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Problems

1. Mariko hired two real estate agents to sell a large tract of land. Her contract with the agents provided that the agents would (1) pay all expenses incurred in getting the property ready to sell, (2) have the property surveyed and divided into town lots and have the streets graded, and (3) use their best efforts to sell the property and not be paid for expenses incurred except for a specified share of the sale proceeds. The contract did not specify a time limit for performance. After the agents had performed their part of the agreement and had found buyers for several of the lots, Mariko attempted to terminate the agreement for no apparent cause. May she cancel the agreement? Why or why not?
2. Green owned a house worth \$150,000 that was subject to a \$50,000 mortgage. In response to a newspaper advertisement, Green called Trusty Realty to make arrangements for the sale of his house. A salesperson for Trusty persuaded Green to exchange his house for a new \$200,000 house owned by Trusty and to assume a mortgage on the new house in the amount of \$150,000. Trusty agreed to assume the mortgage on the old house. No other payments were to be made. After Green's house was transferred, Green sued Trusty for actual and punitive damages. Should Green win? Why or why not?
3. Carlos wanted to sell his farm for \$600,000; and he signed open listing agreements with two brokers, Smith and Jones. Smith found a potential purchaser, Marley, who offered \$600,000 to

Carlos at 10:00 a.m. on March 2. The offer was accepted by Carlos. Later in the day before details such as the amount of down payment and date of possession were settled by Carlos and Marley, Jones produced a potential purchaser, Buckley, who offered \$630,000 for the farm. Carlos accepted the offer and sold the farm to Buckley. Does Carlos owe a commission to Smith? Why or why not?

4. Cleon listed his business property with Chumney, a real estate broker. The listing agreement included the following provision: "During the life of this contract if you find a buyer who is ready, able and willing to buy, lease or exchange said property, ... or if I agree to an exchange of said property, or any part thereof, or if said property or any part thereof is sold, leased or exchanged during said term by myself or any other person, firm, or corporation, I agree to pay you the 6 percent commission." Assume that the agreement covered the period from June 8, 2004, to December 8, 2004, and that on August 2, 2004, Cleon sold the property to Super Tire Mart (which had in no way dealt with Chumney) for \$120,000. Before the sale, Chumney had shown the property to several prospective buyers, had placed a "For Sale" sign on the property, and had advertised in the newspaper. Chumney's expenses totaled \$73,000. Is Cleon liable to Chumney for damages? Why or why not? If Cleon is liable, what is the amount of damages?

5. Gould and Broadway Realty entered into a written listing agreement (as required by state law) that gave Broadway the exclusive right to sell Gould's property. The agreement provided that Broadway was to receive a commission at "the going rate in the area for comparable transactions." Within the time period specified in the agreement, Gould sold the property for \$14,500,000. If the going rate for comparable transactions is 10 percent, is Broadway entitled to a commission of \$1,450,000? Why or why not?
6. Paula entered into an exclusive sales agreement with Flora, a real estate agent. The agreement read: "June 16, 2004, Exclusive sale of property, #26 Prospect Street, West Bridgewater, Mass., to my agent Flora. We are asking \$120,000 (will take as low as \$110,000). She is to have exclusive sale of same—for 90 days. Paula." Flora advertised the property, discussed the sale with many prospective buyers, and kept a key to the house. During the listing period, however, Flora had to leave town for a week; when she returned, she discovered that Paula had sold the property to a relative for \$100,000. Flora sued Paula for her commission. Will Flora win? Why or why not?
7. The Marin County Board of Realtors consists of three-fourths of the brokers actively engaged in selling residential real property in Marin County, California. The board provides a number of benefits to its members, of which the most important is the only multiple listing service for residential property operating exclusively in Marin County. Multiple listing is a system of pooling each member's listings in a central registry. This service is available only to board members, who are prohibited by the board's bylaws from disseminating published listings to nonmembers. Palsson, a licensed real estate salesperson, applied to the board for membership after obtaining employment with an active member. His application was denied because the board found that as an airline flight engineer, he did not meet the requirements of one of the board's bylaws—a member must be "primarily engaged in the real estate business." This provision was enforced through sanctions against the active members who shared offices with or employed a person who had been denied membership in the board. Thus, a salesperson denied membership also was denied employment with 75 percent of the residential brokers in Marin County. Are the board's actions legal? Why or why not?
8. The Smalleys owned a quarter section of land in Merrick County. They entered into a real estate listing contract with Laurent, a real estate broker. Laurent was instructed by the Smalleys to secure the best price she could for the property but under no circumstances to take less than \$1,500 an acre. Laurent was contacted by two prospective purchasers. One purchaser was Laurent's uncle, who offered \$1,500 an acre; and the other was Post, who offered \$2,000 an acre. Laurent informed the Smalleys only of her uncle's offer, which they accepted; and a purchase agreement was signed. Subsequently, as joint owners, Laurent and her uncle transferred the same property for \$2,000 an acre to Post. When the Smalleys learned of the sale to Post, they sued Laurent for the profits of the second sale as well as for the \$12,000 commission previously paid to Laurent. Will they win? Why or why not?
9. Rossi signed a sales agreement giving Larker the exclusive right to sell his house. The agreement provided that Larker could sign a sales agreement for Rossi and could receive from the buyer a cash deposit (earnest money) to be held for Rossi. The Golds agreed to purchase the house for \$210,000 and made a \$5,000 cash deposit, which was delivered by Larker to Rossi. They also paid \$110,500 to Larker over the next few months, although this money was never given to Rossi. Rossi now demands payment of the balance due. How much do the Golds owe Rossi? Why?
10. Mantecon, a buyer's agent, informs Jameson, his client, who is 65 years old and about to retire, about certain potential problems with the house Jameson is interested in buying. Mantecon warns Jameson that "even though those high ceilings may be pleasing to the eye, with our cold winters your heating bills will be out of sight." Also, because of your age, Mantecon advises Jameson, "you will likely have a tough time climbing those stairs to the master bedroom upstairs as you grow older and possibly become disabled." Recognizing these problems, Jameson offers less money because he realizes that he may have to pay more for heating and might someday have to convert a downstairs office into a bedroom. Chatfield, the broker who is representing Sullivan, the seller, advises his client not to take Jameson's offer, that Sullivan should hold out for