

RE 310 – Principles of Real Estate
What Else Should I Know about Real Estate?
Practice Homework Problems – Solutions

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- 1) George hires Martha to oversee the management of a property he owns. Who is the principal and who is the agent in this relationship? What type of agency relationship is this?

George is the principal and Martha is the agent. Property management is a general agency relationship, because the agent has broad responsibility for conducting the principals affairs with respect to a particular business or activity.

- 2) The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 established liability for environmental cleanup that is strict, joint and several, and retroactive. What does all this mean?

Strict means that the owner is fully responsible for the cleanup and damages.

Joint and several means that all of the individual owners are fully responsible, regardless of the relative shares of their ownership interests. If one can pay the full tab, he must do so even if the others were “more responsible” in causing the damages or if others own a larger fraction of the property.

Retroactive means that all previous property owners are also fully liable.

- 3) Explain briefly what is involved in Phase I, Phase II, and Phase III environmental value assessments.

A Phase I EVA involves physically inspecting the site, checking title records and other documents giving clues to past use of the property, checking state and federal environmental agency records, and talking with key people in the community. The goal is to determine whether any past use of the site might have created an environmental hazard.

A Phase II EVA is conducted is the Phase I indicates a potential problem. In this assessment, limited soil testing is conducted to determine whether the specific contaminants identified in Phase I are present.

A Phase III EVA is used to quantify the exact type and extent of any contamination found during a Phase II assessment. It then develops an acceptable remediation plan that provides budget estimates for cleanup costs and suggested restrictions on the use of the property or incremental operating costs that will be necessary to prevent or minimize future environmental liabilities.

- 4) What is the primary purpose of the Interstate Land Sales Full Disclosure Act?

The ILSFDA is intended to protect consumers from shady dealers who sell worthless property using false advertising to people who live too far away to tell that they are being scammed.

5) What two laws are collectively referred to as “fair lending laws”?

The Fair Housing Act and the Equal Credit Opportunity Act both prohibit discrimination in mortgage lending transactions.

6) I am selling my house FSBO (for sale by owner). Suppose that in the wake of the September 11 attacks, I quietly decide that I will not sell it to anyone from Afghanistan, and reject several offers I receive from potential buyers of Afghan descent.

a) Can I be prosecuted for violating the Fair Housing Act?

No. Owner occupied single-family homes sold without the use of an agent are exempt from most provisions of the Fair Housing Act.

b) Suppose now that I own and manage a 75-unit apartment complex and refuse to rent to Afghans. Am I in violation of the Fair Housing Act now?

Yes. Rental properties of this size are covered by the Fair Housing Act, and national origin is a protected characteristic.

7) What groups of individuals are protected under the Fair Housing Act?

The Fair Housing Act prohibits discrimination on the basis of race, color, national origin, religion, gender, familial status, and handicap.

8) You are selling your home FSBO (For Sale By Owner). An Hispanic couple looks at your house and makes an offer on it that you reject. In fact, you don't even make a counter offer. Are you potentially liable for violating the Fair Housing Act? What if you placed an ad in the Eagle describing your home as being in a “nice, white neighborhood”? If your answer is different for these two parts, explain why.

Single-family residences that are sold by the owner without the use of a broker are exempt from the Fair Housing Act, so you would not likely be in violation of the FHA in the first case. You could possibly be in violation of the Civil Rights Act of 1866, however.

Once you advertised a discriminatory preference (as characterizing the neighborhood as “white” would likely be considered), however, you would clearly be in violation of the FHA; the exemption for owner-sellers is no longer applicable.