



CALIFORNIA SALESPERSON EXAM / FOCUSED REFERENCE

Closing debits, credits and prorations

Keep buyer cash, seller net, assigned charges and the direction of proration separate.

Original exam-preparation material. DRE controls the examination. Review the linked full lesson for context; these sheets do not guarantee a passing result.

Separate the two sides

Buyer cash due = price - new loan + buyer charges - buyer deposits and credits. Seller net = price - seller payoff - seller charges. Use the allocations stated in the question; commission and other charges are not automatically assigned to one party.

Proration direction

For an accrued expense paid later by the buyer, the seller's share is generally a seller debit and buyer credit. For an expense prepaid by the seller covering the buyer's period, the buyer reimburses the seller. Prepaid rent is income: the seller credits the buyer for the period belonging to the buyer.

Use the stated 30/360 or actual-day convention and stated allocation of the closing day. Keep intermediate precision and round the final amount as instructed.

Proration

Daily Rate = Annual Amount / Stated Year Basis; Share = Daily Rate x Assigned Days

Proration allocates an expense or income between ownership periods. Use the problem's day-count convention and closing-day assignment. A 30/360 exercise uses 30-day months; an actual-day exercise uses the stated calendar basis. Prepaid expenses paid by the seller can create a seller credit. Advance rent collected by the seller for the buyer's period creates a buyer credit instead.

- Confusing "paid in arrears" with "paid in advance"; arrears flips who owes whom
- Dividing by 365 when the problem specifies a 30/360 convention, or the reverse
- Counting a tax proration from 1 January; California's tax year starts 1 July
- Changing the divisor to 360 but still counting actual calendar days instead of 30-day months
- Counting the closing day for the wrong party
- Forgetting to convert monthly amounts to daily before prorating



Documentary Transfer Tax

County Tax = $\text{ceil}((\text{Consideration} - \text{Liens Remaining}) / \$500) \times \$0.55$, if taxable value exceeds \$100

For a taxable transfer under Revenue and Taxation Code section 11911, exclude liens remaining on the property from consideration or value. If that base exceeds \$100, divide by \$500, round the units UP, and multiply by \$0.55. A \$100,100 base gives 201 units and \$110.55. A loan paid off at closing is not a remaining lien. Check statutory exemptions and local ordinances separately; this formula does not determine every city's tax.

- Deducting a loan paid off at closing
- Failing to round partial \$500 units up
- Using \$0.55 per \$1,000 rather than per \$500
- Applying a separate city rate without checking its base and exemptions

Continue with the full lesson or practice

Use the closing worksheet

Scan to keep studying, or open the address below.

<https://www.passcaliforniarealestate.com/tools/closing-costs>



Controlling sources and further reading

DRE salesperson examination content

<https://www.dre.ca.gov/examinees/SalesExamContent.html>

RTC 11911: county documentary transfer tax

https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=RTC§ionNum=11911.

BOE California property tax overview

<https://www.boe.ca.gov/proptaxes/pdf/pub29.pdf>

Fannie Mae debt-to-income ratios

<https://guide-selling.fanniemae.com/sel/b3-6-02/debt-income-ratios>