

Unit 1 Instructor Questions

1. Office buildings and retail space are examples of
 - a. commercial real estate.
 - b. special use real estate.
 - c. residential property.
 - d. industrial property.
2. In terms of real estate investment, another name for depreciation is
 - a. leverage.
 - b. cost recovery.
 - c. liquidity.
 - d. intrinsic value.
3. All of these factors will tend to affect demand for real estate *EXCEPT*
 - a. transfer taxes.
 - b. employment levels.
 - c. wage rates.
 - d. demographics.
4. When the population of a town suddenly increases, which of these is *MOST likely* to occur?
 - a. Rental rates will fall due to increased competition
 - b. Demand for housing will decrease
 - c. New housing starts will decrease
 - d. Real estate prices will increase
5. Property management, appraisal, financing, and development are all
 - a. specializations directly linked to state and federal government financial policies.
 - b. separate professions within the real estate industry.
 - c. real estate brokerage professions.
 - d. demographic factors that affect demand for real property in a commercial market.
6. The idea that no two parcels of land are exactly alike is called
 - a. immobility.
 - b. subdivision.
 - c. uniqueness.
 - d. location.
7. All of these factors can affect the supply of real estate *EXCEPT*
 - a. demographics.
 - b. labor force.
 - c. construction costs.
 - d. government controls.
8. A property owner who does not want to deal with the everyday tasks of managing a rental property can hire
 - a. a property manager.
 - b. an appraiser.
 - c. a home inspector.
 - d. a developer.

9. When the supply of a certain commodity decreases while demand remains the same, the price of that commodity will tend to
 - a. remain the same.
 - b. increase.
 - c. decrease by 10%.
 - d. decrease by 20%.
10. All of these are examples of government policies that can affect the real estate market *EXCEPT*
 - a. the Federal Reserve Board's discount rate.
 - b. a shortage of skilled labor or building materials.
 - c. land-use controls, such as zoning.
 - d. federal environmental regulations.

Unit 2 Instructor Questions

1. Land, mineral, and air rights in the land are included in the definition of
 - a. attachments.
 - b. real property.
 - c. subsurface rights.
 - d. improvements.
2. Which of these is an example of an economic characteristic of land?
 - a. Immobility
 - b. Indestructibility
 - c. Uniqueness
 - d. Scarcity
3. Another word for *uniqueness* is
 - a. scarcity.
 - b. nonhomogeneity.
 - c. fructus industrials.
 - d. immobility.
4. All of these are included in the bundle of rights *EXCEPT*
 - a. possession.
 - b. control.
 - c. exclusion.
 - d. expansion.
5. Owners with littoral rights enjoy
 - a. unrestricted use of available waters, but they own the land adjacent to the water only as far as the average high-water mark.
 - b. the right of disposition.
 - c. unrestricted use of the surface of the earth.
 - d. unrestricted rights to the use of fixtures.

6. Growing trees, fences, and buildings are all considered
 - a. chattels.
 - b. land.
 - c. fixtures.
 - d. real estate.
7. The most important economic characteristic of land is
 - a. permanence.
 - b. location.
 - c. uniqueness.
 - d. possession.
8. A tenant farmer built a chicken coop and a tool shed. These buildings belong to the
 - a. tenant.
 - b. owner of real estate.
 - c. owner, but the owner must reimburse the tenant.
 - d. tenant, but the tenant must pay additional rent for them.
9. The developer added sewer lines and utilities and built two streets. What are these items called?
 - a. Fixtures
 - b. Additions
 - c. Improvements
 - d. Permanence of investment
10. A new owner of a condominium received the right to use a parking space in the multi-unit building. This right is an example of
 - a. an improvement.
 - b. a fixture.
 - c. an appurtenance.
 - d. a chattel.
11. Method of annexation, adaptation, and agreement of the parties are the legal tests for determining whether an item is
 - a. a chattel or an emblem.
 - b. real property or personal property.
 - c. land or real estate.
 - d. fructus naturales or fructus industriales.
12. After suffering through a tornado and then flooding from the river, the buildings were gone. The land was still there. This is an example of
 - a. uniqueness.
 - b. scarcity.
 - c. location.
 - d. indestructibility.

13. A seller asked a real estate professional to draw up several documents relating to seller financing. Under these circumstances, the real estate professional should
 - a. ask the broker for assistance.
 - b. draw up the documents.
 - c. ignore the instructions.
 - d. refer the seller to an attorney.
14. A buyer particularly liked the ornate brass lighting fixtures in a house and immediately made an offer, which the seller accepted. On moving day, the buyer discovered that the seller had replaced all the ornate brass lighting fixtures with plain steel ones. Which of these is *MOST likely* a correct assumption?
 - a. Seller: "As long as I replaced them with something of comparable value, I can take them with me."
 - b. Buyer: "Lighting fixtures are normally considered to be real property."
 - c. Seller: "The lighting fixtures were personal property when I bought them at the store, so they're personal property forever."
 - d. Seller: "The lighting fixtures belong to me because I installed them."
15. A farmer has posted a number of "No Trespassing" and "No Hunting" signs on the property. Which "*stick*" in the bundle of rights gives the farmer this authority?
 - a. Exclusion
 - b. Enjoyment
 - c. Control
 - d. Disposition
16. A right or privilege tied to real property, although not necessarily part of the property, is called a(n)
 - a. emblement.
 - b. trade fixture.
 - c. appurtenance.
 - d. deed.
17. An important characteristic of personal property is that it is
 - a. small enough to be carried by a person.
 - b. movable.
 - c. alive.
 - d. less than 100 years old.
18. The Law of the Sea identifies a country's
 - a. territorial waters.
 - b. inland lakes.
 - c. navigable rivers.
 - d. water table.

19. To determine whether an item is a fixture, the *MOST* important test is whether the
 - a. effort needed to remove the item is significant.
 - b. item must be dismantled for removal.
 - c. value of the item is high.
 - d. person who installed it intended for it to be permanent.

20. A homeowner planted a rose bush on the property and plans to remove it when the house is sold. The sales contract explicitly excludes the rose bush from the sale. This provision is necessary because the rose bush ordinarily is considered to be
 - a. a trade fixture.
 - b. personal property.
 - c. an emblement.
 - d. real estate.

Unit 3 Instructor Questions

1. A deceased homeowner left the family home to the deceased's second spouse with the provision that when the surviving spouse dies, the home goes to a child by the deceased's first spouse. The second spouse owns a bundle of rights but does not own the right to
 - a. will the property.
 - b. sell the property.
 - c. lease the property.
 - d. decorate the property.

2. A freehold estate lasts for
 - a. 99 years.
 - b. no longer than 100 years.
 - c. an indeterminable time.
 - d. the number of years specified when the owner takes possession.

3. A property owner conveyed a one-acre parcel of land to a preschool. The deed provided that the property was to be used only as a playground; the former owner reserved a right of reentry. What kind of estate has been granted?
 - a. Leasehold
 - b. Fee simple subject to a condition subsequent
 - c. Fee simple absolute
 - d. Curtesy

4. A notice is filed in the public record of pending litigation affecting the title to a property. This notice reflects which of these?
 - a. Fee simple determinable
 - b. Police power
 - c. An encroachment
 - d. A lis pendens
5. A property owner gave land to a school “so long as the land is used for only academic and recreational purposes.” The ownership interest granted here is called
 - a. an easement by prescription.
 - b. an encumbrance.
 - c. a bundle of rights.
 - d. a fee simple determinable.
6. If the government acquires privately owned real estate through a condemnation suit, it is exercising its power of
 - a. escheat.
 - b. reverter.
 - c. eminent domain.
 - d. defeasance.
7. The owner of two acres of land sold one acre and reserved an easement appurtenant for entrance and exit over that acre to reach the public road. The buyer’s land is
 - a. capable of being cleared of the easement if the buyer sells to a third party.
 - b. the servient tenement.
 - c. the dominant tenement.
 - d. subject to an easement in gross.
8. A large undeveloped parcel of land borders a road on the lower edge. The owner sells the lower portion of the property and the buyer builds a home on it. Several years later, the owner sells the upper-portion of the property to a different buyer. The second buyer’s property does not border any road. For that buyer to gain access to the road, the buyer must claim an easement
 - a. by necessity.
 - b. in gross.
 - c. by prescription.
 - d. by restriction.
9. If the dominant estate merges with the servient estate, which of these is *TRUE*?
 - a. The easement remains in effect for the entire parcel.
 - b. The easement is suspended but cannot be terminated.
 - c. The easement is terminated.
 - d. The new owner must bring a suit seeking severance of the easement from the combined properties.

10. The homestead exemption in a state is \$20,000. Four years ago, a buyer purchased a home for \$158,000 and then experienced hard times. At a court-ordered sale, the property is purchased for \$160,000. If the homeowner has an outstanding mortgage balance of \$135,000 and credit card debts amounting to \$24,360, how much is protected by the homestead exemption?
 - a. \$640
 - b. \$2,140
 - c. \$20,000
 - d. \$26,500
11. In some states, a husband cannot sell property unless the wife also signs the deed. The wife's interest is called
 - a. personal property rights.
 - b. homestead rights.
 - c. curtesy rights.
 - d. dower rights.
12. The state's authority to enact legislation to protect the public is passed through to municipalities and counties through
 - a. police power.
 - b. enabling acts.
 - c. licensing laws.
 - d. processing papers.
13. The state requires enough land to build a four-lane highway. For the state to acquire the needed land, the state must do all of these *EXCEPT*
 - a. demonstrate that it is for the public good.
 - b. pay a fair and just compensation to the owner.
 - c. allow the property owner the right to appeal any decision.
 - d. reimburse the property owner for the amount that the property owner paid for the land.
14. A patient died in a nursing home. The deceased left no heirs and had not written a will. What happens to the deceased's \$250,000 estate?
 - a. It escheats to the state or county.
 - b. The nursing home gets to keep it.
 - c. It will be split between the nursing home and the county.
 - d. It can be paid over to the deceased's church.
15. Which of these is defined as a claim, charge, or liability that attaches to real estate?
 - a. Lien
 - b. Easement
 - c. Deed restriction
 - d. Encumbrance
16. Which of these *must* exist for an appurtenant easement to exist?
 - a. Two adjacent parcels, different owners
 - b. Two adjacent parcels, one owner
 - c. Landlocked property that requires passage to the street
 - d. Long-time unauthorized usage

17. What are deed restrictions?
 - a. Public land restrictions
 - b. Illegal land restrictions
 - c. Private agreements affecting the use of the land
 - d. Informal agreements between neighbors
18. The electric company has the right to extend its wires over 50 parcels of land. What right does the electric company have?
 - a. Appurtenant easement
 - b. Easement by necessity
 - c. Easement by prescription
 - d. Easement in gross
19. For as long as anyone can remember, neighbors have used a footpath over a waterfront parcel to get to the river. Recently, the current owner of the waterfront property erected a fence across the path, blocking access. Which of these easements might the neighbors claim, which would require the property owner to remove the fence?
 - a. Easement by necessity
 - b. Easement by prescription
 - c. Easement in gross
 - d. Appurtenant easement
20. The holder of a life estate is called
 - a. an encumbrance.
 - b. a life tenant.
 - c. a remainderman.
 - d. a successor.

Unit 4 Instructor Questions

1. Which of these cannot take title as a joint tenant with right of survivorship?
 - a. Spouses
 - b. Two friends who are business partners
 - c. Two relatives who share a house
 - d. A corporation
2. When two or more individuals decide to buy a property together, it results in a
 - a. cooperation.
 - b. co-ownership.
 - c. community effort.
 - d. joint venture.

3. Three brothers bought a farm together, and the deed listed only each of their names. What form of ownership are they presumed to have taken?
 - a. Tenancy by the entireties
 - b. Joint tenancy with right of survivorship
 - c. Tenancy in common
 - d. In severalty
4. What form of ownership is employed when one person transfers ownership to someone else to hold and manage for a third person?
 - a. Joint venture
 - b. Joint tenancy
 - c. Trust
 - d. Severalty
5. Two people, each of whom has children from a previous marriage, are now marrying each other. They ask a real estate professional for advice about how to take title. What advice should the real estate professional offer?
 - a. Tenants in common, so that each one-half in interest would go to each spouse's children
 - b. Joint tenancy to protect each other; so that if one dies, the other gets the house
 - c. Suggest that they wait until the real estate professional finds out how best to advise them
 - d. Suggest that they consult with an attorney
6. A will provided that the local banker take care of the deceased's estate until the deceased's children reach age 25. What kind of trust is this?
 - a. Testamentary trust
 - b. Living trust
 - c. Land trust
 - d. Trust deed
7. What kind of ownership do the horizontal property acts regulate?
 - a. Cooperatives
 - b. Condominiums
 - c. Time-sharing
 - d. Planned unit development
8. Shareholders in a cooperative receive shares of stock that entitle them to a
 - a. common element lease.
 - b. trust deed.
 - c. proprietary lease.
 - d. corporate deed.
9. Membership camping is similar to
 - a. cooperative ownership.
 - b. condominium ownership.
 - c. planned use development.
 - d. time-share use.

10. In a large high-rise condominium, each unit is owned by individual owners. The elevators, parking garage, and swimming pool are called
 - a. community property.
 - b. separate property.
 - c. common elements.
 - d. proprietary elements.
11. Two individuals own an apartment building as joint tenants, sharing equally in the expenses and profits. If one of the co-owners sells that interest by signing and delivering a deed to a buyer, which of these statements is *TRUE*?
 - a. The buyer will become a joint tenant with the remaining owner.
 - b. The buyer and the remaining owner will be tenants in common.
 - c. The buyer will be a tenant in common with the remaining owner and a joint tenant with the departing owner.
 - d. The conveyance will be invalid; the two individuals will remain joint tenants.
12. In February, a seller conveyed an undivided one-half interest in a parcel of land to a buyer. In March, the seller conveyed the remaining one-half interest to a different buyer. The deed to the second buyer included this statement: "This buyer is to be a joint tenant with the buyer of the other half-interest in the parcel." Both deeds were recorded. Based on these facts, which of these statements is *TRUE*?
 - a. The second buyer and first buyer hold title to the land as joint tenants under the terms of the two conveyances from the seller.
 - b. The second buyer and first buyer own the land by partition.
 - c. The second buyer and first buyer are tenants in common.
 - d. The second buyer owns a half-interest in the land as a joint tenant; the first buyer owns a half-interest in the land as a tenant in common.
13. Three people own a large parcel of undeveloped land in joint tenancy. One of them wants to build a shopping center on the property, while the other two want to use it as an organic farm. The would-be developer tries to buy the other tenants' interests, but they refuse to sell. Which of these is the developer's *BEST* option?
 - a. File a suit for partition
 - b. Begin building a shopping center on one-third of the property
 - c. Wait for the other two to die
 - d. File a suit to quiet title
14. Fee simple ownership of a cottage in a lakefront community includes an undivided percentage interest in a parking lot, a golf course, and a swimming pool, all located in the development. Based on these facts alone, the ownership interest is probably *BEST* described as a
 - a. time-share estate.
 - b. time-share use.
 - c. condominium.
 - d. cooperative.

15. M, R, and N agree to purchase and operate a commercial property as a permanent investment. M and R each contribute \$50,000. N contributes \$30,000 and agrees to run the business, which the owners call "Property Group Partners." Neither M nor R has any right to participate in the operation of the venture. Based on these facts, what type of business organization have M, R, and N established?
- Joint venture
 - Limited partnership
 - General partnership
 - Limited liability company
16. Based on the facts in the previous question, if the building on the property collapses, resulting in injury and property damage worth \$275,000, what will be M's liability?
- None
 - \$50,000
 - \$91,667
 - \$100,000
17. All of these are required for a joint tenancy *EXCEPT*
- unity of title.
 - unity of ownership.
 - unity of time.
 - unity of possession.
18. All of these are characteristics of a tenancy by the entirety *EXCEPT*
- title may be conveyed only by a deed signed by both parties.
 - the surviving spouse automatically becomes sole owner of the property upon the death of the other spouse.
 - each spouse owns an equal, undivided interest in the property as a single, indivisible unit.
 - the surviving spouse automatically owns one-half of the property acquired during the marriage.
19. A trust is created to pay for a student's college education. An attorney makes payments on behalf of the student directly to the college. Based on these facts, which of these statements *BEST* characterizes the relationships among the parties to the trust?
- The attorney is the trustor, the student is the beneficiary, and the creator of the trust is the trustee.
 - The creator of the trust is the trustor, the college is the beneficiary, and the attorney is the trustee.
 - The creator of the trust is the trustor, the student is the beneficiary, and the attorney is the trustee.
 - The creator of the trust is the trustor, the attorney is the trustee, and the college is the fiduciary.
20. A company is a legal entity, created by charter under the laws of the state. The company is managed and operated by a board and is permitted to buy and sell real estate. When one of its directors dies, the company continues to operate. Because of its structure, the company's income is subject to double taxation. The company is *BEST* described as a
- partnership.
 - condominium trust.

- c. corporation.
 - d. limited liability company.
21. When a corporation takes complete ownership of a property, the ownership is in
- a. joint tenancy.
 - b. tenancy in common.
 - c. partnership.
 - d. severalty.
22. In a tenancy in common, if the fractions of ownership are *NOT* stated in the deed, how are they determined?
- a. The tenants need a judicial decision to determine the fractional shares.
 - b. The tenants are presumed to hold equal shares.
 - c. The tenants settle the issue through binding arbitration.
 - d. The tenants must terminate the tenancy in common through partition.
23. In a land trust, the beneficiary is usually also the
- a. trustor.
 - b. trustee.
 - c. fiduciary.
 - d. attorney in fact.

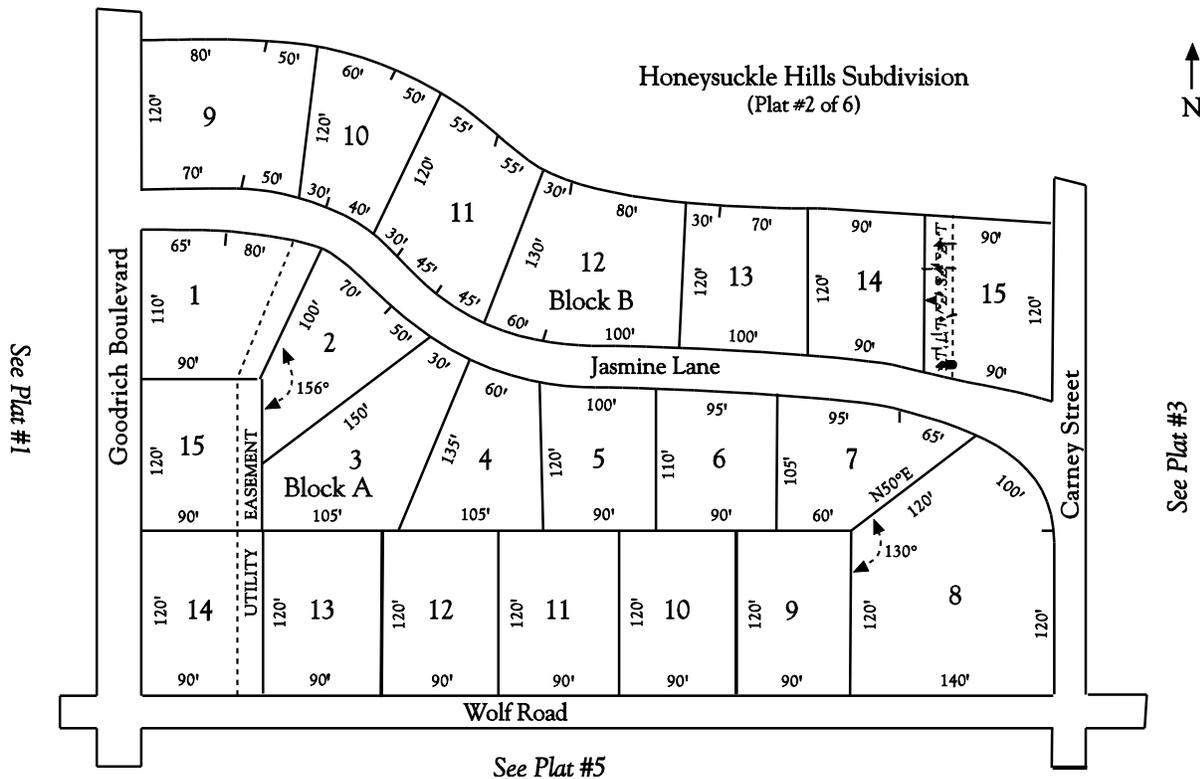
Unit 5 Instructor Questions

1. All of these are ways to express a legal description *EXCEPT*
 - a. lot and block.
 - b. metes and bounds.
 - c. rectangular survey.
 - d. benchmarks.
2. Air lots, condominium descriptions, and other vertical measurements may be computed from the U.S. Geological Survey
 - a. datum.
 - b. benchmark.
 - c. principal meridian.
 - d. base line.
3. Six acres of undeveloped property are sold for \$2.25 per square foot. How much did the buyer pay?
 - a. \$466,560
 - b. \$588,060
 - c. \$612,360
 - d. \$733,860
4. Which township section number is directly north of Section 7?
 - a. Section 1
 - b. Section 5

- c. Section 6
 - d. Section 8
5. Which of these *MOST* accurately describes the dimensions of a quarter-section?
- a. $\frac{1}{4}$ mile by $\frac{1}{4}$ mile
 - b. $\frac{1}{2}$ mile by $\frac{1}{2}$ mile
 - c. $\frac{1}{2}$ mile by 1 mile
 - d. $\frac{1}{8}$ mile by $\frac{1}{8}$ mile
6. A buyer is willing to pay \$1,200 per acre for the SE $\frac{1}{4}$ of the SE $\frac{1}{4}$ of the SE $\frac{1}{4}$ of Section 11. How much will the buyer pay for the land?
- a. \$3,000
 - b. \$6,000
 - c. \$12,000
 - d. \$24,000
7. In the past, a farm was typically a quarter section, or
- a. 20 acres.
 - b. 80 acres.
 - c. 160 acres.
 - d. 320 acres.
8. How many acres are contained in a parcel described as follows: The NE $\frac{1}{4}$ of the NW $\frac{1}{4}$; the N $\frac{1}{2}$ of the NW $\frac{1}{4}$, NE $\frac{1}{4}$, of Section 10?
- a. 40 acres
 - b. 60 acres
 - c. 70 acres
 - d. 74 acres
9. The basic units of the rectangular survey system are the
- a. base lines.
 - b. principal meridians.
 - c. ranges.
 - d. township squares.
10. A metes-and-bounds description is *NOT* required in rectangular survey system descriptions when
- a. a tract is too large to be described by quarter sections.
 - b. describing an irregular tract.
 - c. a tract is too small to be described by quarter-sections.
 - d. a tract does not follow the lot or block lines of a recorded subdivision or section.
11. What is the square footage of this property described by the metes-and-bounds method?
- Beginning at a point on the southerly side of Smith Street, 200 feet easterly from the corner formed by the intersection of the southerly side of Smith Street and the easterly side of Johnson Street; then east 200 feet; then south 100 feet; then west 200 feet; then north 100 feet to the POB.
- a. 5,000 square feet

- b. 10,000 square feet
 - c. 15,000 square feet
 - d. 20,000 square feet
12. The end of a metes-and-bounds land description is always a
- a. monument.
 - b. benchmark.
 - c. point of beginning.
 - d. base line.
13. The lot-and-block system starts with the preparation of
- a. a subdivision plat.
 - b. a range map.
 - c. a survey.
 - d. an air lot.

Refer to the example plat for Honeysuckle Hills Subdivision when answering Questions 14 through 20.



14. Which lot in Block A has the *MOST* frontage on Jasmine Lane?
- a. 1
 - b. 2
 - c. 7
 - d. 11

15. How many lots have easements?
- 1
 - 3
 - 4
 - 6
16. Which road or roads run east and west?
- Wolf and Jasmine
 - Carney and Goodrich
 - Wolf only
 - Goodrich only
17. Which of these lots has the *LEAST* street exposure?
- Lot 3, Block A
 - Lot 15, Block B
 - Lot 9, Block A
 - Lot 10, Block B
18. Beginning at the intersection of the west line of Carney Street and the north line of Wolf Road, running west 140 feet, then north 120 feet, then north 50 degrees east 120 feet, then following the southeasterly curvature of the south line of Jasmine Lane for 100 feet, then south 120 feet to POB.
- To which lot does this description refer?
- Lot 15, Block B
 - Lot 8, Block A
 - Lot 7, 8, and 9, Block A
 - Lot 8 and 9, Block A
19. If lot 13 and lot 14, Block A were combined into one parcel, how many square feet would it contain?
- 1,020
 - 19,800
 - 21,600
 - 22,800
20. If a buyer is willing to pay \$3 per square foot for lot 10, Block A, how much would the buyer be willing to pay for the land?
- \$20,600
 - \$24,000
 - \$28,000
 - \$32,400

Unit 6 Instructor Questions

1. The grantor is conveying an interest that is less than fee simple absolute. This explanation of the extent of ownership will be found in the
 - a. seisin clause.
 - b. granting clause.
 - c. habendum clause.
 - d. exceptions and reservations.
2. A seller conveys property to a buyer by a written document that contains five covenants protecting the buyer's title. What is the seller's role in this transaction?
 - a. Grantee
 - b. Grantor
 - c. Devisor
 - d. Devisee
3. The verification that the grantor's signature is both genuine and voluntary is
 - a. a judgment.
 - b. an attachment.
 - c. a consideration.
 - d. an acknowledgment.
4. Which of these is an example of involuntary alienation?
 - a. Sale
 - b. Gift
 - c. Escheat
 - d. Will
5. The transfer of any interest in a parcel of real estate is typically in a document called the
 - a. title.
 - b. deed.
 - c. attachment.
 - d. mortgage.
6. All of these are necessary to a valid deed *EXCEPT*
 - a. recital of consideration.
 - b. words of conveyance.
 - c. the grantee's signature.
 - d. delivery.
7. "I do hereby convey to my nearest relative all my interest in the property called 123 Main Street, Bismarck, North Dakota, to have and to hold, in consideration of receipt of the amount of \$10 and other good and valuable consideration." When signed, this document is
 - a. a valid conveyance by deed.
 - b. an invalid conveyance by deed, because the property conveyed is inadequately described.
 - c. an invalid conveyance by deed, because there is no recital of exceptions and reservations.
 - d. an invalid conveyance by deed, because the grantee is inadequately identified.

8. The type of deed that imposes the least liability on the grantor is a
 - a. special warranty deed.
 - b. bargain and sale deed.
 - c. quitclaim deed.
 - d. general warranty deed.
9. Title is *NOT* considered transferred until the deed is
 - a. signed by the grantor.
 - b. delivered to and accepted by the grantee.
 - c. delivered to the grantee.
 - d. released from escrow.
10. Which of these is a guarantee that the grantor has the right to convey the property?
 - a. Covenant against encumbrances
 - b. Covenant of seisin
 - c. Covenant of further assurance
 - d. Covenant of quiet enjoyment
11. A bargain and sale deed contains how many express warranties?
 - a. 0
 - b. 2
 - c. 3
 - d. 5
12. Which type of deed is used by a grantor whose interest in the real estate may be unknown?
 - a. Bargain-and-sale deed
 - b. Special warranty deed
 - c. General warranty deed
 - d. Quitclaim deed
13. Under state law, one-half of an intestate decedent's property goes to the decedent's spouse, one-fourth is divided equally among the decedent's children, and one-fourth goes to the state. If there is no spouse, the children divide three-fourths equally. A citizen of this state dies intestate, survived by an ex-spouse and seven adult children. If the estate is \$865,550, how much will each child receive under state law?
 - a. \$0
 - b. \$61,825.25
 - c. \$92,737.50
 - d. \$123,650.00
14. In one state, transfer tax is \$1.20 for each \$300 (or fraction of \$300) of the sales price of any parcel of real estate. If a seller's property sold for \$250,000, what will be the amount of the transfer tax due?
 - a. \$97.00
 - b. \$999.99
 - c. \$1,000.80
 - d. \$1,250.50

15. In front of witnesses, P says to Q, "I never made a will, but I want you to have my property when I die." If Q becomes the owner of the property on P's death, it is because the state recognizes what kind of will?
 - a. Holographic
 - b. Testamentary
 - c. Nuncupative
 - d. Probated
16. In one state, the transfer tax is \$0.80 per \$500 or fraction thereof. There is no tax charged on the first \$500 of the price. What tax must the seller pay if the property sells for \$329,650?
 - a. \$525.60
 - b. \$526.40
 - c. \$527.20
 - d. \$528.00
17. A modification to a will is called
 - a. an addendum.
 - b. an amendment.
 - c. a probate.
 - d. a codicil.
18. All of these are reasons for probate *EXCEPT*
 - a. to ensure that the heirs do not fight among themselves.
 - b. to confirm that the will is valid.
 - c. to determine the exact assets of the deceased person.
 - d. to identify how the estate will be disbursed.
19. When a corporation transfers ownership of real property, the deed to the property must be signed by
 - a. an authorized officer.
 - b. a shareholder.
 - c. a broker.
 - d. a grantee.
20. The granting clause in a special warranty deed generally contains the words
 - a. "grantor conveys and warrants."
 - b. "grantor grants, bargains, and sells."
 - c. "grantor remises, releases, and quitclaims."
 - d. "grantor remises, releases, alienates, and conveys."
21. A general power of attorney
 - a. is illegal in most states.
 - b. requires delivery and acceptance by the grantee.
 - c. provides general legal authority for intestate succession.
 - d. provides authority to carry out all of the business dealings of the person giving it.

22. What limits are set by the covenants in a general warranty deed?
- a. No limits are set.
 - b. The covenants are limited to matters that occurred during the time the grantor owned the property.
 - c. The covenants are limited to the matters that occurred within the last 10 years.
 - d. The covenants are limited to the matters that occurred before the grantor owned the property.

Unit 7 Instructor Questions

1. All of these are acceptable evidence of an owner's title *EXCEPT*
 - a. a recorded deed.
 - b. an abstract of title and attorney's opinion.
 - c. a title insurance policy.
 - d. a certificate of title.
2. To serve as public notice, a deed is recorded in the
 - a. city where the owner lives.
 - b. county or, in some states, the town where the property is located.
 - c. state capital.
 - d. largest city in the state.
3. Five years ago, a lien was recorded against a parcel of property by a construction company. The property is in county A, but the lien was recorded in county B. Now, a former partner of the construction company, who knew that a lien had been filed, is trying to buy the property. A title search in county A disclosed no liens against the property. Which of these is *TRUE*?
 - a. The former partner has constructive notice of the lien but not actual notice, because of the mistake in recording.
 - b. The former partner has actual notice of the lien but not constructive notice, because of the mistake in recording.
 - c. The former partner has both actual and constructive notice of the lien.
 - d. The former partner has no notice of the lien.

4. Shortly after closing on a real estate purchase, the buyer discovered that there were serious flaws in the title that made it unlikely that the property could be resold in the future. What can the buyer do now?
 - a. Because the title was flawed, the buyer can legally void the sale, and the seller must return any consideration.
 - b. The buyer has no recourse.
 - c. Because the seller conveyed unmarketable title, the buyer is entitled to a new title report.
 - d. Because the buyer has accepted the deed, the only recourse is to sue the seller under any covenants contained in the deed.
5. The reason that deeds and liens and other claims are recorded is to give
 - a. constructive notice.
 - b. actual notice.
 - c. direct notice.
 - d. nominal notice.
6. A history of all recorded liens and encumbrances is revealed in the
 - a. title insurance policy.
 - b. unrecorded documents.
 - c. chain of title.
 - d. abstract.
7. The person who prepares a certificate of title is the
 - a. broker.
 - b. abstractor.
 - c. buyer.
 - d. seller.
8. Which of these would be covered in a standard title insurance policy?
 - a. Defects discoverable by physical inspection
 - b. Unrecorded liens
 - c. Forged documents
 - d. Easements and restrictive covenants
9. A title insurance policy that protects the interests of a mortgagee is called
 - a. a leasehold policy.
 - b. a lender's policy.
 - c. a certificate of sale policy.
 - d. an ALTA policy.
10. In the states in which it has been adopted, the Marketable Title Act
 - a. establishes standardized forms for abstracts of title.
 - b. disqualifies use of an attorney's opinion of title as acceptable evidence of title.
 - c. limits the time beyond which title records must be searched.
 - d. provides a certification system for qualifying title insurance companies.

Unit 8 Instructor Questions

1. Why have real estate license laws been put into effect?
 - a. To protect licensees from lawsuits
 - b. To protect the public and establish a standard of competence
 - c. To prevent licensees from engaging in profit-making activities
 - d. To establish maximum levels of competency and a moral marketplace
2. In real estate, a sales associate is always
 - a. an independent contractor.
 - b. an employee of a licensed broker.
 - c. a licensee who performs real estate activities on behalf of a broker.
 - d. a combination office manager, marketer, and organizer with a fundamental understanding of the real estate industry, who may or may not be licensed.
3. All of these are requirements for independent contractor status used by the Internal Revenue Service *EXCEPT*
 - a. a current real estate license.
 - b. specific hours stated in a written agreement.
 - c. a written agreement that specifies that the individual will not be treated as an employee for tax purposes.
 - d. a substantial portion of the individual's income is based on sales production rather than hours worked.
4. A broker does not permit his sales associates to charge less than an 8% commission in any transaction. After reading a newspaper article about this broker's policy, the broker at another firm decides to also adopt the 8% minimum. Based on these facts, which of these statements is *TRUE*?
 - a. The first broker's policy is price-fixing and violates the antitrust law.
 - b. Although the first broker's policy was legal, the second broker's adoption of the minimum commission may constitute an antitrust violation if both brokers are in the same real estate market.
 - c. Both brokers engaged in illegal price-fixing.
 - d. Neither broker has committed an antitrust violation.
5. A real estate broker had a listing agreement with a seller that specified a 6% commission. The broker showed the home to a prospective buyer. The next day, the buyer called the seller directly and offered to buy the house for 5% less than the asking price. The seller agreed to the price and informed the broker in writing that no further brokerage services would be required. The sale went to closing six weeks later. Based on these facts, which of these statements is *TRUE*?
 - a. While the broker was the procuring cause of the sale, the seller properly canceled the contract; without a valid employment agreement in force at the time of closing, the broker is not entitled to a commission.
 - b. The broker is entitled to a partial commission, and the buyer is obligated to pay it.
 - c. Under the facts as stated, the broker is not the procuring cause of this sale but is still entitled to a commission.
 - d. The broker was the procuring cause of the sale and is entitled to the full 6% commission.

6. A qualified buyer makes a written offer on a property on March 6 by completing and signing a sales agreement. Later that day, the seller accepts and signs the agreement, keeping one copy. The seller's broker gives a copy of the signed agreement to the buyer on March 8. The seller's deed is delivered on May 1. The deed is recorded on May 7, and the buyer takes possession on May 15. When is the broker's commission payable if this is a *usual* transaction?
 - a. March 8
 - b. May 1
 - c. May 7
 - d. May 15
7. All of these are violations of federal antitrust laws *EXCEPT*
 - a. group boycott.
 - b. allocation of customers.
 - c. commission split.
 - d. tie-in agreement.
8. All of these are ways for a broker to charge for services *EXCEPT*
 - a. standard community rate.
 - b. flat fee.
 - c. hourly rate.
 - d. commission based on a percentage of the selling price.
9. What is the main value of a multiple listing service (MLS) for sellers?
 - a. Real estate professionals do not have to work as hard to secure property listings.
 - b. It simplifies closing procedures.
 - c. It reduces cooperation among brokers.
 - d. It exposes the property to a greater number of prospective buyers.
10. After license laws are enacted by the legislature, who is responsible for adopting administrative regulations?
 - a. A subcommittee that reports to the legislature
 - b. A local association of REALTORS®
 - c. Licensing authority (division, commission, etc.)
 - d. Brokers and salespeople appointed by the governor
11. When communicating with clients or consumers via email, all of these are examples of professional email etiquette *EXCEPT*
 - a. using spell check.
 - b. providing useful information in the subject line.
 - c. avoiding sending large attachments.
 - d. responding to emails within one week.

12. Although state laws vary regarding internet advertising, which of these is a typical element of state policy or law?
 - a. Email sent by a real estate licensee needs to include the licensee's name, phone number, and real estate license number.
 - b. Ads must contain true, current information and avoid misleading the potential client or customer.
 - c. On a website containing their ads, real estate licensees only need to identify themselves as a broker or salesperson on the site's home page.
 - d. It is acceptable for only the sales associate's name (without the broker's name) to be shown in an ad.
13. The broker may still be entitled to a commission in which of these situations where a pending property sale did *NOT* close?
 - a. The buyer wanted to add the kitchen appliances to the sale, but the seller refused.
 - b. The buyer decided not to buy the property.
 - c. The seller decided not to sell.
 - d. Financing fell through for the buyer.
14. An arrangement to sell one product only if the buyer purchases another product as well is called
 - a. a tie-in agreement.
 - b. a fee-for-services.
 - c. a buydown provision.
 - d. an allocation of customers.
15. The primary purpose of the Uniform Electronic Transactions Act (UETA) is to
 - a. facilitate the use of social media.
 - b. protect consumers against unwanted email.
 - c. remove barriers in electronic commerce that would otherwise prevent enforceability of contracts.
 - d. allow brokers to close more deals.
16. Even if a consumer has requested placement on the National Do Not Call Registry, a real estate professional may call the consumer up to how many months after the consumer's last purchase?
 - a. 3
 - b. 6
 - c. 12
 - d. 18
17. The name for the current policy of the National Association of REALTORS® that allows all multiple listing service (MLS) members equal rights to display MLS data is the
 - a. virtual office website.
 - b. Internet Listing Display Policy.
 - c. Internet Data Exchange.
 - d. Open Listing Data Service.

18. An important purpose of the E-Sign Act is to
 - a. give contracts created electronically the same legal standing as those executed on paper.
 - b. require stringent security measures for email communication.
 - c. prevent notarization of electronically transmitted agreements.
 - d. require all parties to use electronic contracting if the seller prefers it.
19. The compensation plan in which a sales associate's commission split increases depending on whether the associate achieves higher production goals is the
 - a. procuring cause commission.
 - b. cooperating broker commission.
 - c. graduated commission split.
 - d. 100% commission plan.
20. What is the practice called when a consumer selects specific services to use and only pays the real estate professional for those services?
 - a. Unbundling services
 - b. Tie-in agreement
 - c. Discounted services
 - d. Allocation of markets
21. A seller had agreed to pay the listing broker a 5% commission on property that was sold for \$325,000. The listing broker offered a listing 40/60 selling split to any cooperating broker who sold the property. How much did the seller have to pay in commission fees?
 - a. \$9,100
 - b. \$11,375
 - c. \$13,650
 - d. \$16,250
22. The sales associate's agreement with the broker was a 40/60 split with the broker keeping 40% of the commission. The seller was charged 5.5%. How much did the sales associate receive if the associate listed and sold a house for \$279,500?
 - a. \$6,149.00
 - b. \$7,686.25
 - c. \$9,223.50
 - d. \$15,372.50
23. A broker listed a seller's home for \$425,000 with a 4% commission, plus \$3,000 for advertising costs. The buyer offered \$380,000, and after several counteroffers, finally agreed to \$400,000. What was the total cost to the seller?
 - a. \$16,000
 - b. \$18,000
 - c. \$19,000
 - d. \$20,000

24. Sales associates in a real estate brokerage are compensated based on this formula: 35% of the commission earned on any sale, less a \$200 per-transaction desk rental. Sales associates are responsible for paying 75% of all marketing and sales expenses for any property they list, and a \$75 per-transaction fee to cover the monthly expenses of advertising and marketing the brokerage's services. If a sales associate sold a house for \$500,000, with a 6% commission, how much would the associate be paid if the sale incurred \$800 in marketing and advertising costs?
- \$9,625
 - \$9,700
 - \$10,225
 - \$10,500
25. At a realty agency, sales associates pay a monthly desk rent of 15% of their monthly income. In May, one sales associate receives 5% on a \$560,000 sale; 6% on a \$348,000 sale; and 6.75% on an \$89,500 sale. The only other sales associate at the agency who received a commission in May got 6% on a \$410,000 sale. How much did the agency receive in May?
- \$7,095.97
 - \$11,928.19
 - \$12,251.53
 - \$14,945.00

Unit 9 Instructor Questions

- An individual who is authorized and consents to represent the interests of another person is
 - a customer.
 - a principal.
 - an agent.
 - a facilitator.
- A broker represents a seller but is currently working with a buyer to find a home. Assuming that no statute has replaced the traditional common law of agency, which of these correctly identifies the parties in this relationship?
 - The broker is the buyer's agent; the seller is the broker's client.
 - The buyer is the broker's client; the seller is the broker's principal.
 - The seller is the broker's customer; the buyer is the broker's client.
 - The broker is the seller's agent; the buyer is the broker's customer.
- The agent's obligation to use skill and expertise on behalf of the principal arises under which of these common-law duties?
 - Care
 - Obedience
 - Loyalty
 - Disclosure

4. An agent representing the seller has a duty to disclose to the principal all of these *EXCEPT*
 - a. offers that are ridiculously low.
 - b. the buyer's financial ability to offer a higher price.
 - c. the agent's advertising budget.
 - d. the buyer's intention to resell the property for a profit.
5. A broker has an agency agreement to represent the seller of a house. The agreement's expiration date is June 10. On May 5, the house is struck by lightning and burns to the ground. The seller, overwhelmed by grief, dies. Based on these facts, which of these is *TRUE*?
 - a. The agency agreement was terminated by the fire, although the seller's death also would have done so.
 - b. The agency agreement was not terminated until the seller's death.
 - c. If the house had not been destroyed by the fire, the seller's death would not have terminated the agreement; the broker would become the broker for the seller's estate.
 - d. Only the mutual agreement of the parties can terminate a valid agency agreement before its expiration date.
6. A person who is designated by the principal in a broad range of matters related to a particular transaction or activity is a
 - a. facilitator.
 - b. special agent.
 - c. designated agent.
 - d. general agent.
7. A real estate broker signed an agency agreement with a seller. The asking price for the seller's house was \$499,000. A few days later, the broker met a prospective buyer who was interested in buying a home in the \$480,000 to \$510,000 price range. The broker agreed to help the buyer locate such a property and to represent the buyer in negotiating a favorable purchase price. Based on these facts, which of these statements is *TRUE*?
 - a. The broker's relationships and the buyer and seller are separate issues, and no dual agency question arises.
 - b. The seller is the broker's client, and the buyer is the broker's customer; there is no dual agency problem.
 - c. The broker has created a potential undisclosed dual agency problem and should disclose the relationships to both parties before showing the seller's home to the buyer.
 - d. The broker has created a dual agency problem and should immediately terminate the agreement with either the buyer or seller.
8. A broker is showing a house to a prospective buyer. The broker points out the rustic charm of the sagging front porch and refers to a weed-choked backyard as a delightful garden. The broker is engaging in
 - a. intentional misrepresentation.
 - b. negligent misrepresentations.
 - c. puffing.
 - d. fraud.

9. A house built over a ditch covered with decaying timber or a house with ceilings that are improperly attached to the support beams, neither condition being visible as yet, are examples of
 - a. stigmatized properties.
 - b. environmental hazards.
 - c. latent defects.
 - d. conditions that need not be disclosed.
10. The seller's agent has certain duties to the client-principal. All of these are duties of the principal *EXCEPT*
 - a. cooperating with the agent.
 - b. compensating the agent.
 - c. suggesting marketing strategies to the agent.
 - d. dealing with the agent in good faith.
11. Every state has a mandatory agency disclosure law that stipulates
 - a. how an implied agency may occur.
 - b. when, how, and to whom agents must reveal for whom they provide client-based services.
 - c. restrictions on disclosure of confidential information.
 - d. how a customer may be indistinguishable from a client.
12. In a real estate sales transaction, who is the agent's principal?
 - a. Seller
 - b. Buyer
 - c. Person who pays the commission
 - d. Whoever hired the agent
13. A broker was hired to represent the seller, to market the property, and to solicit offers to purchase. The broker is called a
 - a. general agent.
 - b. special agent.
 - c. facilitator.
 - d. nonagent.
14. A house was the scene of a drug arrest and a violent murder last year. When it was listed on the market, many people considered it to be a
 - a. latent property.
 - b. stigmatized property.
 - c. damaged property.
 - d. property with a material defect.
15. All of these will terminate an agency relationship *EXCEPT*
 - a. the death of either party.
 - b. destruction of the property.
 - c. an offer made on the property.
 - d. expiration of the agreement.

16. What is a seller's agent required to disclose to prospective buyers about material defects in the property?
 - a. Only information about material defects the seller has provided the agent
 - b. Only information about material defects that the agent has personally observed
 - c. Both information the seller has provided the agent, and material defects that the agent has personally observed
 - d. All information about material defects that the agent knows or should know
17. Which of these statements could be negligent misrepresentation?
 - a. "The uneven floors just mean that the building dates to colonial times."
 - b. "I think these low doorways are a charming part of the Cape Cod style."
 - c. "The simple design is uncluttered and can give you many possibilities for decor."
 - d. "The size of the bedrooms makes them wonderfully cozy and perfect for your children."
18. The seller's agent is aware that a new landfill has been approved for development on a nearby property but does not disclose this information to a buyer. This could be an example of
 - a. negligent misrepresentation.
 - b. a latent defect.
 - c. fraudulent misrepresentation.
 - d. unnecessary disclosure.
19. A key element of an agent's fiduciary responsibility of loyalty is to
 - a. report the status of all funds received from or on behalf of the principal.
 - b. avoid conflicts of interest.
 - c. obey the principal's instructions in accordance with the contract.
 - d. reveal relevant information or material facts.
20. When a broker places trust funds of others into the company's operating account and then withdraws funds for the firm's use, what illegal practice has taken place?
 - a. Escrowing
 - b. DBA accounting
 - c. Conversion
 - d. Asset-liability management

Unit 10 Instructor Questions

1. In a buyer representation agreement, the broker acts as the agent of the buyer and must protect the buyer's interests
 - a. at all points in the transaction.
 - b. only during property showings.
 - c. until the representation agreement is signed.
 - d. only when negotiating on behalf of the buyer.

2. A homeowner listed the home for sale with a broker. When the owner sold the home without the broker's assistance, no one was owed a commission. Based on these facts, what type of listing did the broker and the owner most likely sign?
 - a. Exclusive-right-to-sell listing
 - b. Net listing
 - c. Multiple listing
 - d. Open listing
3. All of this information is generally included in a listing agreement *EXCEPT*
 - a. lot size.
 - b. termination clause.
 - c. client's specific requirements for a suitable property to buy.
 - d. property condition disclosures.
4. When may a broker's agreement to represent a property buyer be terminated?
 - a. The property buyer dislikes all of the properties shown by the broker.
 - b. Only agreements between brokers and sellers can be terminated.
 - c. The broker and buyer mutually agree to cancel the agreement.
 - d. None of these
5. A listing agreement is
 - a. a contract between the buyer and the seller.
 - b. a contract to purchase real property.
 - c. an employment agreement between the broker and the sales associate.
 - d. an employment contract between the seller and the broker.
6. Who are the parties to a listing agreement?
 - a. Buyer and seller
 - b. Seller and broker
 - c. Seller and sales associate
 - d. Buyer and sales associate
7. There are five different brokerage signs in the front yard of a home for sale. Evidently, the seller has signed
 - a. an exclusive agency listing.
 - b. an exclusive right-to-sell listing.
 - c. a net listing.
 - d. an open listing.
8. A broker just explained the value of signing an exclusive agency listing with a broker who is a member of the multiple listing service. The broker is trying to overcome the misconceptions of the seller who asked about
 - a. an open listing.
 - b. an option listing.
 - c. an exclusive right-to-sell listing.
 - d. a net listing.

9. What kind of listing agreement is illegal in many states because of the potential for conflict of interest between a broker's fiduciary responsibility to the seller and the broker's profit motive?
 - a. Open listing
 - b. Net listing
 - c. Exclusive right-to-sell
 - d. Exclusive agency listing
10. Buyer agents typically are compensated in any of these ways *EXCEPT*
 - a. flat fee for service.
 - b. percentage of selling price.
 - c. hourly rate.
 - d. percentage of list price.
11. Any of these will terminate a listing agreement *EXCEPT*
 - a. performance.
 - b. expiration.
 - c. an offer to purchase.
 - d. abandonment by broker.
12. A broker is retiring and wants to submit the firm's listings to another broker. How can the broker do this?
 - a. The broker must sign over the listings to the new broker.
 - b. The new broker has to sign an acceptance agreement.
 - c. Each sales associate must sign over the listings to the new broker.
 - d. Each seller must agree to a new listing with the new broker.
13. In which of these types of listing agreements is the broker appointed as the seller's only agent?
 - a. Exclusive right-to-sell and exclusive agency listings
 - b. Open listing
 - c. Net listing
 - d. Option listing
14. In most states, a broker's license can be suspended or revoked if the broker
 - a. breaches the terms of the listing agreement.
 - b. cancels the listing agreement without cause.
 - c. takes a listing that does not include a date on which the listing expires.
 - d. does not include an automatic extension clause in the listing agreement.
15. What information is *NOT* needed for a listing agreement?
 - a. The dimensions of the lot
 - b. The possibility of seller financing
 - c. The age of the seller
 - d. The most recent property taxes

16. An example of personal property that a seller may leave with the real estate and which, therefore, *must* be identified on the listing agreement is
 - a. a built-in dishwasher.
 - b. the door key.
 - c. stacked firewood.
 - d. a ceiling light fixture.
17. A brokerage charged the seller \$1,000 as an advertising fee and 4% of the selling price. The house was listed for \$439,500 and sold for \$429,350. What was the total amount the seller paid the brokerage?
 - a. \$15,174
 - b. \$15,580
 - c. \$16,580
 - d. None of these
18. A seller agreed to a 5% commission on a sale price of \$175,000. The brokerage split with salespeople is 30/70, with 30% remaining with the company. How much is the sales associate's share if the sales associate both lists and sells the property?
 - a. \$2,625
 - b. \$6,125
 - c. \$8,750
 - d. None of these
19. It is the broker's office policy that a sales associate keep 60% of the firm's share of any commission earned from any property the associate lists. A sales associate listed a property that was later sold by a cooperating broker for \$285,000. If the two brokers agree to split the 6.5% commission equally, what will the sales person receive?
 - a. \$5,557.50
 - b. \$6,092.00
 - c. \$7,235.25
 - d. \$7,654.00
20. The commission on the sale of a house was \$16,500, which was based on a 7.5% commission rate. What was the final selling price of the house?
 - a. \$127,000
 - b. \$145,000
 - c. \$199,000
 - d. \$220,000
21. The broker listed a home for \$360,000 under a 90-day exclusive right-to-sell listing agreement with a 6% commission. The next week, the broker began advertising the home in a local paper and showed the property to two prospective buyers. Later that week, the seller announced that to the property would be sold to a relative for \$340,000. The seller is liable to the broker for
 - a. \$1,200.
 - b. \$20,400.
 - c. \$21,600.
 - d. none of these.

Unit 11 Instructor Questions

1. Which of these is an example of a unilateral contract?
 - a. Lease
 - b. Agreement of sale
 - c. Option
 - d. Listing agreement
2. A seller accepted all the terms that the buyer offered, making only one small change in the amount of the earnest money. At the moment, these agreements constitute
 - a. an offer.
 - b. a counteroffer.
 - c. an acceptance.
 - d. an executed contract.
3. After making an offer but prior to receiving any response from the seller, a buyer decided against buying a particular lot. The buyer called the agent and said, "Withdraw my offer." The buyer's action is called a
 - a. counteroffer.
 - b. rejection.
 - c. breach of contract.
 - d. revocation.
4. A real estate broker announces to the firm's sales associates that the top-selling sales associate each quarter will receive a \$1,000 bonus. This constitutes an
 - a. implied bilateral contract.
 - b. express unilateral contract.
 - c. implied unilateral contract.
 - d. express bilateral contract.
5. A buyer makes an offer on a house, and the seller accepts in writing. What is the current status of this relationship?
 - a. The buyer and seller do not have a valid contract until the seller delivers title at closing.
 - b. The buyer and seller have an express, bilateral executed contract.
 - c. The buyer and seller have an express, bilateral executory contract.
 - d. The buyer and seller have an implied, unilateral executory contract.

6. A buyer offers the full \$215,000 asking price for a house. The offer contains this clause: "Possession of the premises on August 1." The seller is delighted to accept the offer and signs the contract. First, however, the seller crosses out "August 1" and replaces it with "August 3," because of a business trip scheduled for the first of the month. The seller immediately books a moving company.. What is the status of this agreement?
 - a. Because the seller changed the date of possession rather than the amount of the offer, the seller and buyer have a valid contract.
 - b. The seller has accepted the buyer's offer. Because the reason for the change was out of the seller's control, the change is of no legal effect once the seller signed the contract.
 - c. The seller has rejected the buyer's offer and made a counteroffer, which the buyer is free to accept or reject.
 - d. While the seller technically rejected the buyer's offer, the seller's behavior in scheduling movers creates an implied contract between the parties.
7. A contract that is entered into by a person who is under the age of contractual capacity is
 - a. unenforceable.
 - b. void.
 - c. voidable.
 - d. valid.
8. A buyer wants to take over the seller's mortgage. The lender releases the seller from the obligation, substituting the buyer as the party liable for the debt. This new agreement is called
 - a. an assignment.
 - b. a novation.
 - c. a conversion.
 - d. a consideration.
9. A buyer and a seller enter into a sales contract for the sale of a home. The seller backs out of the deal at the last minute, and the buyer suffers a financial loss of \$1,500 as a result and must rent a home in which to live. Unless the contract provides otherwise, all of these are legal actions that are likely to succeed *EXCEPT*
 - a. the buyer may sue the seller for specific performance, forcing the sale of the home to the buyer.
 - b. the buyer may sue the seller for damages to recover the \$1,500 loss.
 - c. the seller is not liable because the buyer should not have incurred the \$1,500 cost before the sale.
 - d. the buyer may sue the seller for the rent paid.

10. On March 7, a buyer and a seller execute a contract for the purchase of the seller's property. Closing is set for June 10. On April 15, the property is struck by lightning and destroyed by the resulting fire. If the Uniform Vendor and Purchaser Risk Act has been adopted by the state in which the property is located, which party bears liability for the loss?
 - a. Under the act, the buyer and the seller share the loss equally.
 - b. Under the act, the seller bears the loss alone.
 - c. The act does not apply. The buyer bears the loss alone, as the holder of equitable title.
 - d. Under the act, neither the buyer nor the seller bears the loss. A state fund covers the loss.
11. A buyer makes an offer to buy a seller's house. Pursuant to this offer, the buyer is obligated to perform only if the buyer is first able to sell a condominium. This is an example of
 - a. a mortgage contingency.
 - b. an option contingency.
 - c. a time-is-of-the-essence contingency.
 - d. a property sale contingency.
12. All of these are essential to a valid real estate sales contract *EXCEPT*
 - a. offer and acceptance.
 - b. consideration.
 - c. an earnest money deposit, held in an escrow account.
 - d. legally competent parties.
13. A 14-year-old comes into a brokerage office and says, "I want to make an offer on this property. Here is a certified check for 10% of the asking price. Please help me with the paperwork." Why should the broker be concerned?
 - a. Because one of the parties is a minor, the contract is illegal.
 - b. The earnest money deposit must be at least 20% of the asking price when a minor is involved in the transaction.
 - c. The sales contract may be disaffirmed by the minor.
 - d. The sales contract will be void because the minor's age is a matter of public record.
14. In case the buyer decides not to buy for no legal reason, the contract may provide that the earnest money is there as
 - a. actual damages.
 - b. nominal damages.
 - c. punitive damages.
 - d. liquidated damages.
15. The buyer and seller agreed to a closing date of September 7 and that *time is of the essence*. Which of these is the closest meaning of the phrase?
 - a. The date of closing may only be delayed by one day at a time.
 - b. If closing is not held on September 7, there is an automatic extension built in.
 - c. Closing must be on or before September 7.
 - d. If either party gives notice, the date can be moved back.

16. Which of these is NOT typically a factor in determining the amount of the earnest money deposit?
 - a. Whether it is an amount sufficient to cover the broker fees
 - b. Whether it is an amount sufficient to discourage the buyer from defaulting
 - c. Whether it is an amount sufficient to compensate the seller for taking the property off the market
 - d. Whether it is an amount sufficient to cover any expenses the seller might incur if the buyer defaults
17. If a property owner is threatened with violence to force a sale of the property for a low price, the contract is voidable because there is lack of
 - a. consent.
 - b. discharge.
 - c. consideration.
 - d. offer and acceptance.
18. If a contract seems to be valid, but neither party can sue the other to force performance, the contract is said to be
 - a. voided.
 - b. breached.
 - c. rescinded.
 - d. unenforceable.
19. What is minimum consideration in a valid contract?
 - a. One dollar
 - b. Any item that can be appraised with a market value
 - c. Specified goods or services
 - d. Anything the parties agree is good and valuable
20. If a contract does *NOT* contain a time or date for performance, it should be executed within
 - a. a reasonable time.
 - b. one week.
 - c. two weeks.
 - d. one month.
21. If a seller allows a buyer to back out of a contract, returns the earnest money to the buyer, and both are back to the positions they held before the contract, the contract has been
 - a. cancelled.
 - b. rescinded.
 - c. assigned.
 - d. executed.
22. When is an offer considered to be accepted?
 - a. When the broker notifies the buyer that the seller has accepted the offer
 - b. When the buyer gives a signed receipt to the broker to show the buyer has received the acceptance
 - c. The moment the seller accepts the buyer's offer
 - d. One business day after the offer is accepted and signed by the seller

23. Additional conditions that must be satisfied before a sales contract is fully enforceable are called
 - a. binders.
 - b. amendments.
 - c. addenda.
 - d. contingencies.
24. The amount of the earnest money in a sales contract should
 - a. cover any expenses the buyer might incur if the seller defaults.
 - b. discourage the buyer from walking away from the agreement.
 - c. pay the broker's commission.
 - d. pay for any required inspections.
25. The term *statute of limitations* is *BEST* described as the limitation on the
 - a. time period in which parties to a contract may bring a lawsuit to enforce their rights.
 - b. parties' ability to demand a "time is of the essence" clause in a sales contract.
 - c. amount of damages that can be claimed in the event of breach.
 - d. broker's right to a commission.

Unit 12 Instructor Questions

1. A couple are married, 65 years old, and retired. They have almost \$800,000 in equity in their home, but they don't have enough cash to travel as they have always dreamed of doing. The couple should consider which of these financing alternatives?
 - a. Novation
 - b. An adjustable-rate mortgage
 - c. A reverse mortgage
 - d. A growing equity mortgage
2. A document that indicates that a loan has been made is called a
 - a. promissory note.
 - b. mortgage.
 - c. deed of trust.
 - d. satisfaction.
3. A homeowner defaults on a mortgage and the lender forecloses. The lender's foreclosure suit is filed on March 15, and a court-ordered sale is to occur on August 10. If the homeowner attempts to redeem the property on August 1, which of these statements applies?
 - a. The homeowner is exercising a statutory right of redemption.
 - b. The homeowner is exercising an equitable right of redemption.
 - c. The homeowner's attempt to redeem the property is too early; by statute, the homeowner must wait until after the sale.
 - d. The homeowner cannot redeem the property after a foreclosure suit is filed.

4. A house is listed for \$250,000. It is purchased for \$230,000, with a 20% down payment and the balance financed with a fixed-rate mortgage at 5%. The lender charges four points. If there are no other closing costs involved, how much money does the buyer need at closing?
 - a. \$7,360
 - b. \$26,000
 - c. \$46,000
 - d. \$53,360
5. One afternoon, a client calls a real estate broker. "My lender just told me that my note and mortgage is a negotiable instrument," says the client. "What does that mean?" Which of these would be the broker's *BEST* response?
 - a. "That's great! It means the lender is willing to negotiate on the interest rate."
 - b. "Oh no! That means the mortgage can't be assumed by the next person you sell to."
 - c. "Don't worry. That means the mortgage can be sold by the lender, but you're not affected."
 - d. "Uh-oh! That means we have to go back to the sellers and ask them to pay the points."
6. A deed of trust involves all of these terms *EXCEPT*
 - a. lender.
 - b. borrower.
 - c. trustee.
 - d. mortgagor.
7. In a lien theory state a buyer purchases property and gives the seller a mortgage as part of the purchase price. The buyer is the borrower and the seller is the lender. Which of these statements is *FALSE*?
 - a. The buyer retains equitable title to the property.
 - b. If the buyer defaults on the loan, the seller must undergo a formal foreclosure proceeding to recover the security.
 - c. The buyer has given legal title to the seller.
 - d. The seller has only a lien interest in the property.
8. A basic form homeowners insurance policy provides coverage against
 - a. floods.
 - b. fire, lightning, and smoke damage.
 - c. damage due to the weight of ice, snow, or sleet.
 - d. falling objects.
9. A mortgage company charges borrowers a 1.5% loan origination fee. A house is purchased for \$210,000, with a \$50,000 down payment. The buyer applies for a mortgage to cover the balance. What will the mortgage company charge as a fee if the asking price of the house was \$235,000?
 - a. \$2,400
 - b. \$3,150
 - c. \$3,525
 - d. \$3,750

10. A mortgage document contains the clause: "In the event of Borrower's default under the terms of this Agreement, Lender may declare the entire unpaid balance of the debt due and payable immediately." This clause is called
 - a. a hypothecation clause.
 - b. an acceleration clause.
 - c. a defeasance clause.
 - d. a release clause.
11. This month, a homeowner made the last payment on a mortgage loan. The lender must execute a
 - a. release deed.
 - b. promissory note.
 - c. possessory note.
 - d. satisfaction of mortgage.
12. A growing equity mortgage is also called a
 - a. straight loan.
 - b. balloon payment loan.
 - c. rapid-payoff mortgage.
 - d. reverse mortgage.
13. A buyer purchases property for \$45,000 in cash and assumes the seller's outstanding mortgage balance of \$98,500. The lender executes a release for the seller. The buyer fails to make any mortgage payments, and the lender forecloses. At the foreclosure sale, the property is sold for \$75,000. Based on these facts, who is liable, and for what amount?
 - a. The seller is solely liable for \$23,500.
 - b. The buyer is solely liable for \$23,500.
 - c. The buyer and the seller are equally liable for \$23,500.
 - d. The buyer is solely liable for \$30,000.
14. The decision whether to buy or rent should involve consideration of
 - a. whether or not the property is located in a title theory state.
 - b. the terms of the security agreement.
 - c. housing affordability and current mortgage interest rates.
 - d. the availability of a reverse mortgage.
15. A borrower defaulted on a mortgage loan, leaving an unpaid balance of \$95,000. After receiving only \$85,000 from the sale of the property, the lender filed for a
 - a. lis pendens.
 - b. release deed.
 - c. satisfaction piece.
 - d. deficiency judgment.

16. The owner of a parcel of property defaulted on the purchase loan and the trustee immediately sold the property to recover the debt. The trustee acted under the terms of the security instrument. Based on these facts, which of these statements is *TRUE*?
 - a. The exercise of this power of sale clause is an example of strict foreclosure.
 - b. The trustee's sale of the property was illegal unless the owner's state permits a so-called friendly foreclosure.
 - c. The exercise of this power of sale clause is an example of nonjudicial foreclosure.
 - d. The owner could have exercised the statutory right of redemption at any time prior to the trustee's sale of the property.
17. The difference between the interest rate that the lender charges and what the investor demands can be made up by charging
 - a. discount points.
 - b. loan origination fees.
 - c. satisfaction fees.
 - d. underwriting fees.
18. What is the term that refers to a lender charging an interest rate that is higher than that permitted by law?
 - a. Alienation
 - b. Usury
 - c. Hypothecation
 - d. Defeasance
19. Parties to lending agreements are referred to by different terms. Which of these refers to the same party?
 - a. Borrower = beneficiary
 - b. Borrower = mortgagor
 - c. Trustee = borrower
 - d. Trustor = mortgagee
20. The lender wants to call the entire note due and payable if the borrower stops making payments, so the security instrument must include
 - a. an acceleration clause.
 - b. a defeasance clause.
 - c. an alienation clause.
 - d. a prepayment clause.
21. When a deed of trust is the security instrument, which party usually chooses the trustee?
 - a. The borrower
 - b. The lender
 - c. The devisee
 - d. The county government

22. Lenders charge a loan origination fee to
 - a. guard against charges of usury.
 - b. cover the losses involved if the borrower repays the loan before the end of the loan term.
 - c. cover the expenses involved in generating the loan.
 - d. guard against losses in the event of a short sale.
23. How does an acceleration clause help lenders?
 - a. Without the acceleration clause, lenders would have to sue the borrower for every overdue payment.
 - b. Lenders would rather foreclose on property than hold a long-term loan.
 - c. It results in a deed in lieu of foreclosure rather than the default process.
 - d. It sets out the provisions for the impound account.
24. After a foreclosure sale, what responsibility does the purchaser have for the mortgage and any junior liens?
 - a. The purchaser pays off the mortgage after the sale, but the junior lienholders receive nothing.
 - b. The mortgage holder receives funds from the sale, but the purchaser must pay off the junior lienholders to obtain title.
 - c. The purchaser must pay off both the mortgage and junior lienholders after the sale.
 - d. The purchaser has no responsibility because the purchaser receives the property title without the mortgage and junior liens.
25. What is a major disadvantage to lenders of accepting a deed in lieu of foreclosure?
 - a. The lender takes the real estate subject to all junior liens.
 - b. The lender gains rights to private mortgage insurance.
 - c. The process is lengthy and involves a lawsuit.
 - d. It is an adverse element in the borrower's credit history.

Unit 13 Instructor Questions

1. All of these are roles of the Federal Reserve System *EXCEPT*
 - a. help counteract inflationary trends.
 - b. create a favorable economic climate.
 - c. maintain sound credit conditions.
 - d. make direct loans to buyers.
2. A lender who collects payments, processes them, and follows up on loan delinquencies is said to
 - a. increase the yield to the lender.
 - b. service the loan.
 - c. insure loan payments.
 - d. underwrite the loans.

3. The primary mortgage market lenders that have most recently branched out into making mortgage loans are
 - a. credit unions.
 - b. endowment funds.
 - c. insurance companies.
 - d. savings associations.
4. The Federal Deposit Insurance Corporation (FDIC) does which of these?
 - a. Administers Freddie Mac and Ginnie Mae
 - b. Administers Freddie Mac only
 - c. Insures deposits in participating institutions up to \$250,000 per depositor, per account
 - d. Services loans
5. One way a borrower can obtain a conventional mortgage loan with a lower down payment than 20% of the purchase price is by
 - a. obtaining a package loan.
 - b. obtaining a blanket loan.
 - c. obtaining private mortgage insurance.
 - d. obtaining permission from the FDIC.
6. A package loan includes
 - a. real and personal property.
 - b. private mortgage insurance.
 - c. multiple parcels or lots.
 - d. cash for the construction of improvement on real estate.
7. To qualify for most conventional loans, the borrower's monthly housing expenses and total other monthly obligations cannot exceed what percent of the total gross monthly income?
 - a. 28%
 - b. 36%
 - c. 41%
 - d. 45%
8. What does private mortgage insurance cover?
 - a. Pays the lender if the borrower dies
 - b. Reimburses the cosigner if the borrower defaults
 - c. Protects the top 20 to 30% of the loan against borrower default
 - d. Pays the borrower if the borrower loses the house to a title claim
9. Regulation Z generally applies to
 - a. a credit transaction secured by a residence.
 - b. business loans.
 - c. commercial loans.
 - d. agricultural loans of more than \$25,000.

10. The amount of the loan a veteran can obtain under the VA's loan guarantee program is determined by
 - a. the VA, which set a dollar limit on the loan.
 - b. the lender and the qualification of the buyer.
 - c. the appraised value of the property purchased.
 - d. loan qualification criteria established by the VA.
11. The VA-approved property appraisal is stated in the
 - a. certificate of reasonable value.
 - b. broker's price opinion.
 - c. certificate of eligibility.
 - d. guarantee certificate.
12. All of these are lenders in the primary mortgage market *EXCEPT*
 - a. endowment funds.
 - b. mortgage brokers.
 - c. insurance companies.
 - d. credit unions.
13. The Homeowner's Protection Act of 1998 (HPA) requires that the lender automatically
 - a. lower the interest rate on a mortgage.
 - b. terminate the private mortgage insurance payment if the borrower has accrued at least 22% equity in the home.
 - c. provide for a home equity line of credit.
 - d. allow for refinancing terms if requested by the borrower.
14. A house sold for \$240,000 and the buyer obtained a loan for \$220,000. If the lender charges three points, how much will the buyer pay in points?
 - a. \$5,335
 - b. \$6,600
 - c. \$6,950
 - d. \$7,540
15. On which type of loan can the borrower prepay without penalty?
 - a. Loans sold to Fannie Mae and Freddie Mac
 - b. FHA loans
 - c. VA loans
 - d. All of these
16. The Equal Credit Opportunity Act prohibits discrimination in the lending process based on
 - a. race.
 - b. religion.
 - c. marital status.
 - d. all of these.

17. The asking price for a home was \$585,000; the buyer offered \$565,000 and the seller accepted. The appraised value of the home is \$560,000. The buyer plans to pay \$94,600 in cash and take out a mortgage for the remainder. What is the LTV for this property?
- 82%
 - 83%
 - 84%
 - 85%
18. A buyer is purchasing property from a seller who bought the property on December 20, 2012, with an FHA loan and has lived there ever since. Because of its favorable terms, the buyer would like to assume the seller's mortgage. Is this possible?
- Yes, there are no restrictions on the assumption of this mortgage.
 - Yes, but the buyer will have to undergo the complete buyer qualification process.
 - Yes, but the buyer will have to undergo a creditworthiness review only.
 - No, this FHA loan is not assumable.
19. A veteran served for six months on active duty in Vietnam in 1967. In 1998, the veteran was killed in a skiing accident. The veteran's surviving spouse wishes to make a down payment on a condominium and wants to obtain a VA-guaranteed loan. Is the surviving spouse entitled to a VA-guaranteed loan?
- Yes, the unremarried spouse of a qualified veteran is entitled to a VA-guaranteed loan.
 - Yes, whether or not the surviving spouse remarries, the surviving spouse is entitled to the same VA benefits that the veteran was during the veteran's lifetime.
 - No, the veteran's death was not service-related.
 - No, the veteran did not meet the time-in-service criteria for qualified veterans.
20. Which of these makes direct loans to qualified borrowers?
- VA
 - FSA
 - Fannie Mae
 - FHA
21. A buyer is purchasing a fully furnished condominium unit. In this situation, the buyer would be *MOST likely* to use a
- package loan.
 - blanket loan.
 - wraparound loan.
 - buydown.
22. Foreclosure sales of FHA-insured homes are conducted by:
- FHA.
 - HUD.
 - VA.
 - the lender.

23. The Equal Credit Opportunity Act prohibits lenders from discriminating against credit applicants on the basis of all of these factors *EXCEPT*
- religion.
 - past credit history.
 - income from public assistance.
 - marital status.
24. Lenders that make conventional loans to sell in the secondary mortgage market follow the standardized forms and guidelines issued by Fannie Mae and
- the FSA.
 - the FHA.
 - Ginnie Mae.
 - Freddie Mac.
25. Which of these may lawfully be used as part of a loan application evaluation process?
- The applicant's religious beliefs
 - The fact that the borrower is over 40 years old
 - A credit score
 - None of these
26. The real estate financing market is comprised of
- the primary and secondary mortgage markets.
 - Fannie Mae and Ginnie Mae.
 - the primary and secondary mortgage markets, plus government influences such as the Federal Reserve system.
 - none of these.
27. A 16-year-old female applied for a conventional loan in order to purchase a condominium. The lender denied the application, citing the applicant's age as the reason for the denial. Which of these is *TRUE*?
- The lender violated the ECOA because the applicant is female and sex cannot be a lending consideration.
 - The lender violated the ECOA because lending decisions cannot be based on age.
 - The lender lawfully denied the application because the applicant was under 18 and therefore was too young to legally sign a contract.
 - None of these.
28. What helps lenders reduce the risk on a conventional mortgage loan with a high LTV?
- Private mortgage insurance
 - Flood insurance
 - Sale-and-leaseback arrangement
 - Home equity

Unit 14 Instructor Questions

Note that some state licensing exams use a 360-day year and a 30-day month for proration calculations, while others use the actual number of days in the month and year. You may wish to concentrate your teaching on the questions that more closely apply to your state.

For questions 1 through 4, prorate using a 30-day month and a 360-day year, prorate the taxes as of the close of escrow, and split the escrow fee 50-50 between the parties. Closing is July 31. Use these relevant facts:

- Purchase price: \$250,000 cash
- Earnest money: \$10,000
- Commission rate: 5%, split 50-50
- Revenue stamps: \$250
- Real estate taxes: \$3,500 (paid in full for current tax year of Jan. 1 through Dec. 31)
- Water bill: \$450 (six months paid to Sept. 15)
- Title insurance: \$953.51
- Recording fee: \$20
- Escrow fee: \$868
- Loan balance: \$94,500 (existing loan, including credit for the reserve account)

1. What amount is the buyer debited for the real estate taxes?
 - a. \$1,458.33
 - b. \$1,467.10
 - c. \$2,021.90
 - d. \$2,033.00
2. What amount is the seller debited for the broker's commission?
 - a. \$7,500
 - b. \$16,500
 - c. \$12,500
 - d. \$25,000
3. What amount of the escrow fee will the buyer pay?
 - a. \$360
 - b. \$434
 - c. \$460
 - d. \$468

4. What amount is the buyer debited for the water bill?
 - a. \$100.00
 - b. \$115.00
 - c. \$117.50
 - d. \$112.50

5. A sale is closing on August 31. Real estate taxes have not been paid for the current year. The tax is estimated to be \$1,800. What amount of proration will be credited to the buyer (use a statutory year)?
 - a. \$1,100
 - b. \$1,200
 - c. \$1,485
 - d. \$1,500

6. A seller would be responsible for providing all of these items *EXCEPT*
 - a. documents necessary to clear any clouds on the title.
 - b. affidavits of title.
 - c. the deed.
 - d. preparation of mortgage and note.

7. What form must be provided to a loan applicant within three business days of application?
 - a. Closing Disclosure
 - b. Settlement Transfer
 - c. Loan Estimate
 - d. Mortgage Servicing

8. If a fully occupied rental apartment building is sold, how will the tenants' security deposits be reflected on the closing statement?
 - a. Credit seller, debit buyer
 - b. Debit both seller and buyer
 - c. Credit buyer, debit seller
 - d. None of these

9. A single-family home is subject to an existing 30-year mortgage of \$286,500 at a fixed rate of 4%. Under the terms of the contract for the sale of the home, the buyer will assume the seller's mortgage at 4% interest and pay the federally insured lender's assumption fee of \$100. In addition, the seller will assist the buyer by taking back a purchase-money mortgage in the amount of \$25,000 at 5% interest. Is this transaction subject to RESPA?
 - a. No, because this transaction involves a purchase money mortgage taken back by the seller.
 - b. No, because the terms of the assumed loan were not changed.
 - c. Yes, because the seller is taking back a purchase money mortgage at an interest rate higher than that charged for the assumed loan.
 - d. Yes, because the lender's fee on the assumed loan is more than \$50.

10. Since 2012, a real estate broker has had an understanding with two of the five mortgage lenders in town. The broker recommends only those two lenders to clients and does not tell clients about any other lenders. In return, the recommended lenders pay for the vacations the broker offers sales associates as rewards for high performance. Based on these facts, which of these statements is *TRUE*?
- The broker is not doing anything illegal.
 - Because this arrangement has been in existence for more than five years, it is exempt from RESPA.
 - This is a permissible affiliated business arrangement under RESPA because the broker is not paid a fee for the recommendations.
 - The broker's arrangement with the lenders is an illegal kickback under RESPA.
11. All of these items are usually prorated at closing *EXCEPT*
- prepaid general real estate taxes.
 - interest on an assumed loan.
 - appraisal fees.
 - rents collected in advance.

For questions 12 through 14, prorate using the actual number of days in the month and year. Split the escrow fee 50-50. The seller will pay the revenue stamps, and the buyer will pay title insurance and the recording fee. The buyer assumes the existing mortgage balance of \$127,042.42, the buyer will pay in cash at closing the difference between the purchase price and the loan balance, and the present monthly payment on the loan is \$1,001.40. Closing is October 15. Use these relevant facts:

- Purchase price: \$350,000
- Earnest money: \$3,500
- Commission rate: 6% split 50-50
- Real estate taxes: \$2,900 (paid in full for the current year Jan. 1 through Dec. 31)
- Escrow fee: \$800
- Title insurance: \$1,150
- Insurance policy: \$758 (annual premium)
- Revenue stamps: \$126.30
- Recording fee: \$30
- Interest rate: 3.75% (paid in arrears, with the next payment due Nov. 1)

12. What are the prorated real estate taxes to be charged to the buyer?
 - a. \$604.20
 - b. \$611.78
 - c. \$690.67
 - d. \$728.30
13. What will be the amount of commission paid to the cooperating broker?
 - a. \$8,750
 - b. \$10,500
 - c. \$17,500
 - d. \$21,000
14. What amount will the seller receive at the closing?
 - a. \$201,847.28
 - b. \$205,572.33
 - c. \$208,654.34
 - d. \$217,749.28
15. How is earnest money treated if the buyer does not default and shows up for closing?
 - a. Credit seller
 - b. Debit buyer
 - c. Credit buyer
 - d. Debit seller

Unit 15 Instructor Questions

1. Generally, in a court-ordered sale, which of these is paid first?
 - a. First mortgage
 - b. Mechanics' liens
 - c. Child support liens
 - d. Real estate taxes
2. Which of these is an example of a specific, voluntary lien?
 - a. Decedent's debts
 - b. Internal Revenue Service liens
 - c. Mortgage lien
 - d. Corporate franchise liens
3. The millage breakout for ad valorem taxes is library: 0.5; school: 1; school debt service: 0.5; community college: 1; vocational school: 0.5; and all others: 5. If the property is assessed at \$165,000, how much is the tax bill?
 - a. \$1,200.25
 - b. \$1,402.50
 - c. \$1,405.75

- d. \$1,800.50
4. All of these are liens against real property *EXCEPT*
 - a. a mortgage.
 - b. real estate taxes.
 - c. lis pendens.
 - d. home improvement loan of a deceased property owner.
 5. Which of these characteristics applies to a real estate tax lien?
 - a. Specific, involuntary lien
 - b. Specific, voluntary lien
 - c. General, involuntary lien
 - d. General, voluntary lien
 6. Which of these would permit a law enforcement officer to seize and sell a debtor's property?
 - a. Lis pendens
 - b. Satisfaction of judgment
 - c. Writ of execution
 - d. Writ of attachment
 7. Which of these is a general, statutory, and involuntary lien on both real and personal property?
 - a. Federal tax lien
 - b. Mechanic's lien
 - c. Special assessment
 - d. Consumer loan lien
 8. In February, a homeowner signed an agreement with a general contractor to have a bathroom converted to a sauna, but the homeowner never paid for the work. The homeowner stopped making mortgage payments in June. The owner is two years delinquent in property taxes to the county. The state gives mechanics' liens priority. If all these creditors obtain judgments against the owner in November, what will be the priority of their liens (first to last)?
 - a. Contractor → mortgage company → county
 - b. County → mortgage company → contractor
 - c. Contractor → county → mortgage company
 - d. County → contractor → mortgage company
 9. A town wants to construct new concrete curbs in a residential neighborhood. How will the town most likely raise the money necessary for the improvement?
 - a. Ad valorem tax
 - b. Special assessment
 - c. Equalized assessment
 - d. Utility lien
 10. All of these liens must be recorded to be effective *EXCEPT*
 - a. money judgment.
 - b. mechanic's lien.
 - c. real estate tax lien.
 - d. voluntary lien.

11. The market value of an undeveloped parcel is \$40,000. Its assessed value is 40% of market value, and properties in this county are subject to an equalization factor of 1.50. If the tax rate is \$4 per \$100, what is the amount of the tax owed on the property?
 - a. \$480
 - b. \$960
 - c. \$1,080
 - d. \$1,800
12. To give notice of a potential claim against a property and to establish priority, a creditor may file
 - a. a lis pendens.
 - b. an attachment.
 - c. a general lien.
 - d. a specific lien.
13. A homeowner considered having a new garage built and talked about the project with a contractor. In April, while the homeowner was on vacation, the contractor began building the garage according to the discussed specifications. Work was complete by the end of May. In June, the homeowner returned from vacation and refused to pay for the garage. The contractor decided to file a mechanic's lien in July. Is the contractor entitled to a lien?
 - a. Yes, because the garage was constructed according to the homeowner's specifications.
 - b. Yes, because the garage is not a part of an owner-occupied residence.
 - c. No, because notice of the lien should have been filed in May, when the work was completed.
 - d. No, because there was no express or implied contract between the homeowner and the contractor.

Unit 16 Instructor Questions

1. A property is listed for sale at \$235,000. A buyer's offer of \$220,000 is rejected by the seller. Six months later, the seller reduces the price to \$225,000. Another buyer offers \$210,000, and the seller accepts because the seller has found another house to buy and needs to close quickly. The property is subsequently appraised at \$215,000. Which of these figures *MOST* accurately represents the property's market value?
 - a. \$210,000
 - b. \$215,000
 - c. \$225,000
 - d. \$235,000
2. Which appraisal approach would be *BEST* to appraise a 25-year-old owner-occupied house in a 30-year-old neighborhood?
 - a. Sales comparison
 - b. Income approach
 - c. Cost approach
 - d. GRM

3. When appraising a new home in which no one has ever lived, an appraiser will likely use the
 - a. sales comparison approach.
 - b. income approach.
 - c. cost approach.
 - d. GRM.
4. Assuming that all of the transactions are federally related, which of these properties would *NOT* have to be appraised by a state licensed or certified appraiser?
 - a. Commercial property valued at \$350,000
 - b. A condominium unit with a sale price of \$67,850
 - c. Residential property valued at \$262,500
 - d. Commercial property valued over \$1 million in a refinance
5. An appraiser's role is to
 - a. set price.
 - b. average value.
 - c. determine value.
 - d. form an opinion of value.
6. The principle that maximum value is realized when land use is in harmony with surrounding standards is
 - a. contribution.
 - b. conformity.
 - c. highest and best use.
 - d. competition.
7. With plans to build a large house in a neighborhood of smaller homes, a buyer purchases three neighboring lots from their three owners. What is the term for this activity?
 - a. Substitution
 - b. Plottage
 - c. Progression
 - d. Assemblage
8. A small house in a highly desirable neighborhood consisting of large homes is purchased for \$390,000. A nearly identical house in a neighborhood of similarly sized homes is purchased by a different buyer for \$290,000. What economic principle *BEST* describes the reason why one buyer paid more than the other?
 - a. Plottage
 - b. Substitution
 - c. Regression
 - d. Progression

9. It cost approximately \$350,000 to build a house and its various improvements on a parcel of property. If the property was vacant, undeveloped land, it would be worth about \$80,000. As it currently exists, the property's physical deterioration equals about \$60,000. If an appraiser were to apply the cost approach, what would be the value of this property?
- \$270,000
 - \$370,000
 - \$430,000
 - \$480,000
10. If a property is found in Fannie Mae's Collateral Underwriter (CU) database, it may qualify for a
- preliminary appraisal approval.
 - property inspection waiver.
 - Desktop Underwriter appraisal.
 - licensed appraiser review.
11. Air pollution from automobile traffic near a building with ornate exterior decoration has dissolved much of the intricate detail work. The cost of restoring the front of the building is roughly five times the building's present value. These facts describe
- curable external obsolescence.
 - incurable functional obsolescence.
 - incurable physical deterioration.
 - curable external deterioration.
12. The land on which a house was built is worth \$50,000. The house was constructed in 1990 at a cost of \$265,000 and was expected to last 50 years. None of the mechanical systems, roofing, or siding has been replaced in that time. Using the straight-line method, determine how much the house has depreciated by 2014.
- \$28,600
 - \$96,600
 - \$127,200
 - \$145,200
13. Which of these reports would a sales associate *MOST likely* research and deliver to a prospective seller?
- Comparative market analysis
 - Appraisal
 - Letter of intent
 - Cost benefit analysis

14. What is the GRM for a residential duplex with a selling price of \$234,000 if the monthly rent for each unit is \$925?
 - a. 1.054
 - b. 10.54
 - c. 126.5
 - d. 252.9
15. Which of these approaches is given the *greatest* weight in reconciling the values resulting from different appraisal approaches for a two-bedroom, owner-occupied home?
 - a. Income approach
 - b. Sales comparison approach
 - c. Cost approach
 - d. Market value approach
16. The characteristics of value include
 - a. demand, utility, scarcity, and transferability.
 - b. demand, utility, price, and transferability.
 - c. popularity, location, price, and transferability.
 - d. demand, scarcity, price, and popularity.
17. A house has been on the market for several months because most buyers do not want to walk through the master bedroom to reach another bedroom. This floor plan is an example of
 - a. regression.
 - b. economic obsolescence.
 - c. functional obsolescence.
 - d. physical deterioration.
18. A homeowner is considering installing a below-ground swimming pool, which may cost many thousands of dollars to build. The homeowner should consider the concept of
 - a. change.
 - b. competition with the neighbors.
 - c. conformity within the neighborhood.
 - d. contribution.
19. Which of these formulas is incorrect for the income approach?
 - a. $\text{Income} \div \text{value} = \text{rate}$
 - b. $\text{Income} \div \text{rate} = \text{value}$
 - c. $\text{Value} \div \text{rate} = \text{income}$
 - d. $\text{Value} \times \text{rate} = \text{income}$
20. A house is on the corner of a busy intersection. Two of the corners are occupied by gas stations, and directly across from the house is a fast food restaurant. The house's owners have been told that the property would be worth more if the lot were vacant. This is an example of
 - a. progression.
 - b. highest and best use.
 - c. regression.
 - d. conservation.

21. A two-unit apartment building is being appraised. In this neighborhood, the typical gross rent multiplier is 144. The annual income for the building is \$16,800 (both units rented). The monthly expenses are \$300. Based on the income approach, what is the estimated market value of the apartment building?
- \$201,600
 - \$224,800
 - \$232,500
 - \$258,600
22. An apartment building has \$65,000 in potential gross annual income. The vacancy rate is estimated at 5%, total operating expenses are \$29,000, and the capitalization rate is 9%. Using the income approach, what is the value of the building?
- \$324,773
 - \$363,889
 - \$372,895
 - \$392,367
23. Which of these concepts applies to every appraisal?
- Diminishing returns
 - Plottage
 - Highest and best use
 - Assemblage
24. The property being appraised is called the
- lot.
 - parcel.
 - subject property.
 - comparable property.
25. An empty lot is located in a neighborhood of single-family homes. It is the only empty lot in this well-maintained neighborhood. A busy street with many stores is located three blocks away. An industrial area is about two miles away. What is the probable highest and best use of this lot?
- A store
 - A factory
 - A parking lot
 - A single-family home
26. What is the process for creating a broker's price opinion (BPO)?
- The broker drives by the property, takes a picture, and fills out the BPO form.
 - The broker engages a certified appraiser to perform an appraisal.
 - The broker prepares a report compiled from research of comparable properties.
 - The attorney engages a broker to perform a comparative market analysis.
27. Which of these is *NOT* an essential assumption in determining market value?
- The buyer and seller must be unrelated.
 - The payment must be in cash or its equivalent.
 - The buyer and seller must be acting without excessive pressure.

- d. The property must be on the market for at least three months.
28. The principle of value that is the interaction of supply and demand is called
- a. anticipation.
 - b. competition.
 - c. conformity.
 - d. contribution.
29. All of these reflect basic principles of value *EXCEPT*
- a. anticipation and conformity.
 - b. competition and plottage.
 - c. change.
 - d. financing concessions.
30. Touching-up peeling paint is an example of curing
- a. physical deterioration.
 - b. functional obsolescence.
 - c. external obsolescence.
 - d. straight-line depreciation.

Unit 17 Instructor Questions

1. A business tenant pays for its own utilities and makes one payment each month to the landlord, who pays the taxes, insurance on the building, and maintenance. What type of lease arrangement is this?
 - a. Net
 - b. Gross
 - c. Percentage
 - d. Graduated
2. Some tenants want to buy the house they are renting, but they do not have enough money for the down payment. The landlord agreed to put part of the tenants' rent toward the purchase price. The landlord and tenants have agreed to
 - a. a lease purchase.
 - b. a sale leaseback.
 - c. a ground lease.
 - d. an option.
3. The expiration date of a one-year lease is September 30. On July 1, the house is sold to a family that wants to live in the property. Assuming the lease does not include a sale clause, how soon can the family move in?
 - a. July 1, present year
 - b. July 1, next year
 - c. October 1, present year
 - d. December 31, present year

4. A tenant rents an apartment under a one-year written lease. The expiration date of the lease is May 1. How much notice *must* the landlord give the tenant to recover possession when the lease expires?
 - a. One week
 - b. 30 days
 - c. 60 days
 - d. None
5. Two years ago, a landlord rented a parcel of property to a tenant. The agreement stated only that the tenant agreed to pay the landlord \$500 per month. What type of tenancy does the tenant have?
 - a. Holdover
 - b. At sufferance
 - c. For years
 - d. Periodic
6. A tenant rents an apartment under a two-year written lease. Three months after signing the lease, the tenant is transferred to another country for a year. During this period, the tenant leases the apartment to a friend. The friend mails monthly rent checks to the tenant, who continues to make monthly rental payments to the landlord. In this situation, the friend has a
 - a. lease.
 - b. tenancy at will.
 - c. sublease.
 - d. periodic tenancy.
7. Vandals break into an apartment building and destroy the central air-conditioning system. A tenant's apartment becomes uncomfortably warm. The next day, the tenant sues the landlord for constructive eviction. In this situation, will the tenant win?
 - a. Yes, if the tenant's lease promises that the apartment will be air conditioned.
 - b. Yes, to claim constructive eviction, it is not necessary that the condition be the result of the landlord's personal actions.
 - c. No, to claim constructive eviction, the tenant must prove that the premises are uninhabitable.
 - d. No, the premises are not unusable, the condition was not due to the landlord's conscious neglect, and the tenant has not abandoned the apartment.
8. In August, a tenant signs a one-year lease in an apartment complex and moves in. Rent payments are due on the 15th of each month. On December 12, the apartment complex is sold to a new owner. On March 14, the building burns. Which of these statements accurately describes the tenant's obligations?
 - a. The tenant is not required to continue paying rent after March 14 because the premises have been destroyed.
 - b. The tenant is not required to continue paying rent after December 12 because the sale voids the preexisting lease.
 - c. The tenant is required to continue paying rent for the full lease term because a tenancy for years cannot be terminated by the destruction of the premises.

- d. The tenant is required to continue paying rent, but the residential lease is converted by law into a ground lease.
9. Tenant C signs a lease to rent an apartment. The lease runs from October 1 until November 1 of the following year. Tenant E signs a two-year lease to rent an apartment in a different, new building that will be ready for occupancy in 15 months. Which of these leases *must* be in writing to satisfy the statute of frauds?
- a. Tenant C's only
 - b. Tenant E's only
 - c. Both C's and E's
 - d. Neither C's nor E's
10. A tenant signed a one-year lease with a landlord on April 10. On the following March 1, the landlord asked the tenant whether the lease would be renewed. The tenant did not respond but was still in the apartment on April 11. What can the landlord do?
- a. The landlord must initiate eviction proceedings within the first one-month rental period.
 - b. The landlord cannot evict the tenant; because the tenant remained in possession of the premises, the lease has been automatically renewed for an additional year.
 - c. If the tenant offers a rent check, the landlord must accept it and the tenant is entitled to a renewal of the one-year lease.
 - d. The landlord may either evict the holdover tenant or accept a rent check, creating a holdover or periodic tenancy.
11. If a tenant remains in possession of leased property after the expiration of the lease term, without paying rent and without the landlord's consent, what is the tenant's status?
- a. Tenant at will
 - b. Trespasser
 - c. Periodic tenant
 - d. Freehold tenant
12. Because of a physical disability, it would be necessary for a prospective tenant to have all the doorknobs in a rental unit replaced with lever-type handles. In this case, which of these statements is *TRUE*?
- a. The Fair Housing Act requires that the landlord make the accommodation for the tenant at the landlord's expense; no additional rent may be charged for the modified unit.
 - b. The landlord is legally obligated to permit the modifications to be made at the tenant's expense.
 - c. Because the modifications demanded by the tenant are not reasonable, the landlord is not legally required to permit them.
 - d. Because the proposed modifications would interfere with a future tenant's use of the premises, the landlord may refuse to permit them.
13. A small business rents space in a shopping center. Under the terms of the lease, the landlord pays all operating expenses. The business pays a base rent of \$1,000 per month, plus 15% of monthly gross profits over \$10,000. The business has a
- a. gross lease.
 - b. percentage lease.
 - c. net lease.
 - d. variable lease.

14. When a landowner leases unimproved land to a tenant, who agrees to erect a building on the land, the lease is usually called
 - a. a lease purchase.
 - b. a gross lease.
 - c. a ground lease.
 - d. an improvement lease.
15. A tenant rented a house, but during the lease term, the tenant moved out of the state without telling the landlord. The tenant assigned the lease to a friend, who failed to make any rental payments. In this situation, which of these statements is *TRUE*?
 - a. The tenant has no obligation to the landlord because the lease was assigned, not sublet.
 - b. The friend has no obligation to the landlord because the friend's lease agreement is with the original tenant.
 - c. The tenant is still liable to the landlord for the outstanding rent because the landlord did not release the tenant when the lease was assigned to the friend.
 - d. The tenant is still liable to the landlord because the tenant's arrangement with the friend is a sublease, not an assignment.
16. A security deposit held by a landlord
 - a. compensates the landlord in the event of rent default or premises damage.
 - b. functions as the last month's rent on the lease.
 - c. acts as an investment option for the tenant.
 - d. does all of these.
17. Who owns the building that is erected on land that has a ground lease?
 - a. Testator
 - b. Lessor
 - c. Lessee
 - d. Trustee
18. What *must* a landlord do before commencing a lawsuit for actual eviction?
 - a. Notify the sheriff
 - b. Contract with a company to forcibly remove the tenant and possessions
 - c. Obtain a judgment from the court
 - d. Serve notice on the tenant
19. A landlord comes to a tenant's apartment on a daily basis "to make sure everything is okay" or to "make repairs." The apartment, however, is not in need of any repairs. The landlord generally enters the apartment with a spare key. Which of these is *TRUE*?
 - a. The landlord has the right to enter property that the landlord owns.
 - b. The landlord may only enter a tenant's apartment if the tenant is behind on paying rent.
 - c. The landlord is violating the covenant of quiet enjoyment.
 - d. The landlord is creating a tenancy at sufferance.

20. A lease that provides for specified rent increases at set future dates is called
- an adjustable lease.
 - a graduated lease.
 - a percentage lease.
 - an interval lease.

Unit 18 Instructor Questions

- Which of these laws extended housing discrimination protections to families with children and persons with disabilities?
 - Civil Rights Act of 1866
 - Fair Housing Amendments Act of 1988
 - Housing and Community Development Act of 1974
 - Civil Rights Act of 1968
- The Fair Housing Act is administered by the
 - Office of Equal Opportunity.
 - Department of Housing and Urban Development.
 - Department of Justice.
 - federal court system.
- The Fair Housing Act does *NOT* prohibit discrimination on the basis of
 - familial status.
 - national origin.
 - religious preference.
 - sexual preference.
- Which of these are exempt from the federal Fair Housing Act?
 - Owner-occupied buildings with no more than four units
 - Buildings subject to the *ADA Standards for Accessible Design*
 - Buildings that are not publicly advertised as being for sale or for rent
 - None of these
- Real estate professionals may have a legal obligation to comply with the ADA because they
 - often have clients with disabilities.
 - frequently own their own homes.
 - may be employers.
 - may need to require reasonable accommodation in a home they have listed.

6. A real estate broker sends a bright yellow flyer to all the homeowners in a neighborhood. The flyer contains a reprinted article from a local newspaper describing the future relocation plans of various employers in the region and this statement, printed in bold red letters: "Warning! The failure to sell your property within the next six months could cost you a bundle!" At the bottom of the page was printed the broker's name, photo, office address, and phone number. Based on these facts, the broker
 - a. is guilty of steering.
 - b. is guilty of blockbusting.
 - c. has committed no offense.
 - d. has violated the HUD advertising guidelines.
7. A newspaper advertisement states, "One-bedroom apartment immediately available. Good neighborhood. Only able-bodied individuals should apply." Which of these is *TRUE*?
 - a. The ad is not permitted under HUD's advertising guidelines because it discriminates on the basis of disability.
 - b. The ad is acceptable under HUD's advertising guidelines.
 - c. The ad is not permitted under HUD's advertising guidelines due to the remark, "Good neighborhood."
 - d. Newspapers are inherently discriminatory because not everyone can afford to buy them.
8. Under what conditions can someone refuse to rent to an African-American on the basis of race?
 - a. Never
 - b. If the owner is also living in one of the apartments of a small apartment building
 - c. If the owner is handling the leasing without the aid of a real estate professional
 - d. If the owner is a small investor and is selling one of the three houses
9. Under the Fair Housing Act, what is HUD's first action on receiving a complaint of illegal discrimination?
 - a. Investigates for reasonable cause to bring a charge
 - b. Holds an administrative hearing
 - c. Issues an injunction against the offender
 - d. Files a civil action in federal district court
10. One of the provisions of the Fair Housing Amendments Act of 1988 is
 - a. a repeal of the facilities and services requirements designed to help older persons with physical and social needs.
 - b. the addition of sex to the list of protected classes.
 - c. a change that made the penalties for violations more severe, and also added additional damages.
 - d. the addition of religion to the list of protected classes.
11. Under the Civil Rights Act of 1968, what is the time limit to file a housing discrimination complaint with HUD?
 - a. 100 days
 - b. 1 year
 - c. 2 years

- d. The same as the statute of limitations for torts committed in the state in which the alleged discriminatory act occurred
12. Complaints of discriminatory housing practices filed with HUD will be referred to a local enforcement agency if
- a. the federal law is substantially more inclusive than the state or municipal law.
 - b. HUD determines that an administrative law judge should decide the case.
 - c. the state or municipal law is substantially equivalent to the federal law.
 - d. the complaint involves a real estate professional who is the victim of a threat or act of violence because the professional has complied with the fair housing laws.
13. In the context of a dispute before HUD, the term *conciliation* is *BEST* defined as the
- a. equivalent of paying a fine.
 - b. informal resolution of a dispute by obtaining assurances that the person responding to the complaint will remedy the violation.
 - c. referral of the matter to a local agency.
 - d. formal process under which the aggrieved party files a civil action in federal court.
14. All of these people are considered members of protected classes *EXCEPT*
- a. a member of Alcoholics Anonymous.
 - b. a visually disabled person with a seeing-eye dog.
 - c. a person diagnosed with AIDs.
 - d. a person convicted of the manufacture or distribution of illegal drugs.
15. A homeowner decides to rent a spare bedroom in her house to a tenant for \$500 per month. When a 24-year-old man asks to see the room, the homeowner refuses, telling him that she will only rent to a woman over the age of 50. The prospective tenant threatens to sue for a violation of the Fair Housing Act on the basis of age. Should the homeowner be concerned?
- a. Yes, because the amount of rent being charged is immaterial for purposes of the Fair Housing Act.
 - b. Yes, because while the homeowner is permitted to exclude individuals on the basis of age or sex, she cannot exclude on the basis of both.
 - c. No, because the rental of rooms in an owner-occupied single-family home is exempt from the Fair Housing Act.
 - d. No; because there was no real estate professional involved in this transaction, the homeowner is free to discriminate on the basis of any of the normally protected classes.
16. A seller tells a real estate broker, "Don't show my house to anybody not born in the United States." In this circumstance, the broker
- a. must show the house to anyone who wants to see it.
 - b. must decline to take the listing with that requirement.
 - c. may take the listing and ignore the instruction.
 - d. may take the listing and hope that no foreign-born persons ask to see the property.
17. A neighborhood has a large Asian population. When a Chinese couple came to a broker to look for a home to buy, the broker suggested they look at listings only in that neighborhood. The broker violated the Fair Housing Act because the broker's actions constitute
- a. stereotyping.

- b. blockbusting.
 - c. redlining.
 - d. steering.
18. A pregnant woman who already has two children met with a landlord to view a two-bedroom apartment. The landlord told her that the rules of the building allow only two children per two-bedroom apartment, so a two-bedroom unit cannot be rented to her. Is this a violation of the Fair Housing Act?
- a. No, rental standards can include a restriction on the number of occupants in an apartment.
 - b. No, the Fair Housing Act allows property owners to limit the number of children in a development.
 - c. Yes, indicating a preference for a certain number of children as occupants is illegal discrimination based on familial status.
 - d. Yes, until the third child is born, the woman meets the standards for the number of children in the family.
19. A landlord rented an apartment to a person who must use a wheelchair. The landlord allowed the tenant to install bath rails and replace the bathroom sink vanity with a pedestal sink with lever faucet handles, but the landlord required the tenant to sign a restoration agreement that the accommodations would be restored to their former condition at the end of the lease term. In addition, the landlord required the tenant to pay sufficient funds (over a period of time) into an escrow account to restore the bathroom. Has the landlord violated the Fair Housing Act?
- a. No, the landlord can require a restoration agreement and the escrow account.
 - b. No, the landlord does not have to allow the tenant to make any of these modifications.
 - c. Yes, the landlord cannot require restoration of the modifications.
 - d. Yes, the landlord cannot require the escrow account.
20. An apartment complex is exempt from familial status protection under the Fair Housing Act if the housing is intended to be occupied by
- a. at least one person in each unit who is 50 years of age or older.
 - b. persons 62 years of age or older.
 - c. persons 55 years of age or older.
 - d. at least one person who is age 60 or older in 80% of the units.
21. For fair housing purposes, what is the definition of the term *disability*?
- a. An impairment of mobility that prevents a person from using stairs
 - b. A physical impairment that requires a caregiver's assistance
 - c. An impairment that prevents a person from holding a job
 - d. An impairment that substantially limits one or more of an individual's major life activities
22. A landlord refuses to rent a vacant apartment to a couple with two small children because he is concerned the children will disturb the sick and elderly tenant in the apartment next door. Which of these is most likely *TRUE*?
- a. Because the landlord has good intentions, there is no violation of the Fair Housing Act.
 - b. If the sick and elderly tenant is over the age of 80, there is no violation of the Fair Housing Act.

- c. The refusal constitutes a violation of the Fair Housing Act if the family and the elderly tenant have different national origins.
 - d. The refusal constitutes a violation of the Fair Housing Act because it discriminates on the basis of familial status.
23. The provisions of the ADA apply to any employer with at least
- a. 5 or more employees.
 - b. 10 or more employees.
 - c. 12 or more employees.
 - d. 15 or more employees.
24. What is one negative result of redlining?
- a. Appraisers have a difficult time evaluating properties in the area.
 - b. It is often a major contributor to the deterioration of older neighborhoods.
 - c. The effects test must be applied to determine whether to file a lawsuit.
 - d. Real estate professionals are not able to advertise in local newspapers.
25. The resolution of a fair housing complaint by obtaining assurance that the respondent will remedy the violation is called
- a. conciliation.
 - b. administrative proceedings.
 - c. civil action.
 - d. a judgment.

Unit 19 Instructor Questions

1. A property manager's first responsibility to the owner should be to
 - a. keep the building's occupancy rate at 100%.
 - b. report all day-to-day financial and operating decisions to the owner on a regular basis.
 - c. realize the highest return possible consistent with the owner's instructions.
 - d. ensure that the rental rates are below market average.
2. The property manager's relationship with the owner is most similar to that of a
 - a. tenant with a landlord.
 - b. cashier with the owner of a store.
 - c. stockholder with the board of directors of a corporation.
 - d. sales associate with the employing broker.
3. All of these should be included in a written management agreement *EXCEPT*
 - a. a list of the manager's duties and responsibilities.
 - b. a statement of the owner's purpose.
 - c. a statement identifying the manager's creditors.

- d. an allocation of costs.
4. If an apartment rents for \$1,500 per month and the manager receives a 12% commission on all new tenants, how much will the manager receive when renting an apartment, assuming that this commission is calculated in the usual way?
 - a. \$180
 - b. \$1,500
 - c. \$2,160
 - d. \$3,600
 5. What is the annual rent per square foot for a 30 ft × 40 ft property that rents for \$2,950 per month?
 - a. \$1.20
 - b. \$2.46
 - c. \$24.65
 - d. \$29.50
 6. Of these, a high vacancy rate *MOST likely* indicates
 - a. rental rates are too low.
 - b. the property is attractive.
 - c. building management is effective and responsive.
 - d. an undesirable property.
 7. Which of these is an example of corrective maintenance?
 - a. Seasonal recharge of refrigerant in an air conditioning unit
 - b. Picking up litter in common areas
 - c. Repairing a leaking water heater
 - d. Moving a partition wall to make a larger office
 8. How can tenants insure their personal belongings in apartments they rent?
 - a. Pay an extra fee so they are added to their landlord's commercial insurance
 - b. Obtain a surety bond
 - c. Obtain HO-4 or renter's insurance
 - d. Obtain errors and omissions (E&O) insurance
 9. Under the ADA, existing barriers *MUST* be removed
 - a. in all public buildings by the end of 2015.
 - b. only on request from a person with a disability.
 - c. even though reasonable alternative accommodation is more practical.
 - d. when removal may be accomplished in a readily achievable manner.
 10. A company was moving from one part of the city to another. During the move, a truck carrying computer equipment worth more than \$250,000 accidentally ended up in a river, and the equipment was destroyed. Fortunately, the company was insured under several policies. The policy that would most likely cover the computer equipment during the move from one facility to another is a
 - a. consequential loss, use, and occupancy policy.
 - b. casualty policy.
 - c. contents and personal property policy.
 - d. liability policy.

11. All of these are principal responsibilities of the property manager *EXCEPT*
 - a. forcibly removing tenants for nonpayment of rent.
 - b. generating income for the owner.
 - c. preserving and/or increasing the value of the property.
 - d. achieving the objectives of the owner.
12. What is the purpose of an operating budget for a property manager?
 - a. It documents the month's actual income and expenses.
 - b. It is a guide for the property's financial performance in the future.
 - c. It presents current cash flow in a standardized format.
 - d. It lists the assets, liabilities, and equity of the investment property.
13. What type of plan does a property manager implement to manage renters who do *NOT* pay their rent in a timely way?
 - a. Eviction plan
 - b. Collection plan
 - c. Foreclosure plan
 - d. Cash flow plan
14. One way that property managers meet the goals of ECOA is by
 - a. disqualifying tenant applicants on the basis of receiving welfare payments.
 - b. not evaluating certain tenant applicants through the use of credit reports.
 - c. establishing that certain buildings do not allow children as residents.
 - d. making sure to use the same lease application for every applicant.
15. According to the Fair Housing Act, what is *steering*?
 - a. Channeling of protected class members to certain buildings or neighborhoods
 - b. Encouraging people to rent or sell by claiming that certain protected classes of people will have a negative impact on property values
 - c. An appropriate method to manage risks associated with rental property ownership
 - d. A method of providing reasonable accommodation for people with disabilities

Unit 20 Instructor Questions

1. A subdivision built in 1980 included covenants, conditions, and restrictions (CC&Rs) in the deeds for all properties. One covenant bans "all outdoor structures designed for the storage of equipment or as habitations for any animals." In 2012, a resident built a tool shed and a doghouse. The neighbors took no action for six years, but in 2018 they want the shed and doghouse destroyed. Do the neighbors have any recourse?
 - a. Yes, they can go to court and sue for monetary damages for violating the covenant.
 - b. Yes, they can go to court and be awarded injunctive relief.
 - c. No, under the doctrine of laches, the neighbors lost the right to enforce the restriction due to their delay in asserting it.
 - d. No, covenants such as this are usually considered to be unenforceable restrictions on the free transfer of property.

2. A state delegates zoning powers to a municipality through
 - a. the Interstate Land Sales Full Disclosure Act.
 - b. eminent domain.
 - c. a comprehensive plan.
 - d. an enabling act.
3. All of these could be included in a zoning ordinance *EXCEPT*
 - a. objectives for future development of the area.
 - b. permissible height and style of new construction.
 - c. appearance of structures.
 - d. the maximum allowable ratio of land area to structural area.
4. A plat map is *BEST* described as
 - a. a detailed map that illustrates aesthetic preferences.
 - b. a detailed map that illustrates the geographic boundaries of individual lots.
 - c. a detailed map that illustrates where a variance might be allowed.
 - d. none of these.
5. A city passed a zoning ordinance that prohibits all commercial structures over 30 feet high. In order to obtain permission to build an office building that will be 45 feet high, a developer may apply for a
 - a. nonconforming use permit.
 - b. zoning permit.
 - c. conditional-use permit.
 - d. variance or zoning change.
6. A homeowner would like to operate a business in the home, but it is located in an area zoned for residential use only. What should the homeowner do?
 - a. Request that the zoning board declare the home to be a nonconforming use
 - b. Ask a court to grant an injunction against the zoning board
 - c. Seek a conditional-use permit from the zoning board
 - d. Apply to the zoning board for a variance
7. The members of a partnership buy large tracts of vacant land, split them into smaller parcels, and build identical communities of single-family ranch-style homes surrounding a central shopping center. The partnership sells the homes to residents and leases space in the shopping center to merchants. The partnership is acting as
 - a. a developer only.
 - b. a subdivider only.
 - c. both a developer and a subdivider.
 - d. an assembler.
8. Which of these *BEST* defines density zoning?
 - a. The mandatory use of clustering
 - b. The average number of units in a development
 - c. A restriction on the average number of houses per acre
 - d. A restriction on the average number of acres per parcel

9. Before granting a zoning variance, a zoning board of appeals must
 - a. hold a public hearing at which neighbors may voice their opinions.
 - b. conduct a door-to-door opinion survey of property owners adjacent to the proposed use.
 - c. check whether the landowner has been granted previous variances.
 - d. determine whether the proposed use will result in higher property taxes.
10. All of these are common tests of a valid zoning ordinance *EXCEPT*
 - a. clear and specific provisions.
 - b. anticipation of future housing needs.
 - c. a nondiscriminatory effect.
 - d. all property owners being treated in a similar manner.
11. A business owns a 2,000-acre tract of undeveloped woodland surrounding a scenic lake. The tract is divided into 106 individual lots, ranging in size from 15 acres to 100 acres. The business hires telemarketers to sell the lots to residents of the state and the three states with which it shares a common border. Based on these facts, how does the Interstate Land Sales Full Disclosure Act apply to the project?
 - a. The business must file a disclosure statement with HUD.
 - b. Because the business's project is not fraudulent, it is exempt from the requirements of the law.
 - c. This development project is exempt from the law because of the lot size exemption.
 - d. The project is exempt from the law because it is not being marketed outside a contiguous multistate region.
12. Zoning ordinances affect all of these *EXCEPT*
 - a. lot sizes.
 - b. building heights.
 - c. style and appearance of buildings.
 - d. racial composition of neighborhood.
13. A developer has included a playground and running trails between the commercial properties that border a subdivision and the houses in the subdivision. The recreational area is considered
 - a. aesthetic zoning.
 - b. a buffer zone.
 - c. a taking.
 - d. a nonconforming use.
14. When an area was rezoned as residential, a store was allowed to continue business. This is an example of
 - a. a variance.
 - b. nonconforming use.
 - c. a conditional-use permit.
 - d. an amendment.

15. A new structure has been completed to the satisfaction of the inspecting city engineer. What documentation *must* be issued before anyone can move in?
- Appraisal report
 - Certificate of occupancy
 - Certificate of reasonable value
 - Conditional-use permit

Unit 21 Instructor Questions

- Individuals have suffered all of these health problems due to exposure to formaldehyde *EXCEPT*
 - asthma.
 - eye irritations.
 - mold infections.
 - a burning sensation in the throat.
- Lead is commonly found in all of these *EXCEPT*
 - soldered water pipes.
 - alkyd oil-based paint.
 - soil around industrial sites.
 - insulating material.
- A seller accepts an offer on a home that was built in 1892. Which of these statements about lead-based paint is *FALSE*?
 - The seller must attach a lead-based paint disclosure statement to the sales contract.
 - If the seller is aware of any lead-based paint on the premises, the seller must disclose that fact to the buyer.
 - If the buyer requests a lead-based paint inspection, the seller has ten days in which to obtain one at the seller's expense.
 - The buyer is entitled to receive a pamphlet that describes the hazards posed by lead-based paint.
- Where in the United States does radon occur?
 - Mostly in the western states
 - Mostly in the warm southern and southwestern regions
 - In every state in the United States
 - Only in large urban areas
- Which of these has been proven to pose a health hazard?
 - Asbestos
 - Lead-based paint
 - Radon
 - All of these

6. H stores toxic chemical waste in a large steel tank that has only 15% of its volume underground. J lives in the wilderness and owns a gas pump connected to a 1,500-gallon tank of gasoline buried ten feet underground near the garage. L keeps three large tanks filled with formaldehyde and battery acid in the basement. Which of these people are covered by federal regulations regarding USTs?
 - a. H and L
 - b. H and J only
 - c. L only
 - d. J only
7. Which of these is responsible for administering the Superfund?
 - a. EPA
 - b. PRP
 - c. CERCLA
 - d. HUD
8. Which of these would disqualify someone from claiming innocent landowner immunity under the Superfund Amendments and Reauthorization Act (SARA)?
 - a. The pollution was caused by a third party.
 - b. A landowner exercised due care when the property was purchased.
 - c. A landowner had only constructive knowledge of the damage.
 - d. A landowner took reasonable precautions in the exercise of ownership rights.
9. If a potentially responsible party (PRP) refuses to pay the expenses of cleaning up a toxic site, the EPA may
 - a. bring a criminal action and have the PRP jailed for up to ten years.
 - b. bring a civil action and be awarded three times the actual cost of the cleanup.
 - c. bring an administrative action and be awarded the actual cost of the cleanup, plus court costs.
 - d. have no legal recourse.
10. Sealing off asbestos instead of removing it is called
 - a. encapsulation.
 - b. capping.
 - c. irresponsible remediation.
 - d. extended liability.
11. Lead-based paint is found in about 75% of all private housing built before
 - a. 1978.
 - b. 1985.
 - c. 1992.
 - d. 1996.
12. Which of these is the byproduct of fuel combustion that may result in death if such equipment is not properly vented?
 - a. Radon
 - b. Lead
 - c. Urea-formaldehyde foam insulation
 - d. Carbon monoxide

13. At least how much of a tank must be underground for it to be considered an underground storage tank?
 - a. 10%
 - b. 15%
 - c. 25%
 - d. 35%
14. How can property owners help avoid carbon monoxide exposure?
 - a. Have a fuel-burning heating system checked and maintained annually
 - b. Have the basement tested for carbon monoxide seeping in from the soil
 - c. Encapsulate sources of carbon monoxide emissions
 - d. Install attic vents
15. Which of these is a source of polychlorinated biphenyls (PCBs)?
 - a. Plywood and particle board
 - b. Small home appliances, such as hair dryers or food processors
 - c. Caulking compounds
 - d. Computers
16. Why is mold a serious environmental problem in buildings?
 - a. It causes stains and a fuzzy growth on walls.
 - b. It destroys material it grows on and causes health problems for occupants.
 - c. It has an unpleasant odor.
 - d. It produces spores that can spoil food.
17. What is the purpose of the Brownfields Law enacted in 2002?
 - a. It restores wilderness and agricultural areas damaged by toxic waste.
 - b. It is specifically dedicated to cleaning up PCB spills and dumps.
 - c. It establishes incinerators to destroy UFFI, DDT, and other persistent chemicals.
 - d. It distributes funds to clean up polluted industrial sites so they can be restored to productive use.
18. What causes mold problems in buildings?
 - a. Insects
 - b. Chronic moisture problems
 - c. Fiberglass building materials
 - d. Air pollution