant on probation.

## KEY CONCEPTS

- **Florida statutes and rules** important to real estate
  - Chapter 20: Establishes the structure of the executive branch of Florida government
  - Chapter 475, Part I: Real Estate Brokerage (FREC)
  - Chapter 475, Part II: Real Estate Appraisal (FREAB)
  - Chapter 475, Part III: Commercial Real Estate Sales Commission Lien Act
  - Chapter 475, Part IV: Commercial Real Estate Leasing Commission Lien Act
  - Chapter 455: Defines practices and procedures of the Department of Business and Professional Regulation (DBPR) and all licensees
  - Chapter 120: Administrative Procedures Act defines the process by which regulatory agencies decide and implement agency action
  - Chapter 61J2: Rules of the FREC
- **Three real estate license categories**
  - Sales associate is the introductory level; sales associates are employed by and work under the direction and control of a broker or an owner-developer
  - Broker licenses require additional education, experience, and passing the broker license exam
  - Broker associate holds a broker's license but chooses to register and work in real estate under the direction of another broker

- **Owner-developer** is an unlicensed entity that sells, exchanges, or leases its own property
  - Owner-developers may hire unlicensed salespeople and licensed associates to sell their properties
  - Sales staff must hold active real estate licenses to be paid commission or other compensation based on actual sales (transactional basis)
  - Unlicensed salespeople must be paid on a salaried basis
- **Application fees**
  - Application fee in addition to initial biennial license fee (unlicensed activity fee and a Real Estate Recovery Fund fee, if applicable in license period)
  - Applicants submit the license exam fee and the fingerprint fee directly to the vendor who is providing the service
- **DBPR exempts three categories of applicants from the initial license fee for all professional licenses issued by the Department**
  - Low-income applicants
  - Military personnel and their spouses
  - Military veterans and their spouses
- **Fee waiver for military veterans and their spouses**
  - Fee waiver of the initial license fee, application fee, and unlicensed activity fee for military veterans and their spouses who apply for a license within 60 months after honorable discharge
  - If the 60-month time period is not met, military veterans and their spouses can request exemption of the initial license fee
- **Fingerprints**
  - Electronically submitted through an approved vendor
  - Reviewed by FDLE and FBI for any criminal history
  - Report is sent directly to the DBPR to be matched with application for licensure
- **Four background questions must be answered to prevent an incomplete application**
  - Question 1: Disclose convictions, nolo contendere, adjudication withheld, guilty plea, or found guilty
  - Question 2: Disclose any judgments or pending legal actions related to the practice (excluding personal financial information, such as bankruptcy, foreclosures, or credit information)
  - Question 3: Disclose denials of licensure, registration, or certification
  - Question 4: Disclose discipline against a license, registration, or certification
- **Applicant agendas**
  - Applicants who answered yes to the background questions will require review by the FREC
  - The Commission will review the applicant's application and supporting documents and decide whether an applicant must appear in front of the FREC
  - After the appearance in front of the FREC, the Commissioners will vote to approve or deny the application
- **Time periods**
  - 30-day period for the DBPR to check application for errors and omissions
  - 90 days to inform applicant of approval or denial



- **Exam eligible**
  - DBPR notifies test vendor
  - Theft of a license exam or unauthorized copying of an exam is a third-degree felony
- **Reciprocity for U.S. armed service members and their spouses**
  - License reciprocity for active duty and former active duty members and their spouses, including surviving spouse
  - Former active duty members must have been honorably discharged
  - At time of application, applicant must currently hold a valid license for the corresponding profession in another state or foreign jurisdiction
  - Applies to spouses (or surviving spouse)
  - Applies to all DBPR licenses if the member applicant holds a valid license for the corresponding profession
  - Reciprocal license is issued without requiring the prelicense course or state license exam
- **Florida resident defined**
  - A person who has resided in Florida continuously for a period of four calendar months within the preceding year
  - A person who currently resides in Florida with the intention to reside continuously in Florida for a period of four months or more
- **Mutual recognition agreements**
  - Written agreement between the FREC and another state or jurisdiction with mutual education and experience
  - Applies exclusively to *nonresidents* licensed in other jurisdictions that have a written agreement with the FREC
  - Requires applicants to submit a certificate of license history from the real estate commission of the state in which they are licensed
  - Requires applicants to pass a 40-question, Florida-specific real estate law exam with a grade of 75% or higher
  - Licensees licensed through mutual recognition must complete the Florida post-licensing requirement
- **Sales associate qualifications for licensure**
  - Be 18 years of age or older
  - Have earned a high school diploma (or equivalent)
  - Possess a United States Social Security number
  - Be honest, truthful, trustworthy, of good character, and have a reputation for fair dealing
  - Be competent and qualified to make real estate transactions
- **Applicants must disclose**
  - If ever convicted, found guilty, had adjudication withheld, or entered a plea of nolo contendere; or if currently under criminal investigation
  - If the applicant has done business under any name or alias (including a maiden name)
  - If disciplinary action has been taken against a license to practice a regulated profession
  - If ever denied any license, registration, or certification in any state

### ■ License application

- Social Security number is required to determine whether applicants are in compliance with child support obligations
- Application is valid for two years from the date the application is received by the DBPR

### ■ Sales associate education requirements

- Complete the Commission prescribed prelicense course for sales associates (Course I) candidates with a passing score of at least 70 on the end-of-course exam
- If applicant does not pass the state license exam within two years after the course completion date, the course completion expires and the applicant must again complete Course I

### ■ Exceptions to the prelicense course requirement

- Individuals with a four-year degree or higher in real estate from an accredited institution of higher education are exempt from Course I, but must pass the license exam
- Attorneys who are active members of The Florida Bar are exempt from Prelicense Course I, but must pass the license exam

### ■ License examinations

- License exam is offered in English and Spanish
- Passing score on the license exam is a grade of 75 or higher
- New licensees must not begin working until the DBPR website indicates that the license is active status under the employing broker or owner developer
- Failure notice and examinee rights to review the exam
- Qualifications for reexamination in a foreign language, other than Spanish

### ■ Post-licensing education

- Florida sales associates *must* complete the 45-hour post-licensing course *before the expiration* of the initial sales associate license
- Failure to complete the post-licensing requirement prior to the expiration date will cause the license to become null and void
- Sales associates who do not complete the post-licensing requirement must requalify for licensure by again completing Course I and passing the state license exam
- Florida-licensed attorneys who are also licensed real estate sales associates must complete the post-licensing education requirement
- Individuals with a four-year degree or higher in real estate from an accredited institution of higher education are exempt from the post-license education requirement
- Hardship cases approved by the FREC allow licensees an additional six-month period following the initial license expiration to complete the post-license education
- There is no legislative authority to extend

### ■ Continuing education

- Following the initial license period, active and inactive licensees must complete 14 hours of continuing education during every two-year license period
- Licensees must take a three-hour Business Ethics course once during each license renewal period

- Licensees who take the Business Ethics course in each year of the renewal period receive three hours of Business Ethics and three hours of specialty education toward the 14-hour requirement
- Licensees must also complete a three-hour core law course once during each license renewal period
- Licensees may substitute attendance at one legal agenda session of FREC for three classroom hours of specialty continuing education (CE) (once per renewal cycle)
- Attorneys who are active members of The Florida Bar are exempt from Course I (for sales associates) and continuing education (but not post-licensing education)

#### ■ **Broker requirements**

- Complete Course II (Commission prescribed prelicense course for broker candidates) with a passing score of at least 70 on the end-of-course exam
- Must complete at least 24 months of real estate experience during the five-year period preceding application as a broker
- Broker applicants who hold a Florida real estate sales associate's license must complete the 45-hour post-licensing course for sales associates before the initial sales associate's license expires to be eligible for a broker's license
- Broker applicants who have received a four-year degree or higher in real estate from an accredited institution of higher education are exempt from Course II

#### ■ **Broker experience requirements**

- Active sales associate working for a Florida or out-of-state broker for at least 24 months of the preceding five years
- Active sales associate in the employ of a government agency for at least 24 months of the preceding five years who is paid a salary and performs duties that require a real estate license
- Active broker in another state or nation for 24 months of the preceding five years

#### ■ **Broker post-licensing education**

- Florida brokers must complete the 60-hour post-licensing course *before the first renewal* of their license
- Failure to complete the post-licensing requirement prior to the expiration date will cause the license to become null and void
- In such cases, the broker may request and receive a sales associate's license if the licensee completes 14 hours of continuing education within six months following expiration of the broker's license
- Brokers who have a four-year degree or higher in real estate are exempt from the broker post-license education requirement

#### ■ **Registration and licensure**

- Registration is the process of submitting information to the DBPR that is entered into the Department's records
- A real estate license indicates the licensee's name, issue date, and expiration date and serves as *prima facie evidence* that the licensee holds a current and valid license

- **Real estate services (A BAR SALE)**
  - Advertise real estate services
  - Buy
  - Appraise (non-federally related transactions)
  - Rent or provide rental information or lists
  - Sell
  - Auction
  - Lease
  - Exchange
- **A real estate license is required** if a person performs any real estate service for compensation *or the implied intent* to collect compensation, unless specifically exempt
  - Compensation includes money in the form of a salary, bonuses, commissions, and gratuities
  - Compensation is also things of value such as dinner, flowers, wine, gift certificates, and event tickets
- **Presumption of acting as a real estate broker**
  - If a person performs services of real estate for another and a disciplinary case is filed, there is a presumption that the individual acted as a real estate licensee
  - The individual may be held liable even if acting for another without being compensated for the services
- **Individuals who are exempt from a real estate license**
  - A person who performs real estate services for others must be licensed, unless specifically exempted by law
  - Five groups of exemptions
    1. Owner exemptions
    2. Exemptions based on career
    3. Salaried employee exemptions
    4. Court and legally appointed persons
    5. Miscellaneous exemptions
- **Owner exemptions**
  - Property owners may buy, sell, exchange, or lease their own property
  - Officers and directors of corporations (and owners of other business entities) may buy, sell, exchange, and lease the property of the business entity
  - Partners in a real estate partnership are exempt from licensure if selling property owned by the partnership, provided the partners receive a share of the profits in proportion to their interest in the partnership
  - Owners of time-share periods who own the time-share for their own use and occupancy

**■ Exemptions based on career**

- Attorneys-at-law, when acting within the scope of their duties in the attorney-client relationship
- Certified public accountants
- State-certified and licensed real estate appraisers

**■ Salaried employee exemptions**

- Salaried employees of a business entity may buy, sell, exchange, and lease property for their employers, provided they are not paid on a transactional basis
- Salaried employees of an apartment community who work in an onsite rental office in a leasing capacity and who do not receive commission (no restriction on duration of rental leases)
- Salaried managers of condominium or cooperative apartment complexes who rent individual units for periods no longer than one year and who are not paid a commission (Salaried managers of community associations must obtain CAM licenses.)
- Salaried employees of an owner-developer (real estate developer), provided they do not receive commission

**■ Court and legally appointed persons**

- Court-appointed individuals acting within the limitations of their duties
- A person given a power of attorney to sign contracts on another's behalf

**■ Miscellaneous exemptions**

- Persons who sell cemetery lots (This exemption exists because Chapter 475, F.S., excludes cemetery lots from the definition of real property.)
- Individuals who rent lots in a mobile home park or recreational travel park (Rentals in mobile home parks and recreational vehicle lot rentals are not considered real property.)
- Dealers who are registered with the SEC selling business enterprises to accredited investors
- Hotel and motel clerks who rent lodging accommodations on behalf of the establishment
- Tenants of an apartment community may receive a fee up to \$50 for the referral of a new tenant to the same apartment community



## IMPORTANT DATES AND TIME PERIODS TO REMEMBER

- **21 days.** Time period for DBPR to receive a request to review the state license exam or to request a hearing before an administrative law judge
- **30 days.** Time period after receipt of application to check for errors and omissions
- **90 days.** Time period to inform applicant of approval or denial of license application
- **Six months.** Extension period for hardship case following the initial license expiration
- **60 months.** Time period after honorable discharge for military veterans and their spouses who apply for a license to be eligible for waiver of the application fee, initial license fee, and the unlicensed activity fee
- **Up to one year.** Salaried managers of condominium or cooperative units who prepare rental agreements with a duration of up to one year are exempt from real estate license
- **More than one year.** Managers of condominiums or cooperatives who prepare lease agreements with a duration longer than one year must be licensed
- **Two years.** Time period after which the license application expires
- **Two years.** Time period after which the prelicense course expires
- **Two years.** Experience requirement for broker applicants obtained within preceding five-year period

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