

## EXAMINATION DESCRIPTION

RE 425 (Rev. 7/18)

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The following description represents the subject matter of the California real estate salesperson and real estate broker license examination. This description contains seven major areas of real estate subject matter: 1) Property Ownership and Land Use Controls and Regulations, 2) Laws of Agency and Fiduciary Duties, 3) Property Valuation and Financial Analysis, 4) Financing, 5) Transfer of Property, 6) Practice of Real Estate and Disclosures (Includes Specialty Areas), and 7) Contracts.

When changes in the law occur, or changes in the practice of real estate take place, new subject matter is added to one or more of the seven major areas. Thus, the areas are revised and brought up to date on a regular basis. There is no assurance that a specific test will cover all subject matter listed, because the test merely samples the broad field of real estate.

Because there are differences in the level and amount of knowledge required of salespersons and brokers, the exams differ in their emphasis and difficulty.

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### **Area 1 — Property Ownership and Land Use Controls and Regulations**

*Approximately 15% of sales exam & 15% of broker exam*

- Classes of Property
- Property Characteristics
- Encumbrances
- Types of Ownership
- Descriptions of Property
- Government Rights in Land
- Public Controls
- Environmental Hazards and Regulations
- Private Controls
- Water Rights
- Special Categories of Land

### **Area 2 — Laws of Agency and Fiduciary Duties**

*Approximately 17% of sales exam & 17% of broker exam*

- Law, Definition and Nature of Agency Relationships, Types of Agencies, and Agents
- Creation of Agency and Agency Agreements
- Responsibilities of Agent to Seller/Buyer as Principal
- Disclosure of Agency
- Disclosure of Acting as Principal or Other Interest
- Termination of Agency
- Commission and Fees

### **Area 3 — Property Valuation and Financial Analysis**

*Approximately 14% of sales exam & 14% of broker exam*

- Value
- Methods of Estimating Value
- Financial Analysis

### **Area 4 — Financing**

*Approximately 9% of sales exam & 9% of broker exam*

- General Concepts
- Types of Loans
- Sources of Financing
- Government Programs
- Mortgages/Deeds of Trust/Notes
- Financing/Credit Laws
- Loan Brokerage
- Types of Loan Originators

### **Area 5 — Transfer of Property**

*Approximately 8% of sales exam & 8% of broker exam*

- Title Insurance
- Deeds
- Escrow
- Tax Aspects
- Special Processes
- Transfer Through Court Supervision
- Types of Vesting

### **Area 6 — Practice of Real Estate and Disclosures (Includes Specialty Areas)**

*Approximately 25% of sales exam & 25% of broker exam*

- Trust Account Management
- Fair Housing Laws
- Truth in Advertising
- Record Keeping Requirements
- Agency Supervision
- Permitted Activities of Unlicensed Sales Assistants
- DRE Jurisdiction and Disciplinary Actions
- Licensing and Continuing Education Requirements and Procedures
- California Real Estate Recovery Fund
- General Ethics
- Technology
- Property Management
- Commercial/Industrial/Income Properties
- Specialty Areas
- Transfer Disclosure Statement
- Natural Hazard Disclosure Statements
- Disclosure of Material Facts Affecting Property Value
- Need for Inspection and Obtaining/Verifying Information
- Reports
- Servicing Diverse Populations

### **Area 7 — Contracts**

*Approximately 12% of sales exam & 12% of broker exam*

- General
  - Listing Agreements
  - Buyer Broker Agreements
  - Offers/Purchase Contracts
  - Agreements
  - Promissory Notes/Securities
  - Purchase/Lease Options
  - Advanced Fee
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