**Errata**

At Dearborn™ Real Estate Education, we are proud of our reputation for providing the most complete, current, and accurate information in all our products. We are committed to ensuring the kind of quality you rely on. Please note the following changes, which will be reflected in the next printing of *Modern Real Estate Practice in North Carolina, Tenth Edition*.

To use this document, you will need to know which revision of the book you have. The revision is indicated on the copyright page, which is on the second page of the book.



First Revision

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| **Page/Location** | **Reads Now** | **Should Be** |
| 809, question 7. | 1. **B 42 sq. ft.**

Rectangle: 9' × 3' = 27 sq. ft.Triangle: (3' × 5') ÷ 2 = 7.5 sq. ft.27 sq. ft. + 7.5 sq. ft.+ 7.5 sq. ft.= 42 sq. ft. | 1. **A 34.5 sq. ft.**

Rectangle: 9' × 3' = 27 sq. ft.Triangle: (3' × 5') ÷ 2 = 7.5 sq. ft.27 sq. ft. + 7.5 sq. = 34.5 sq. ft. |
| 862, question 16. | 16. C (80) Each triangle is 2' × 6', divided in half (b × h ÷ 2), or 6 sq. ft. There are two of them for a total of 12 feet. The remaining square is 6' × 4', or 24 feet. The total is 12 + 24 sq. ft., or 36 sq. ft. | 16. C (80) Each triangle is 2' × 4', divided in half (b × h ÷ 2), or 4 sq. ft. There are two of them for a total of 8 feet. The remaining square is 6' × 4', or 24 feet. The total is 8 + 24 sq. ft., or 32 sq. ft. |

Second Revision

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| **Page/Location** | **Reads Now** | **Should Be** |
| 291/Buyer representations | In this section, the buyer discloses his transactional plans and needs to the seller. The seller should be able to rely on these representations when making decisions about the offer. These representations, such as the buyer needs to sell a currently held property prior to settlement, do not automatically become conditions of the contract unless appropriate addenda, such as the Contingent Sale Addendum, are made part of the NCBA/NCAR 2-T OPC. | In this section, the buyer discloses his transactional plans and needs to the seller. The seller should be able to rely on these representations when making decisions about the offer. These representationsdo not automatically become conditions of the contract unless appropriate addenda are made part of the NCBA/NCAR 2-T OPC. |
| 293/Figure 10.2 | 2A1-T Back-Up Contract Addendum2A2-T Contingent Sale Addendum2A3-T New Construction Addendum2A4-T FHA/VA Financing Addendum2A5-T Seller Financing Addendum2A6-T Loan Assumption Addendum2A7-T Buyer Possession Before Closing Agreement Addendum2A8-T Seller Possession After Closing Agreement Addendum2A9-T Lead-Based Paint or Lead-Based Paint Hazard Addendum2A11-T Additional Provisions Addendum2A12-T Owners’ Association Disclosure and Addendum for Properties Exempt fromResidential Property Disclosure Statement2A13-T Vacation Rental Addendum2A14-T Short Sale Addendum | 2A1-T Back-Up Contract Addendum2A3-T New Construction Addendum2A4-T FHA/VA Financing Addendum2A5-T Seller Financing Addendum2A6-T Loan Assumption Addendum2A7-T Buyer Possession Before Closing Agreement Addendum2A8-T Seller Possession After Closing Agreement Addendum2A9-T Lead-Based Paint or Lead-Based Paint Hazard Addendum2A11-T Additional Provisions Addendum2A12-T Owners’ Association Disclosure and Addendum for Properties Exempt fromResidential Property Disclosure Statement2A13-T Vacation Rental Addendum2A14-T Short Sale Addendum |
| 295/Contingent Sale Addendum (2A2-T) | If the buyer has indicated in the NCBA/NCAR 2-T OPC that he needs to sell other property to consummate the purchase of the subject property, it is highly recommended that the buyer consider using the Contingent Sale Addendum. If the buyer’s other property is under contract, the buyer must provide a copy of said contract to the seller. The buyer’s right to terminate this contract without forfeiture of earnest money will survive the expiration of the due diligence period. The addendum allows the buyer to terminate this contract and receive a refund of earnest money within three days after the settlement date of this contract if buyer does not believe the contract on the other property will close in a timely manner. If the contract on the buyer’s other property is terminated for any reason after the expiration of the due diligence period in this contract, either party may terminate this contract and the buyer will receive a refund of all earnest money. | Remove Contingent Sale Addendum section and all text. |
| 304, question 4 | The buyer’s offer is made on the condition that the buyer’s present home sells in the next 30 days. This condition is called | The buyer’s offer is made on the condition that the buyer's inspection indicates that all working systems of the structure are up to current code. This condition is called |
| 306, question 21 | If a buyer has a property in New Jersey that must sell before he can be fulfill his promise to purchase one in North Carolina, the buyer should ask his broker to add which addendum?A. Back-Up Contract AddendumB. Contingent Sale AddendumC. Buyer Possession Before ClosingD. Seller Financing Addendum | If a buyer wishes to make an offer on property that is already under contract, the buyer should ask his broker to add which addendum?A. Back-Up Contract AddendumB. Vacation Rental AddendumC. Buyer Possession Before ClosingD. Seller Financing Addendum |
| 729/last bullet point | –– Newly licensed PB must take minimum of one course per year to remain active | –– As of July 2020, PB must take all three postlicensing courses by 18 months of their anniversary date. |
| 730/first bullet point | –– Must take all three courses by third license anniversary date or license is placed oninactive status | Removed |
| 730/fourth bullet point | –– Must complete eight hours annually to remain active; can take CE while inactive butnot required | –– Must complete eight hours annually to remain active |
| 730/eighth bullet point | –– Must make up CE deficiency before activation; maximum hours required to be made up is 16 hours | –– Must make up CE deficiency before activation; depending on the period of deficiency, licensee may have to complete 60 hours of postlicensing courses as well. |
| 828, question 99. | C. generally services as the special agent of the owner. | C. generally services as the general agent of the owner. |
| 863, Unit 6, Unit Quiz Answers, question 16 | (116) | (114) |
| 863, Unit 6, Unit Quiz Answers, question 18 | (126) | (121) |
| 863, Unit 6, Unit Quiz Answers, question 19 | (114) | (126) |
| 864, Unit 7, Unit Quiz Answers, question 8 | (177) | (178) |
| 864, Unit 7, Unit Quiz Answers, question 9 | (155-156) | (154) |
| 864, Unit 7, Unit Quiz Answers, question 17 | (147) | (140) |
| 865, Unit 9, Unit Quiz Answers, question 6 | (260) | (255) |
| 865, Unit 9, Unit Quiz Answers, question 17 | (258) | (263) |
| 865, Unit 9, Unit Quiz Answers, question 18 | (263) | (259) |
| 865, Unit 10, Unit Quiz Answers, question 4 | (291) | (295) |
| 866, Unit 10, Unit Quiz Answers, question 21 | B (295) | A (295) |
| 866, Unit 11, Unit Quiz Answers, question 13 | (311) | (322) |
| 867, Unit 12, Unit Quiz Answers, question 17 | (343) | (344) |
| 867, Unit 14, Unit Quiz Answers, question 9 | (356, 367) | (366-367) |
| 867, Unit 14, Unit Quiz Answers, question 15 | (315) | (369) |
| 867, Unit 14, Unit Quiz Answers, question 23 | (366) | (365) |
| 868, Unit 15, Unit Quiz Answers, question 22 | (403) | (298, 403) |
| 870, Unit 19, Unit Quiz Answers, question 18 | (485) | (484) |
| 871, Unit 21, Unit Quiz Answers, question 10 | (534, 345) | (534, 545) |
| 875, Unit Appendix A, Unit Quiz Answers, question 1 | (580) | (582) |
| 875, Unit Appendix A, Unit Quiz Answers, question 4 | (571) | (614) |
| 875, Unit Appendix A, Unit Quiz Answers, question 6 | (664) | (581-582) |
| 875, Unit Appendix A, Unit Quiz Answers, question 7 | (575) | (664) |
| 875, Unit Appendix A, Unit Quiz Answers, question 8 | (614) | (720) |
| 875, Unit Appendix A, Unit Quiz Answers, question 10 | (638) | (664) |
| 875, Unit Appendix A, Unit Quiz Answers, question 12 | (707) | (570) |
| 875, Unit Appendix A, Unit Quiz Answers, question 17 | (593) | (593, 577) |
| 875, Unit Appendix A, Unit Quiz Answers, question 22 | (666) | (725) |
| 875, Unit Appendix A, Unit Quiz Answers, question 27 | (627-630) | (725) |
| 875, Unit Appendix A, Unit Quiz Answers, question 28 | (585-586) | (585-586, 727) |
| 880, Index | Contingent Sale Addendum, 295 | Removed |

Third Revision

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| **Page/Location** | **Reads Now** | **Should Be** |
| 7/Third paragraph | Such knowledge begins with a brief examination of the traditional advantages and disadvantages of investing in real estate, as discussed in Unit 13. | Such knowledge begins with a brief examination of the traditional advantages and disadvantages of investing in real estate, as discussed in Unit 18. |
| 7/Fifth paragraph | In addition, real estate entrepreneurs may enjoy various tax advantages, which are discussed in more detail in Unit 13. | In addition, real estate entrepreneurs may enjoy various tax advantages, which are discussed in more detail in Unit 18. |
| 10/Professional Organizations | he real estate business has many trade organizations, the largest being the National Association of REALTORS® (NAR). | The real estate business has many trade organizations, the largest being the National Association of REALTORS® (NAR). |
| 69/question 22 | Eric owns property in Andover, Connecticut, where the mill rate is 27.3 per $1,000 of assessed value. His property is assessed at $150,000. Sixty percent of the property is assessed. What is his annual tax bill? | Eric owns property in Andover, Connecticut, where the mill rate is 27.3 per $1,000 of assessed value. His property is valued at $150,000. Sixty percent of the property is assessed. What is his annual tax bill? |
| 880, Index | Contingent Sale Addendum, 295 | Removed |

Next Edition

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| **Page/Location** | **Reads Now** | **Should Be** |
| 122/Last paragraph | Onsite systems vary greatly in form and price and who regulates or approves the system. Under state law, county health departments are responsible for approving underground systems, whether a conventional subsurface system with a tank and drainage field, or the more complicated low-pressure pump system. Systems that discharge above the ground, such as spray-irrigation systems, or systems that discharge into streams or waterways are regulated by the North Carolina Department of Environmental Quality. Off-site and community systems that serve more than one lot also are regulated at the state level. | [New paragraphs after first paragraph will be added in the next edition, not the reprint.]Add before last paragraph:A properly designed septic system is designed to handle a specific amount of wastewater. Septic drain fields, also called leach fields or leach drains, are used to remove contaminants and impurities from the liquid that emerges from the septic tank. A complete septic system includes a septic tank, a septic drain field, and associated piping.  |
| 124/First paragraph | disciplined by the Real Estate Commission. Some county health departments offer septic permit records online, whereas in other counties, brokers must contact the health department for assistance in obtaining copies of septic permits. | [New paragraphs after first paragraph will be added in the next edition, not the reprint.]Brokers should also assist property owners and prospective purchasers in determining what kind of septic system is on the premises but also the location and functionality of the system. It is not easy to find a septic tank. The first thing to do is contact the local health/zoning office to see if it has a plan on record. Even if a drawing exists, it may not match exactly what is in the ground. Determining who installed the system may also be helpful. In any regard, brokers should provide guidance as to where location information can be found regarding the location of the septic tank. An inspection of a septic system may find that the tank needs to be cleaned or that is has failed. Septic drainfields can also fail, usually due to a drain field become clogged and impermeable. Consumers should be made aware that drain field or septic tank problems can result in messy cleanups, inconvenient smells and odor and possibly costly repairs.Note that it is becoming more common for municipalities to mandate that a location on the property be identified and reserved for a septic repair field in the event of a future system failure. The location of the current septic system and any mandated repair field are usually noted on a survey. Since construction is generally prohibited on the repair field location, this information may be material to a buyer who wishes to install a pool or outbuilding after purchase. |
| 271/Figure 10.1 | Standard Form 2-T Revised 7/2018 | [State has updated form as of 7/2019. This will be replaced in the next edition, not in the reprint.] |
| 413/Math Concepts |  | [The following sections will be added to Math Concepts in the next edition, not the reprint.]**Residential Lending Practices and Procedures—Determining****Maximum Affordability**You can use loan qualifying ratios to determine the price range of housing a prospectivebuyer can afford. Let’s look at the Harrisons, whose gross monthly income is $3,900. To determine what kind of house they can afford, multiply their monthly income by a given standard debt ratio, 36%, for example.$3,900 × 0.36 = $1,404Now subtract their recurring expenses, which total $475.$1,404 – $475 = $929The maximum housing payment they can afford under this ratio is $929, includingprincipal, interest, taxes, and insurance (PITI). Tax and insurance costs will vary according to location, but for purposes of this example, we will assume that 10% of the maximum payment is devoted to taxes and insurance. Deduct this 10% from the maximum payment.$929 × 0.10 = $92.90$929 – $93 (rounded up) = $836The Harrisons can afford to pay $836 a month in principal and interest. If current interest rates are 7%, they would qualify for a loan amount of $125,714. (You can use a financial calculator to determine this loan amount, or use a loan factor of 6.65. See Figure 15.2.) To use a loan factor, divide the principal and interest payment by the rate factor and multiply by 1,000.) Assuming that the Harrisons have $12,650 for a down payment, they could afford to purchase a home for $138,364.$125,714 maximum loan amount + $12,650 down payment = $138,364**Residential Lending Practices and Procedures—Conventional****Conforming Loans**The Harrisons are seeking an 80% loan. They make $3,900 a month. Their recurring monthly payments include a $300 car payment, a $75 charge card payment and a $100 college loan payment. They want to qualify for an $850 monthly loan payment, including principal, interest, taxes, and insurance (PITI).First, add the three recurring monthly expenses, which total $475, to the $850 proposed housing expense to determine the total monthly expenses of $1,325.If you divide $1,325 (total monthly expenses) by $3,900 (monthly income), you discover that the Harrisons’ total monthly expenses equal about 34% of their monthly income. Therefore, they would qualify for the proposed loan under the second ratio because 34% is less than the debt ratio maximum of 36%. If youdivide $850 (monthly PITI) by $3,900 (monthly income), you discover that the Harrisons’ proposed housing expense is about 22% of their monthly income. This is well within the 28% income ratio maximum. Because both income standardsare met, the Harrisons have a good chance of qualifying for the loan.Let’s assume the Harrisons want a more expensive home that would require a loan of $250,000. How much annual income would the Harrisons need to qualify using the 28:36 ratios if the estimated monthly PITI will be $1,665 and they have other monthly recurring obligations of $2,000? The first step would be to add up allmonthly debts, then divide by the 36% debt ratio to get monthly income required; then multiply by 12 months.$1,665 + $2,000 = $3,665 ÷ 0.36 = $10,180.56 monthly income × 12 months = $122,166.72 annual incomeLet’s take an example of determining maximum housing expenses that another couple could have with an annual income of $36,000 and recurring obligations (not including housing expenses) of $400 per month, using the 28:36% ratios to qualify.$36,000 annual income ÷ 12 months = $3,000 monthly income × 0.36 = $1,080maximum recurring obligation, not including housing. Their actual other monthly recurring obligations are $400. Their maximum monthly housing expenses would be $680 ($1,080 – $400 = $680).**Residential Lending Practices and Procedures—VA Loan**A married couple with two children living in Raleigh with a combined annual gross income of $43,200 wants to apply for a $100,000 loan. The VA Cost of Living Table shows their required residual income is $964 for loan amounts above $70,000 for a family of four. Monthly withholding taxes and Social Security taxes are estimated to be $900 per month. Shelter expenses, which include principal, interest, taxes, and insurance (PITI), along with maintenance and utilities, areestimated to be $920. Other monthly obligations with six or more monthly payments left total $600.$3,600 Monthly gross income– 900 Taxes and Social Security– 920 Shelter costs– 600 Other debt obligations$1,180 Residual incomeThe actual residual income exceeds the table amount, so the couple qualifies under this method.Now let’s take a look at whether the applicant couple from the previous example meets the 41% income ratio test. First add the total monthly obligations together.$920 Shelter expense+ 600 Other debt obligations$1,520 Total monthly obligationsThen divide the total monthly obligations by the gross monthly income.$1,520 ÷ $3,600 = 0.42 = 42%Because this ratio is more than the 41% maximum, the applicant does not qualify under this ratio.If the applicant’s residual income exceeds the required amount by more than 20%,the applicant may qualify for the loan, even if the applicant’s total-monthly-debt-to-income ratio exceeds the 41% maximum.The applicant couple’s residual income in the previous example was $1,180. Theywere required to have only $964 in residual income.$1,180 residual income – $964 required residual income = $216 excess residual incomeTo find the percentage of excess residual income, divide the excess residual income by the required amount.$216 excess residual income ÷ $964 required residual income = 0.224 or 22% of excess residual incomeSo even if the applicant couple’s income ratio had been higher than 41%, they still might have qualified because they had a substantial amount of residual income. |