



1 Hour Contracts
VREB Approval #: 58080

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Instructions for the 1 Hour Contracts Correspondence Course

You have chosen to take the 1 hour Contracts course by correspondence. You may either read it online or print it. After you complete the course, take the quiz. A blank answer sheet is provided for you to record your answers. The Virginia Real Estate Board requires a passing grade of 75% or higher.

Complete the Certification Sheet. **Have the Student Declaration notarized.** The Virginia Real Estate Board has given you the option of either sending the notarized affidavit to us or keeping it with your records.

Mail, fax, or scan and email the completed answer sheet, certification sheet and Student Declaration to us. Our mailing address is Box 494, Oakton, Virginia 22124. Our fax number is 703-758-0044. Our email address is info@PotomacRESchool.com.

Your information will be held in the strictest of confidence.

You will not be charged unless you pass the exam. If you do not pass, you will be notified immediately.

Once we have received the required paperwork from you and you have been charged, we will report your hours to DPOR and email your certificate to you. The Real Estate Board requires that we report your hours to DPOR within 5 days of receipt of your paperwork. If you need reporting in less than 5 days, please let us know.

If you have any questions, please call or email us. Our phone number is 703-758-0034. For questions of a general nature, you can call or email us at info@PotomacRESchool.com. If you have questions about the content of the course, you can call or email me at patti@PotomacRESchool.com.

Thank you.

Patti Chapell

Patti Chapell
Director

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Contracts

Part 1 – Types of Contracts and Terms

- Sales Contracts in Virginia
 - The code of Virginia allows real estate licensees to prepare contracts as incidental to the transaction.
 - A real estate licensee hired to write a contract for a buyer may be found guilty of practicing law without a license because the preparing of the contract is not, in this case, incidental to the transaction.
- Definition of a Contract
 - A contract is a voluntary, legally enforceable promise between two competent parties to perform or not perform some legal act in exchange for consideration.
- Express and Implied Contracts
 - An express contract uses words. It must be either oral or written.
 - An implied contract is one in which the agreement is demonstrated by the parties' actions.
 - In Virginia, a real estate contract must be in writing to be legally enforceable.
- Essential Elements of a Contract
 - Offer and acceptance
 - There must be an offer by one party and acceptance by the other.
 - Consideration
 - There must be a definite statement of consideration in a contract to show that something of value was given in exchange for the promise.
 - Legally competent parties
 - All parties to the contract must be 18 or older and have enough mental capacity to understand the consequences of their actions in the contract.
 - A contract entered into with a minor is voidable by the minor.
 - Any contract that is entered into by a person who has been deemed insane by the courts is automatically void.
 - Clearly identified property description
 - Legal purpose
 - The purpose for which the contract is written must be legal.
- Termination of a Contract
 - There are several ways in which a contract can be terminated.
 - Performance
 - Many contracts call for performance by a specific date. When a contract states that "time is of the essence," the contract must be performed within the time limit specified unless amended in writing.
 - Abandonment by one or both parties
 - Revocation
 - Breach by one party
 - A breach of contract occurs when one party to the contract violates a term of the contract unless there is legal justification.
 - If the buyer or seller breaches the contract, the injured party can sue for specific performance or damages.
 - Assignment
 - A contract may be assigned to a third party if assignment is not prohibited in the contract.

- When assignment takes place, the original parties to the contract remain primarily obligated under the contract unless specifically released.
- Novation
 - Novation occurs when one contract is substituted for another.

Part 2 – Real Estate Contracts

- Contracts Used in the Real Estate Business
 - Listing Agreement
 - This is an agreement between the seller and broker (company).
 - It is essentially an employment agreement.
 - The listing agent needs to fill in all blanks. If something does not apply, an “N/A” or line should be placed in the blank.
 - The listing agent should check all information himself and NOT rely on facts from a previous listing agent. This applies to items such as:
 - Septic perking
 - Sizes of rooms
 - Utilities
 - Schools
 - The tax record should be consulted by the listing agent before putting the property on the market.
 - It is important for the listing agent to complete the seller’s net sheet and have it signed by the seller at
 - The time of listing the property
 - Each time the property price is reduced
 - Each time a contract comes in
 - If the appraisal comes in low
 - Exclusive Right to Represent Agreement
 - This is an agreement between the buyer and broker (company).
 - This also is essentially an employment agreement.
 - It is important to clearly state the commission and explain fully to the buyer.
 - Option
 - An option is an agreement to keep open for a set period of time, an offer to sell or purchase property.
 - Land or Installment Contracts or Contract for Deed
 - An installment contract is a contract for the sale of real estate whereby the purchase price is paid in periodic installments by the purchaser, who has possession of the property even though the seller retains title until a future date.
 - Leases
 - A lease is a contract between a landlord and a tenant that transfers the right to exclusive possession and use of the landlord’s real property to the tenant for a specified period of time and for a specified amount of rent.
 - Sales Contract
 - A sales contract is an agreement between the buyer and seller. The broker is not a party to this contract.
 - The selling agent must fill in all blanks. If something does not apply, an “N/A” or line should be placed in the blank.
 - In addition to the essential elements of a contract, several details frequently appear in a Sales Contract for the purchase of real property:
 - The sales price and terms
 - A legal description of the land

- A statement of the kind and condition of the title, and the form of deed to be delivered by the seller
- A statement of all the terms and conditions of the agreement between the parties, and any contingencies
- Common clauses in Sales Contracts include the following:
 - Personal property, fixtures and utilities
 - Equipment, maintenance and condition
 - Price and Financing
 - Earnest money deposit
 - Down payment
 - Loan application and approval
 - Appraisal
 - Access to the property
 - Termite and wood-boring insect inspection
 - Damage or Loss
 - Title and Settlement
 - Possession Date
 - Disclosures
 - Notices

Part 3 – Contingencies and Additional Forms

- The term, “Sales Contract,” applies not just to the sales agreement form, but to a series of documents that together, form the Sales Contract.
 - The forms listed below are added to comply with federal regulations:
 - Lead-Based Paint Disclosure Form
 - The EPA requires this disclosure on all properties built prior to 1978.
 - FHA Home Inspection Notice
 - If FHA financing is used, a notice of information on a home inspection is required.
 - By statute, the following are inclusions to the sales contract in the Commonwealth of Virginia:
 - Property disclosure form to accompany all contracts for the sale of a home.
 - If the agent(s) is acting as a dual or designated agent, all parties to the contract must agree to that representation in writing.
 - A Jurisdictional Addendum is often required when many localities use the same basic Sales Contract.
 - Lenders often require forms for well and septic inspection
 - The following are statutory contingencies required by the Commonwealth of Virginia:
 - Review of POA Disclosure Packet by Purchaser
 - The Virginia POA Act requires that the seller request and provide the disclosure packet regarding the subject property. The purchaser is afforded a contingency based upon his acceptance of the content of the documents.
 - Review of Condo Resale Packet by Purchaser
 - The Virginia Condominium Act requires that the seller request and provide the disclosure packet regarding the subject property. The purchaser is afforded a contingency based upon his acceptance of the content of the documents.

- “Disclosure of Brokerage Relationship” must be made to non-represented buyers on the first substantive discussion about a specific property.
- “Disclosure of Brokerage Relationship” should be made to a party represented by a limited service agent by the other agent to avoid the appearance of undisclosed dual agency.
- The following forms/clauses may be added at the option of the purchaser:
 - Home Inspection Contingency
 - Radon Contingency
 - Contingency on Sale of Home
 - Coinciding Settlements
 - Contingency on third party approval
- Spousal Consent in Virginia
 - If property is owned in severalty by one person who is married, the spouse should sign the Sales Contract in order to eliminate any future spousal claim.
 - If the spouse of the owner refuses to sign the documents, the buyer can sue the seller for breach of contract because the seller is not transferring the deed with clear title.
- A smooth process of contract to closing depends upon the following:
 - Education of the buyer/seller by the agent
 - The agent’s understanding of the contract and forms
- Education of the buyer/seller by the agent
 - The agent should begin this process at the first meeting.
 - The client should be educated regarding what is expected of him in the transaction.
 - The client should be educated regarding all costs that will or might be charged to him.
- The following are some of the items that might be outlined in a Sales Contract. It is important that the agent understand them.
 - The difference between contract ratification and contingencies
 - Ratification means that all parties to the contract have signed and initialed all terms. They are in agreement as to all the terms of the contract.
 - Sometimes, a Sales Contract calls for delivery in order to be ratified.
 - A ratified contract may have contingencies. Contingencies typically allow either the seller or buyer to void the contract if something occurs or does not occur. Contingencies do not have to be met in order to have a ratified contract. Usually, once a contract is ratified, the time limit for contingencies begins.
 - Once a contract is ratified with all of its contingencies, it can only be modified by amending it.
 - This should never be done on the ratified contract itself. Amending a contract involves preparing a new form, called an amendment.
 - Does the agent need to get a commitment letter from a lender? When? What form must it take?
 - Does the Sales Contract have items listed that the seller warrants will be in normal working order? If so, what happens if during the home inspection, it is discovered that some of those items are broken?
 - Often, those items must be listed separately from defective “home inspection” items.
 - Usually, home inspection items are listed on an addendum/amendment and the warranted items on a “notice” form because, in some cases, listing warranted items along with home inspection items makes them negotiable.
 - What happens if the appraisal calls for repairs? Must the seller make these repairs?
 - Usually not, but he may not be able to sell his house if he doesn’t.

- What happens if a homeowner's association or condominium association lists violations in the disclosure packet/resale certificate?
 - Does the buyer have the right to require the seller to fix them?
 - If those items are not fixed, does this become a future liability for the purchaser?
- Regarding contingencies, who must respond and when? What happens if one party or the other misses the deadline?
 - Some contingencies are worded in such a way that, the contract is void if someone misses a deadline.
- If the lender's documents are not completed by the settlement date, is the purchaser in default?
 - The answer is "yes" in some contracts.
- Does the contract state that the sale of the home is not subject to the sale or lease of other property?
 - In this case, if the buyer must rent his current property in order to settle, there had better be a contingency stating that. Otherwise, if the buyer doesn't rent the property, he might be in default.
- Does the appraisal affect the financing contingency?
- What, exactly, does the financing contingency say?
- When does the clock start ticking with the Virginia Property Owners' Association and Condominium Acts?
 - Who must the documents be delivered to?
 - If the purchaser wishes to void the contract based on one of these contingencies, how does notice need to be given and to whom?
 - Recently, the law was changed to make electronic delivery of notice acceptable.
- What happens if termites or Carpenter Ants are found?
 - What happens if there is structural damage from these wood-boring insects?
- The agent must know the time periods for everything in the contract and should record those expirations.
- Educating the client
 - Why is this so necessary?
 - For the seller, he must know that just because he has agreed to a price, there might be future financial obligations such as the following:
 - He may be required to make repairs identified as a result of the home inspection and walk-through, repairs called for by the homeowner's association, repairs required by the lender, etc.
 - If he is fully educated regarding these possible costs, there should be no big surprises.
 - He needs to understand contingencies and how they work.
 - For the buyer, he has a right to know what he can and cannot expect from the seller.
 - He must know that, once the contract is ratified, he can no longer negotiate.
 - He should know which defective items he can expect the seller to fix because the contract states that these items will be in normal working order.
 - He should know the difference between what the seller is expected to do regarding these "contract" items and "home inspection," or negotiable items.
 - Like the seller, he needs to understand contingencies and how they work.
- Power of Attorney
 - There are times when a buyer or seller cannot be present at settlement and must be represented by another, usually called an "attorney-in-fact."

- In Virginia, the property and parties involved must be stated on the power of attorney; therefore, a general power of attorney does not work.
- The power of attorney must be notarized and recorded with the deed.
- The best practice is for the settlement company to draw up the power of attorney. Many military notaries are from other states and may not be familiar with the requirements of the Virginia code. If the power of attorney is not drawn up correctly, it cannot be used.
- It is not a good idea for the agent to be the attorney-in-fact for his client. It is best to suggest that another person perform in that role.

Contracts Final Quiz

1. In order to have a contract, there must be "legally competent parties." Which of the following would not fit this definition of "legally competent"?
 - a. A nineteen year old female
 - b. An immigrant from Eastern Europe
 - c. A seventeen year old male
 - d. A recovering alcoholic who has been sober for 15 years
2. A limited service agent, hired only to write an offer to purchase for a buyer may find himself in hot water because of the following:
 - a. He won't make enough money
 - b. The writing of the contract is not incidental to the transaction.
 - c. He must attend the walk-through.
 - d. He must negotiate the contract.
3. In Virginia, oral contracts are legal and enforceable. Is this also true of a real estate Sales Contract?
 - a. Yes. An oral Sales Contract is legal and enforceable.
 - b. No. A Sales Contract must be written in order to be enforceable.
4. If the buyer assigns his Sales Contract to his cousin
 - a. He is no longer responsible.
 - b. He is breaking the law.
 - c. His cousin is breaking the law.
 - d. He remains primarily liable.
5. A listing agreement is a contract between
 - a. The buyer and the broker
 - b. The seller and the listing agent
 - c. The buyer and the seller
 - d. The seller and the broker
6. Lulu is looney. She was even declared to be mentally incompetent by a judge. One day, Lulu decided that she had had enough of her son and daughter-in-law with whom she was living, and she went out and signed a sales contract to purchase a house. Was this a valid contract?
 - a. Of course. She was an adult.
 - b. Yes. She needed to get away.
 - c. No. She didn't have enough money.
 - d. No. A person found legally incompetent by a court cannot enter into a valid contract.
7. Oral contracts are valid in Virginia. Is an oral contract for the sale and purchase of land legal?

- a. No. It must be in writing.
 - b. Yes. It is legal but it isn't enforceable.
 - c. Neither a nor b
8. Ted's agent writes an offer for Tim's land. In the offer, Ted's agent fills in the legal description of the land as "the parcel at the end of Knot Street." Is this description sufficient?
- a. Only if "the parcel at the end of Knot Street" is clearly identifiable to everyone
 - b. Definitely
 - c. No way
 - d. None of the above
9. Why should the listing agent consult the tax record rather than rely on the information given by the previous listing agent?
- a. The listing agent can use the information from the previous listing agent.
 - b. The previous listing agent might have used incorrect information.
 - c. Some of the information may have changed since the home was last listed.
 - d. Both b and c
10. A buyer broker agreement is
- a. An agreement between buyer and broker
 - b. An agreement between seller and agent
 - c. An employment agreement
 - d. Both a and c

Name_____Date_____

CONTRACTS FINAL QUIZ

Please circle the correct answer for each question.

1. A B C D
2. A B C D
3. A B C D
4. A B C D
5. A B C D
6. A B C D
7. A B C D
8. A B C D
9. A B C D
10. A B C D

Potomac Real Estate School Certification Sheet for Correspondence Course

Please fax to (703) 758-0044, scan and email to info@PotomacRESchool.com, or mail to Potomac Real Estate School, Box 494, Oakton, Virginia 22124

Print Name _____ **Course: Contracts**

Billing Address _____ (VREB Approval #58080)

RE License # _____ (10 digits)

Expires _____

Phone # _____

Email _____

Company Affiliation _____

Payment by Check

_____ I enclose a check payable to Potomac Real Estate School LLC in the amount of \$15.00

OR

Payment by Credit Card

_____ Please charge \$15.00 to my ___Visa___Master Card___American Express___Discover

OR

Card # _____ Expiration Date _____

Security Code _____ Signature _____

Did you find the material well organized?	Yes	No
Was the material well written?	Yes	No
Was the course material relevant?	Yes	No

Suggestions _____

How did you find us? Please circle

Internet Postcard Referred by _____ Email

Personal Note/Letter Ad VREB NVAR L&F

Other



Student Declaration: I hereby certify that I completed this continuing education course (1 Hour Contracts) on my own without assistance.

Signed _____

Date _____

Name (Print) _____

Notary Public Declaration: Taken, subscribed, and sworn

before me this ____ day of _____, 20__

In the City/County/Town of _____

In the State/Commonwealth of _____

My commission expires ____/____/_____

Notary Public _____

Notary Signature Required

But Seal NOT Required