CHAPTER 1: SUMMARY OF ISSUES TESTED; SUBSTANTIVE ISSUES

A. Summary of Issues Tested

1. Ownership
   a. Present Estates
      1) Fee simple absolute
      2) Fee simple determinable
      3) Fee simple subject to condition subsequent
      4) Life estate
      5) Restraint on Alienation
   b. Co-tenancy
      1) Types
         a) Tenancy in common
         b) Joint tenancy
      2) Severance
      3) Ouster
      4) Rights and Duties among Cotenants
   c. Landlord-Tenant
      1) Types of Leaseholds
      2) Landlord-Tenant Duties
      3) Assignment and Subletting

2. Title
   a. Adverse possession
   b. Transfer by deed
c. Title assurance systems
   1) Recording acts (Notice, Race, and Race-Notice)
   2) Notice

3. Rights in land
   a. Covenants & Equitable Servitudes
   b. Easements

4. Mortgages/security devices
   a. Mortgages and Deeds of Trust
   b. Foreclosure

B. Ownership

Editor’s Note 1: The Professor refers to specific page numbers throughout this lecture. The content does not always match these references due to formatting changes.

1. Present Estates
   a. Fee Simple Absolute—absolute ownership
   b. Fee Simple Determinable
      ▪ Ownership terminates if a condition occurs and passes automatically to grantor
      ▪ Look for durational words: “as long as,” “until”
   c. Fee Simple Subject to Condition Subsequent
      ▪ When the condition occurs, the grantor can exercise a right of reentry
      ▪ Look for conditional words (“but if”) and words such as “right to re-enter”
   d. Life Estate—Ownership terminates upon the end of the measuring life
   e. Restriction on Alienation
      ▪ A grantor can place a reasonable restraint on the grantee’s ability to freely transfer

Example 1: Grantor conveys his estate as follows: “to A for long as he does not make any transfer of Greenacre. In the event of such a transfer, Greenacre shall automatically revert back to Grantor.” This is likely an unreasonable restraint on alienation.

2. Concurrent Estates
   a. Tenants in Common
      ▪ Each tenant owns an undivided interest in the entire property
      ▪ This interest is freely devisable or transferable
b. Joint Tenancy with Right of Survivorship

- When one joint tenant dies, the interest goes to the other joint tenants
- Must have express language creating a joint tenancy
  - Must have four unities (possession, interest, time, title)

Exam Tip 1: The exam might expressly say that a joint tenancy has been created. Severance of an existing joint tenancy is a commonly tested issue.

c. Severance of Joint Tenancy

Example 2: A and B are joint tenants with rights of survivorship. If A transfers his land to C, this severs the joint tenancy. C and B are tenants in common.

- If one joint tenant conveys his interest, it severs (destroys) the joint tenancy
- This creates a tenancy in common

Example 3: A, B, and C are joint tenants with right of survivorship. A sells his interest to D, severing the joint tenancy. D is a tenant in common, but B and C are still joint tenants with each other. If B dies, her interest will go to C because C has a right of survivorship with B. C will own 2/3 and D will own 1/3 as tenants in common.

d. Rights and Obligations of Co-tenants

1) Possession—each cotenant has the right to possess the entire property
   a) Ouster: A cotenant who is being denied access can bring a court action to regain access to the property
   b) Adverse Possession: If one cotenant ousted the other, he can make a claim for adverse possession if he meets the requirements.

Example 4: Cotenant A prevents Cotenant B from accessing the property. Cotenant A has ousted Cotenant B. If Cotenant B does not bring a court action, Cotenant A may be able to acquire the entire property by adverse possession (if she meets all of the requirements).

2) Rent
   a) A cotenant does not owe rent for his use of the property
   b) A cotenant must share rents received from a 3rd party

3) Operating Expenses—a cotenant can generally collect expenses if he paid more than his share (taxes, mortgage payments) unless he is the only one in physical possession of the property, and the value of his use is equal or outweighs the overpayment.
4) Repairs and Improvements
   a) Repairs: A co-tenant does not have a right to be reimbursed by other co-tenants for repairs, even if necessary. However, the majority rule is that contribution for necessary repairs can be compelled in accounting or partition actions. In some jurisdictions, an action for contribution can be brought if notice was given.
      
      i) When a 3rd party is occupying the property, a co-tenant who collects rent from the 3rd party can subtract expenses for necessary repairs from the rent received before sharing the rent with other co-tenants.

   b) Improvements: Except in actions for accounting partition, a co-tenant does not have a right to reimbursement for improvements.

C. Landlord/Tenant

   1. Types of Leaseholds
      a. Tenancy for Years—created by express agreement for fixed period of time
      b. Periodic Tenancy—repetitive, ongoing estate measured by set periods that automatically renew (i.e., month-to-month)
      c. Tenancy at Will—parties must expressly agree, no fixed period of time, may be terminated by either party at any time
      d. Tenancy at Sufferance—a tenant wrongfully holds over past the expiration of the lease, lasts until eviction or converts into a periodic tenancy

   2. Landlord and Tenant Duties
      a. Tenant’s Duties—pay rent, avoid waste, and make reasonable repairs
         ■ Withholding/Deduction of Rent
            a) If landlord breaches the covenant of quiet enjoyment
            b) If the landlord violates the implied warranty of habitability (residential only)
         ■ Waste—tenant cannot damage the property and must repair damages he causes
         ■ Failure to Pay Rent—landlord can sue for damages and eviction
         ■ Abandonment—if the tenant abandons the property, landlord can accept as an offer of surrender
         ■ Duty to Mitigate—landlord has a duty to try and re-lease the property to mitigate the damages
      b. Landlord’s Duties
         1) Duty to Repair—landlord must repair damages under residential leases, unless the tenant caused the damages
2) Implied Warranty of Habitability
   • Only applies to residential leases
   • Landlord must maintain the property such that it is reasonably suited for residence
   • Failing to comply with housing codes is a breach, especially violations related to health or safety

   **Exam Tip 2:** Look for failure to provide heat, electricity, running water, or plumbing. These would render a property unfit for residential use.

   • Tenant must give notice to the landlord and reasonable opportunity to repair
   • If the landlord fails to make repairs, the tenant may:
     i) Stay in the property and deduct rent until the repair occurs
     ii) Stay in the property, pay for repairs, and deduct the cost from rent, or
     iii) Terminate the lease and move out

3) Covenant of Quiet Enjoyment
   • Applies to residential and commercial leases
   • The landlord cannot disrupt the tenant’s possession or enjoyment of the property

   **Exam Tip 3:** Usually tested through constructive eviction.

   a) Constructive Eviction
      i) Landlord substantially interferes with the tenant’s use and enjoyment of the land,
      ii) Tenant gives notice of the problem and reasonable time for the landlord to repair, but the landlord does not repair, and
      iii) Tenant vacates the premises in a reasonable amount of time

   **Exam Tip 4:** A landlord’s breach of duty will often arise as a tenant’s defense for not paying rent.

c. Assignment/Sublease

   ▪ Assignment—a transfer of the tenant’s remaining lease to a new party
     • Assignments are generally allowed, unless prohibited by the lease
   ▪ Sublease—a transfer of a portion of the tenant’s lease (less than the remainder of the lease)

   1) Prohibition Clauses—a clause in the lease prohibiting assignment or sublease
     • If the lease prohibits only assignment, the tenant may still sublease
     • If the tenant violates the prohibition, the landlord can terminate the lease
CHAPTER 2: SUBSTANTIVE ISSUES (CONT’D)

A. Ownership Disputes

1. Adverse Possession
   a. Continuous
   b. Actual
   c. Open and Notorious
   d. Hostile
   e. Exclusive

   Exam Tip 5: Look out for adverse possession in the context of a cotenancy.

   Example 5: A and B are cotenants so each has the right to possession of the land. A excludes B from the land (ousted) and therefore has exclusive and hostile possession. The issue is whether A meets all the requirements for adverse possession.

2. Deeds
   a. Valid Deed Requirements
      Must identify the property and the parties, must be signed, and must include words of transfer
   b. Intent to Transfer a Valid Deed
      1) Transfer to grantee—creates a presumption of intent to transfer
      2) Transfer to Third Party Agents
         a) If grantor gives deed to an independent third party for delivery to the grantee upon a condition, the deed will not be deemed delivered if the grantor reserves the right to take the deed back
         b) If the grantor does not reserve the right to take the deed back, the grantor’s intent to presently transfer the property is determined by the facts.
            i) If the grantor intended to presently transfer, he cannot void the gift later
            ii) If the grantor did not intend to presently transfer, the transfer is not valid
3) Testamentary Transfer

- If the grantor gives the deed to an independent third party for delivery upon the grantor’s death, the grantor’s intent to make a present transfer is determined by the facts.
  
  i) If the grantor intended to transfer only upon his death, it is not a present intent to transfer.
  
  ii) Such a transfer is a testamentary transfer and must meet the requirements of a will (written, signed, witnesses).

B. Recording Acts

- A valid deed does not need to be recorded to convey good title.
- However, it is a good idea to record because it establishes priorities among conflicting claims

**Exam Tip 6:** This issue will typically arise in a dispute about ownership or about priority among mortgages.

**Example 6:** A sells land to B. A then sells the same land to C. B and C discover that they purchased the same land and dispute who has true ownership of it.

1. Types of Statutes

   a. **Notice Statute**—If a person purchases land without notice of a prior interest, the person will prevail in an ownership dispute against the prior interest.

      **Example 7:** If C bought the property without notice of the sale from A to B, C will prevail in a dispute with B (the prior interest).

   b. **Race Statute**—The first person to record their deed will prevail in an ownership dispute, regardless of knowledge.

      **Example 8:** If C buys the property, even with knowledge of the sale from A to B, C can prevail if C records first.

   c. **Race-Notice Jurisdiction**—If a person purchases land without notice of the prior interest, and records first, the person will prevail in an ownership dispute against the prior interest.

      **Example 9:** If C buys the property without notice of the sale from A to B, and records his interest first, C will prevail in a dispute with B (the prior interest).

      **Exam Tip 7:** Recording acts also apply to mortgages for priority purposes.

2. **Bona Fide Purchaser (BFP)**

   - A BFP is a person who pays value for the property and takes it without notice of prior claims.
   - Notice and Race-Notice Statutes protect BFPs.
Exam Tip 8: Recording acts also apply to easements, covenants, and servitudes.

3. Notice
   a. Actual—Actual knowledge
   b. Inquiry—Reasonable investigation would have disclosed prior claims
   c. Constructive—Grantees are on notice of anything recorded in the chain of title

C. Rights in Land
   1. Easements—the right to use land
      o The dominant estate benefits from the easement
      o The servient estate is being burdened by the easement
      a. Classification of Easement:
         1) Appurtenant—attached to the land
         2) In Gross—specific to the person
      b. Types of Easements
         1) Express Easement
         2) Easement by Necessity
         3) Easement by Implication
      c. Transfer of Easement
         An easement appurtenant will usually continue after land is transferred.
      d. Enforceability of Easement
         Exam Tip 9: Easements can be terminated in a number of ways. A highly testable way is through sale to a bona fide purchaser (a purchaser with no notice of the easement).
         ▪ If the purchaser of the burdened land can show he is a BFP, the easement will be terminated

2. Covenants and Equitable Servitudes
   o Covenants usually involve a promise to do or not do something in relation to land.
      Example 10: A promises B he will not build a restaurant because B has a restaurant.
      Example 11: Landlord grants a lease to the tenant, and the tenant promises to not build a restaurant.
   o Determine who is the benefited party and who is the burdened party
Exam Tip 10: The facts will usually involve one of the owners selling their land to a new party. Determine whether the benefit or the burden run with the land.

a. Requirements for Covenant to “Run with the Land”
   1) Writing
   2) Intent
   3) Touch and Concern
   4) Notice—only required for burden to run
   5) Horizontal Privity—only required for burden to run
      - The original parties must have shared some interest other than the promise, such as grantor-grantee.
      
      **Example 12**: A owned both parcels and sold one to B. The covenant was part of the sale to B.
   
   6) Vertical Privity
      - Concerns the relationship between the original party and the successor party
      - Burden: for the burden to run with the land, the owner must transfer the entire interest
      
      **Example 13**: A owns the land in fee simple absolute. A must convey a fee simple absolute in order for the burden to run.
   
   - Benefit: the benefit will run if the successor takes any portion of the original estate

b. Enforcement of Covenant
   - If a covenant is violated, the injured party can sue for money damages.
   - An equitable servitude is enforced by an injunction.

3. Equitable Servitude
   a. Requirements for Equitable Servitude to “Run with the Land”
      1) Writing
      2) Intent
      3) Touch and Concern
      4) Notice—only required for burden to run

D. Mortgages and Deeds of Trust

   Exam Tip 11: A mortgage and deed of trust are treated very similarly on the exam.
• Mortgage—document that conveys a property interest in real property as security for an obligation
  o If the homeowner defaults on the loan, the house could be sold at public auction
• Deed of Trust—a writing grants an interest in property as security for an obligation, but the deed goes to a third party as trustee
  o If the homeowner defaults, the deed of trust can be privately sold
• Purchase Money Mortgage—the borrower uses the loan in order to purchase the mortgaged property

  Example 14: A home mortgage is usually a purchase money mortgage.
  o A purchase money mortgage has priority upon foreclosure

1. Foreclosure
  o When the borrower fails to repay the loan, the lender can foreclose upon the property
  o Priority of interests:
    ▪ Generally, the first mortgage gets priority over later mortgages
    ▪ Exception 1: A purchase money mortgage will take priority over non-purchase money mortgages
    ▪ Exception 2: If a state recording at applies

  Example 15: A grants a mortgage to Bank B and then to Bank C. In a notice jurisdiction, if Bank C takes the mortgage without notice of the prior mortgage, Bank C will have priority.
CHAPTER 3: PRACTICE QUESTION

JULY 2008, QUESTION #5

Ann, Betty, and Celia purchased a 3-bedroom condominium unit in which they resided. Each paid one-third of the purchase price. They took title as “joint tenants, with right of survivorship.”

After a dispute, Betty moved out. Ann and Celia then each executed a separate deed by which each conveyed her respective interest in the condominium unit to Ed. Each deed recited that the conveyance was “in fee, reserving a life estate to the grantor.”

Ann recorded her deed and delivered the original deed to Ed. Celia also recorded her deed and left the original deed with Ann in a sealed envelope with written instructions: “This envelope contains papers that are to be delivered to me on demand or in the event of my death then to be delivered to Ed.” Celia recorded the deed solely to protect her life estate interest. Ann, without Celia’s knowledge or authorization, mailed a copy of Celia’s deed to Ed.

Subsequently, Ann and Celia were killed in a car accident. Betty then moved back into the condominium unit. She rented out one bedroom to a tenant and used the other bedroom to run a computer business. Betty paid all costs of necessary repairs to maintain the unit.

Ed commenced an action against Betty, demanding a share of the rent she has collected. He also demanded that she pay rent for her use of the premises.

Betty cross-complained against Ed, demanding that he contribute for his share of the costs of necessary repairs to maintain the unit.

1. What are the property interests of Betty and Ed, if any, in the condominium unit? Discuss.

2. What relief, if any, may Ed obtain on his claims against Betty for past due rent for her use of the condominium unit and for a share of the rent paid by the tenant? Discuss.

3. What relief, if any, may Betty obtain on her claim against Ed for contribution for the costs of maintaining the condominium unit? Discuss.

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A. Issue Checklist

1. Property Interests of Betty (B) and Ed (e)
   a. Joint Tenancy
      1) Severance of Joint Tenancy
   b. Valid Deed
   c. Delivery and Recording of Deed
      1) A’s deed
      2) C’s deed

2. E’s Relief Against B
   a. Rent
   b. Third Party Rents

3. B’s Relief Against E
   a. Repairs

Editor’s Note 2: The lecturer applies the minority rule here. In the majority of states, including California, contribution for necessary repairs can only be compelled in actions for accounting or partition, regardless of whether notice was given.
B. Sample Answer

I. PROPERTY INTERESTS OF BETTY (B) AND ED (E)

Joint Tenancy

A joint tenancy exists when two or more individuals own property with the right of survivorship, meaning when one tenant dies the other tenant(s) receive their share of the property. Modern law calls for a clear expression of intent along with survivorship language. The joint tenancy must be created with each joint tenant having an equal right to possess the property, with each interest equal to the others, at the same time, and in the same instrument. These requirements are referred to as the four unities.

In this case, Ann (A), B, and Celia (C) purchased a three bedroom condominium together. They all paid an equal share and took title to the condominium as “joint tenants, with right of survivorship”. The survivorship language they used when they took title makes it clear that they desired a joint tenancy. In addition, it appears that all four unities were satisfied since they all had an equal right to possess the property, they all had equal shares, and they took title at the same time through the same instrument. A, B, and C had a joint tenancy in the condominium.

Severance of Joint Tenancy

Although an interest in a joint tenancy cannot be devised, joint tenants can convey all or part of their individual interests during their lifetimes to a third party, thereby severing the joint tenancy. Once a joint tenancy is transferred in this matter, the right of survivorship to that interest is destroyed and it is converted into a tenancy in common, meaning that each co-tenant has an undivided interest in the property and can possess the whole. A conveyance by only one of more than two joint tenants does not destroy the joint tenancy between the remaining joint tenants.

In the case at hand, B moved out of the condominium after a dispute with A and C. Moving out does not sever the joint tenancy however so she maintained her interest in the property. Once B moved out, A and C each executed a separate deed and conveyed their interest in the condominium to E. Both of these two deeds described the conveyance as “in fee, reserving a life estate to the grantor”. If valid, these deeds carve out life estates for A and C, meaning that they can possess the condominium for as long as they live. At A and C’s death, their interests would go to E. As long as even one of the two deeds was valid, the joint tenancy would be severed. The joint tenancy would be converted into a tenancy in common with regards to each valid deed.

Valid Deed

To transfer a real property interest, the grantor must demonstrate the intent to make a present transfer of the interest and the grantee must accept the interest. In addition, pursuant to the Statute of Frauds, the transfer of a real property interest must be evidenced by a writing. In order for the joint tenancy to be severed, and for E to have any interest in the property, the deed from A and C must have been valid and successfully delivered to E.
Valid deeds abide by the Statute of Frauds and include all the necessary terms such as the grantor’s signature, named grantee, words of transfer, and a description of property. Consideration is not required.

Here, the language describing the transfer of A and C’s interest was clear. As long as A and C have signed the deeds, the condominium was adequately described in the deeds, and E was properly designated as the grantee, both deeds will be sufficiently valid.

**Delivery and Recording of Deed**

As stated above, and in addition to the deeds being valid, A and C would need to have an intent to transfer their interests in the property and E would have to accept the interests for there to be a valid transfer of their real property interests.

The grantor must, at the time of the transfer, intend to make a present transfer of a property interest to the grantee. Typically, this intent is manifested by delivery of the deed. Delivery may be completed by physically handing or mailing the deed to the grantee or the grantee’s agent. Recording a deed is not required, but can be used to create a presumption of delivery. Intent can also be implied from the words and conduct of the grantor, such as when the grantor drafts and records a deed.

**A’s deed**

A recorded her deed and delivered the original deed to E. This is sufficient to create an intent to transfer. A properly delivered her deed to E. E presumably accepted the interest in the condominium which created a valid delivery of the A’s deed to E.

**C’s deed**

C recorded her deed, but did not deliver it to E. C left her original deed in a sealed envelope with A and provided written instructions that stated “this envelope contains papers that are to be delivered to me on demand or in the event of my death then to be delivered to E”. E will argue that since C recorded her deed there was a presumption of delivery. B will rebut and state that if C had wanted to deliver the deed to E, she would have. Instead she chose to leave the deed in a sealed envelope with her friend and provided explicit instructions on how to handle it. This points to C wanting to have the ability to revoke the deed should she change her mind. C recorded the deed solely to make sure her life estate was protected, not to create a valid delivery of the deed. E will argue that since the written instructions stated to give him the deed at C’s death, there was intent on C’s behalf. This is not going to be successful though as the instruction are for future use and valid delivery requires present intent.

A copy of C’s deed was mailed to E by A. E will show this to explain that there had been a delivery. Unfortunately for E, A mailed a copy of the deed, not the original. Additionally, A mailed the copy of the deed without C knowledge or approval. These facts clearly show that even though E obtained a copy of C’s deed, it was not delivered with the present intent of C.

There was no valid delivery of C’s deed to E. C will keep her interest as a joint tenant in the condominium with Betty.
As discussed above when a joint tenancy is severed through conveyance of a joint tenant’s interest, and there are more than two joint tenants to begin with, the joint tenancy is not severed as between the remaining joint tenants. A’s interest in the condominium was severed by her deeding her interest to E. E will take A’s one third interest in the condominium. C’s interest was never conveyed to E so it will pass to B through the right of survivorship. Combined with her own one third interest, B will have two thirds interest in the condominium. B and E are now tenants in common.

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