



GRAY BOOK

Study Guide 1

Chapter 1 Questions

1. When demand for a commodity decreases and supply remains the same,
 - a. price tends to rise.
 - b. price tends to fall
 - c. price is not affected.
 - d. the market becomes stagnant
2. A licensed real estate professional acting as a point of contact between two or more people in negotiating the sale, rental, or purchase of a property is known as a(n)
 - a. sales affiliate.
 - b. broker.
 - c. property manager.
 - d. appraiser.
3. All of the following would affect supply EXCEPT
 - a. Population
 - b. Construction costs
 - c. Government controls
 - d. The labor force
4. All of the following are categories of the uses of real property EXCEPT
 - a. Residential
 - b. Developmental
 - c. Agricultural
 - d. Industrial
5. All of the following would affect demand EXCEPT
 - a. Population
 - b. Demographics
 - c. Wage levels
 - d. Fiscal policy
6. All of the following affect how quickly the forces of supply and demand work EXCEPT
 - a. Degree of standardization of the product
 - b. Mobility of the product
 - c. Degree of standardization of the product's price
 - d. Mobility of the parties to the transaction
7. A real estate professional who performs a visual survey of a property's structure and systems and prepares an analytical report for a purchaser or an owner is acting as a(n)
 - a. educator.
 - b. appraiser.
 - c. property manager.
 - d. home inspector
8. When the supply of a commodity decreases while demand remains the same,
 - a. price tends to rise.
 - b. price tends to drop.
 - c. demand tends to rise.
 - d. demand tends to drop.
9. When responsible for maintaining a client's property and maximizing return on the client's investment, a broker is serving as a(n)
 - a. rental agent.
 - b. building maintenance specialist.
 - c. property manager.
 - d. investment counselor.
10. Detailed information about the age, education, behavior, and other characteristics of members of a population group is called
 - a. population.
 - b. demographics.
 - c. family lifestyles.
 - d. households.

Chapter 2 Questions

1. The phrase "bundle of legal rights" is properly included in
 - a. the definition of real property.
 - b. legal description.
 - c. real estate transactions.
 - d. leases for less than one year.
2. All of the following are included in the right to control one's property EXCEPT
 - a. The right to sell the property to a neighbor
 - b. The right to exclude the utilities' meter reader
 - c. The right to erect "no trespassing" signs
 - d. The right to enjoy profits from its ownership
3. According to law, a trade fixture is usually treated as
 - a. a fixture.
 - b. an easement.
 - c. personalty.
 - d. a license.
4. Kandace is interested in a house that fits most of her needs, but it is located in a busy area where she is not sure she wants to live. Her concern about the property's location is called
 - a. physical deterioration.
 - b. area preference.
 - c. permanence of investment.
 - d. immobility.
5. Which of the following is considered personal property?
 - a. Wood-burning fireplace
 - b. Awnings
 - c. Bathtubs
 - d. Patio furniture
6. All of the following are properly described by the word "improvement" EXCEPT
 - a. Streets
 - b. A sanitary sewer system
 - c. Trade fixtures
 - d. The foundation of a building
7. Real property can become personal property by
 - a. severance.
 - b. purchase.
 - c. hypothecation.
 - d. attachment.
8. All of the following are physical characteristics of land EXCEPT
 - a. Indestructibility
 - b. Uniqueness
 - c. Immobility
 - d. Scarcity
9. A broker showed an owner-occupied property that had window screens, custom venetian blinds, and a wall bed to a buyer whose offer was then accepted by the owner. Before the close of escrow, the seller may remove
 - a. all of the identified items because they are trade fixtures.
 - b. only the venetian blinds as personal property.
 - c. only the wall bed because it is real property.
 - d. none of the identified items.
10. Land is considered to be
 - a. indestructible.
 - b. a wasting asset.
 - c. immune to the forces of supply and demand.
 - d. subject to personal property rights.
11. A rancher owns a parcel of land on which oil is discovered. If the rancher has not previously conveyed the oil rights, who owns the oil?
 - a. The rancher
 - b. The tenant to whom the property has been leased
 - c. The state government
 - d. The federal government
12. The type of housing which can become permanent if affixed to the land is called
 - a. on-site built
 - b. semi-detached single family
 - c. manufactured
 - d. multi-family
13. All of the following are treated as personal property EXCEPT
 - a. Chattels
 - b. Trade fixtures
 - c. Emblements
 - d. Fructus naturales
14. Fixtures are
 - a. treated as real property.
 - b. considered to be chattels.
 - c. removable by a tenant before the expiration of the lease.
 - d. removable by a tenant after the expiration of the lease.

15. After the construction of a building in the air rights above a railroad right-of-way, the trains can
 - a. operate as usual.
 - b. no longer use the tracks under the building.
 - c. use the tracks under the building only if they cause no problem for the building's occupants.
 - d. use the tracks under the building as long as they first obtain the building owner's permission.
16. All of the following are economic characteristics of land *EXCEPT*
 - a. scarcity.
 - b. permanence of investment.
 - c. uniqueness.
 - d. area preference.
17. Generally, personal property can be distinguished from real property by its
 - a. greater variety.
 - b. mobility.
 - c. cost.
 - d. multiplicity of use.
18. An important characteristic of land is that it may be modified or improved at some point in time. Depending on its type, an improvement may increase the value of real estate greatly. All of the following are considered to be improvements *EXCEPT*
 - a. Sewers
 - b. Crops
 - c. Buildings
 - d. Roads
19. Tonya leases store space to Klem for a restaurant, and Klem installs his ovens, booths, counters, and other equipment. When would these items become real property?
 - a. After they are installed
 - b. After Klem defaults on his rental payments
 - c. After the lease takes effect
 - d. If Klem does not remove them at the lease expiration
20. Rights or privileges which are connected with real property, are
 - a. improvements
 - b. appurtenances
 - c. not conveyed with the real estate
 - d. restricted to air and water rights
21. The term *improvements*, when referring to real estate, would include
 - a. shrubbery.
 - b. trees.
 - c. sidewalks.
 - d. lawns.
22. Which of the following is *NOT* a test to identify a fixture?
 - a. Intent of the parties
 - b. Size of the item
 - c. Method of attachment of the item
 - d. Adaptation of the item to the real estate
23. The owner of a house wants to fence the yard for her dog. When the fence is erected, the fencing materials are converted to real estate by
 - a. severance.
 - b. annexation.
 - c. immobility.
 - d. indestructibility.
24. The uniqueness of land and its inability to be substituted is known as
 - a. Nonhomogeneity
 - b. Scarcity
 - c. Permanence of investment
 - d. Nonheterogeneity
25. The rights of ownership of real property include all of the following *EXCEPT* the right of
 - a. disposition.
 - b. exclusion.
 - c. control.
 - d. compatibility.

Chapter 3 Questions

1. The Civil Rights Act of 1866 prohibits any limitation of property rights based on
 - a. race.
 - b. religion.
 - c. sex.
 - d. handicap.
2. The agency responsible for the enforcement of the Fair Housing Act is the
 - a. Department of Justice.
 - b. Federal Housing Administration.
 - c. Department of Housing and Urban Development.
 - d. Department of Veteran Affairs.
3. It is illegal for a lending institution to refuse to make a residential real estate loan in a particular area only because of the
 - a. questionable economic situation of the applicant.
 - b. physical location of the property.
 - c. applicant not being of legal age.
 - d. deteriorated condition of the premises.
4. A discrimination suit may be filed in federal court by
 - a. a person aggrieved by racial discrimination.
 - b. the Department of Housing and Urban Development.
 - c. the state or county nondiscrimination officer.
 - d. the Federal Housing Administration.
5. The federal Fair Housing Act does *NOT* prohibit
 - a. blockbusting.
 - b. discriminatory advertising.
 - c. redlining.
 - d. discriminating on the basis of marital status.
6. Which of the following would be considered legal?
 - a. Charging a family with children a higher security deposit than is charged when there are no children
 - b. Requiring a person with a disability to establish an escrow account for the costs to restore a property after it has been modified
 - c. Picturing only white people in a brochure as the "happy residents" in a housing development
 - d. Refusing to sell a house to a person who has a history of mental illness
7. The Fair Housing Act of 1968 is contained in
 - a. Title VIII of the Civil Rights Act of 1968.
 - b. the Civil Rights Act of 1866.
 - c. the Civil Rights Act of 1964.
 - d. Executive Order No. 11063.
8. The landlord's lease prohibits tenants from altering the property in any way. A young woman who uses a wheelchair cannot maneuver over the doorstep into the apartment by herself. In addition, she cannot access the bathroom facilities in her wheelchair. Which of the following is true?
 - a. The landlord is responsible for making all apartments accessible to people with disabilities.
 - b. The tenant cannot remedy these conditions because of the terms of the lease.
 - c. The landlord should not have rented this apartment to the tenant.
 - d. The tenant is entitled to make the necessary alterations.
9. Protection from threats or acts of violence against those who assist and encourage open housing rights is found in the
 - a. Civil Rights Act of 1866.
 - b. Civil Rights Act of 1964.
 - c. Fair Housing Act of 1968.
 - d. Fair Housing Amendments Act of 1988.
10. The provisions of the Fair Housing Act apply
 - a. in all states.
 - b. only in those states that have ratified the act.
 - c. only in those states that do not have substantially equivalent laws.
 - d. only in those states that do not have specific state fair housing laws.
11. The practice of channeling families with children away from other buildings into an apartment building where other families with children reside is
 - a. most practical.
 - b. blockbusting.
 - c. redlining.
 - d. illegal discrimination.

12. Actions that are made illegal by federal and state fair housing laws do *NOT* include
- offering advantageous loan terms to encourage the re-segregation of a residential area.
 - refusing to show certain residential property to non English-speaking individuals.
 - channeling members of a certain minority group into an area already predominately occupied by members of that minority.
 - refusing to show certain residential property to people who are not financially qualified to purchase it.
13. A violation of the Fair Housing Act could result in a penalty of
- \$27,500 for the third offense
 - \$11,000 for the first offense
 - \$100,000 for any offense
 - whatever the administrative law judge determines is fair
14. Discrimination based on familial status was prohibited with the passage of the
- Civil Rights Act of 1866.
 - Civil Rights Act of 1964.
 - Fair Housing Act of 1968.
 - Fair Housing Amendments Act of 1988.
15. Martha has a 9 year old grandson and her application for an apartment has been rejected as the community does not allow anyone under the age of 18. Is this permissible?
- Yes, if the policy is consistently applied
 - No, because familial status is always a protected class in all housing
 - Yes, if the housing complies with regulations for elderly housing
 - No, if less than 30% of the occupants are over the age of 55
16. There are no exceptions to fair housing law for
- retirement communities.
 - private clubs.
 - religious organizations.
 - racial considerations.
17. Megan owns a triplex and rents out two of the units. She wishes no children or pets. She runs an ad which reads "Two bedroom available but no children or animals allowed." Which of the following is true?
- Megan may not run discriminatory ads
 - Megan is exempt from the Fair Housing Act and this includes advertisements
 - Megan may not exclude animals or children from her rentals
 - Megan is not required to comply with the familial status requirement, but must allow service animals
18. Under the federal Fair Housing Act it is illegal to discriminate because
- a person has a history of dangerous behavior.
 - of a person's marital status.
 - a person has AIDS.
 - a person has been convicted of distributing a controlled dangerous substance.
19. A house for sale was advertised, "Fine executive home in an exclusive neighborhood, suitable for an older couple; near St. Mary's Church." Which of the following statements is INCORRECT?
- This is descriptive of the property for sale and a good ad.
 - An exclusive neighborhood could be interpreted to mean that minorities are not welcome.
 - It appears that families with children are not welcome.
 - The neighborhood could appear to be undesirable for people who do not follow the same religion as St. Mary's Church.
20. A broker employs several salespeople, one of whom, Mary, is a member of a protected group. The broker directs her to work only with members of her group and to solicit listings only in similar neighborhoods. Which of the following is CORRECT?
- The broker is entitled to direct Mary's activities this way.
 - The fair housing laws do not apply to the broker's practices.
 - The practice could establish or continue the unlawful practice of steering.
 - The salesperson should be satisfied with the broker's policy.

21. A condominium rule prohibits pets. Arlis, a prospective buyer with a physical disability, relies on an animal to assist him. Which of the following is CORRECT?

- a. A condominium has the right to establish such a private restriction if it chooses.
- b. This restriction is unenforceable only if the animal is used to assist people with visual impairments.
- c. This restriction is unenforceable when a person uses an animal for disability related assistance in any way.
- d. The condominium can waive the enforcement of the covenant only if there are suitable accommodations in the complex for an animal.

22. The Americans with Disabilities Act requires

- a. all real estate to be free of barriers to people with disabilities.
- b. all employers to adopt nondiscriminatory employment practices.
- c. that reasonable accommodations be provided for people with disabilities.
- d. that existing premises be remodeled for people with disabilities regardless of the cost involved.

23. When a salesperson tells homeowners that minorities are moving into the area in order to get those homeowners to sell their properties, this activity is

- a. called block busting
- b. called power selling
- c. discriminatory advertising
- d. legal as long as it is true

Chapter 4 Questions

1. A statutory right that a family has in its residence is called
 - a. entirety.
 - b. survivorship.
 - c. curtesy.
 - d. homestead.
2. A person who has complete control of a parcel of real estate is said to own a
 - a. leasehold estate.
 - b. fee simple estate.
 - c. life estate.
 - d. defeasible fee estate.
3. A portion of Walter's building was inadvertently built on George's land. This caused an
 - a. accretion.
 - b. avulsion.
 - c. encroachment.
 - d. easement.
4. Many states determine the order of water rights according to which users of the water hold recorded beneficial use permits. This allocation of water rights is controlled by
 - a. accretion.
 - b. riparian theory.
 - c. littoral theory.
 - d. the doctrine of prior appropriation.
5. The purchase of a ticket for a professional sporting event gives the bearer
 - a. an easement right to park his car.
 - b. a license to enter and claim a seat for the duration of the game.
 - c. an easement in gross interest in the professional sporting team.
 - d. a license to sell goods and beverages at the sporting event.
6. Which of the following has an indeterminable duration?
 - a. Freehold estate
 - b. Less-than-freehold estate
 - c. Estate for years
 - d. License
7. If the owner of the dominant tenement becomes the owner of the servient tenement and merges the two properties,
 - a. the easement becomes dormant.
 - b. the easement is unaffected.
 - c. the easement is terminated.
 - d. the properties retain their former status.
8. A decedent left a will giving his neighbor the right to use a well on the decedent's land as long as the neighbor lived. The neighbor's interest in the property is properly called a(n)
 - a. license.
 - b. easement in gross.
 - c. easement appurtenant.
 - d. life estate.
9. Homeowner Gurney acquired ownership of land that was deposited by a river running through his property by
 - a. reliction.
 - b. succession.
 - c. avulsion.
 - d. accretion.
10. A life estate conveys to the life tenant
 - a. a leasehold for life.
 - b. a reversionary interest.
 - c. a legal life estate.
 - d. ownership for life.
11. Janeen held fee simple title to a vacant lot adjacent to Mercy Hospital. She was persuaded to make the lot available to Mercy. She had her attorney prepare a deed that conveyed ownership of the lot to the hospital "...so long as it is used for medical purposes." After the completion of the gift, the hospital will own a
 - a. life estate.
 - b. tenancy for years.
 - c. determinable fee estate.
 - d. periodic tenancy.
12. The type of real estate ownership that is most all-inclusive is a
 - a. fee simple estate.
 - b. life estate.
 - c. conditional fee estate.
 - d. reversionary interest.

13. The water rights of an owner of property located along the banks of a river are called
- littoral rights.
 - prior appropriation rights.
 - riparian rights.
 - hereditaments.
14. A father conveyed the family home to his daughter by will as a pur autre vie estate for the life of her mother. If the daughter should die before the mother, who gains possession of the property?
- The daughters heirs
 - The remainderman
 - The mother
 - The father's other children
15. All of the following are subject to real property ownership rights EXCEPT
- Buildings located on the land
 - Air space above the land
 - Easements running with the land
 - Navigable rivers running through the land
16. Joanne and Samuel are next-door neighbors. Samuel tells Joanne that she can store her camper in his yard for a few weeks until he needs the space. Samuel does not charge Joanne rent for the use of his yard. Samuel has given Joanne a(n)
- easement appurtenant.
 - easement by necessity.
 - estate in land.
 - license.
17. Your neighbors use your driveway to reach their garage which is on their property. Your attorney explains that ownership of the neighbors' real estate includes an easement appurtenant giving them the right to do this. Your property is the
- leasehold interest.
 - dominant tenement.
 - servient tenement.
 - license property.
18. Creditors suing homeowner Harry who enjoys the homestead exemption provided by state law
- can have the court sell Harry's residence and apply the full proceeds of sale to his outstanding debts.
 - have no right to sell the debtor's residence.
 - may request a court-ordered sale and have the proceeds in excess of the statutory exemption and exempted liens applied to the debts.
 - can force the debtor to sell the residence in order to pay the outstanding debts in full.
19. Quint owned two acres of land. He sold one acre to Farley and reserved for himself an appurtenant easement over Farley's land for ingress and egress. Quint's land
- is the servient tenement.
 - is the dominant tenement.
 - can be cleared of the easement when Quint sells the withheld acre to a third party.
 - is subject to an easement in gross.
20. Gina owns 50 acres of land with 500 feet of frontage on a desirable recreational lake. She wishes to subdivide the parcel into salable lots, but she wants to retain control over the lake frontage while allowing lot owners to have access to the lake. Which of the following types of access rights would provide the greatest protection for a prospective lot purchaser?
- An easement in gross
 - An appurtenant easement
 - An easement by necessity
 - A license
21. A homestead exemption protects against judgments
- of unsecured creditors.
 - that result from unpaid taxes.
 - that result from foreclosure of a mortgage.
 - that result from the costs of improvements.
22. The main purpose of police power is to
- demonstrate the authority of the state.
 - ensure the health, safety, and welfare of the community.
 - set limits on the amount and kinds of businesses in a given area.
 - protect residential neighborhoods from encroachment by business and industry.

23. The owner of a secluded area adjacent to the Atlantic Ocean noticed that people from town walked along the shore in front of his property. The owner learned that the local citizens had been walking along this beach for several years. He went to court to try to stop people from walking along the water's edge in front of his property. The owner is likely to be
- unsuccessful because the local citizens have been doing this for years and thus have an easement.
 - unsuccessful because the owner's property extends only to the high water mark and the public may use the land beyond this point.
 - successful because the owner's property extends to the middle of the water bed.
 - successful because the owner can control access to his own property.
24. A tax lien on the property can hinder the sale of a property because it is
- a monetary charge that the purchaser must satisfy.
 - an appurtenance that does not affect the title.
 - an encroachment.
 - an encumbrance.
25. Which of the following is an example of a legal life estate?
- A homestead estate
 - An estate conveyed by one party to a second party for the life of the second party
 - An estate created by a will
 - An estate conveyed to a second party subject to a condition
26. For land to be taken by the government under its right of eminent domain, which of the following must apply?
- The taking must be for a public purpose.
 - There must be a statutory dedication.
 - This must be an adverse action.
 - There must be constructive notice.
27. Herta conveys a life estate to her grandson and stipulates that upon her death the estate will pass to her son-in-law. The son-in-law has a(n)
- estate in reversion.
 - estate in remainder.
 - estate for years.
 - legal life estate.
28. Lonnie conveys the ownership of his house to his mother and stipulates that upon her death he will recapture ownership. The interest Lonnie has in the property is a
- remainder interest.
 - curtesy estate.
 - legal life estate.
 - reversion interest.
29. A person who acquired ownership that can be inherited, with the provision that the land must always be used for recreational purposes, has which of the following?
- A fee simple estate
 - A fee estate subject to condition subsequent
 - A restricted estate
 - An estate that cannot be sold
30. A developer grants a local power company the right to install necessary transmission lines. This right is an example of a(an)
- license.
 - easement in gross.
 - easement by prescription.
 - conditional use permit.
31. The process by which government can acquire ownership of private land for public use is
- escheat.
 - eminent domain.
 - condemnation.
 - doctrine of public acquisition.
32. A person wants to ensure that the ownership of real property can be willed to her children. Which of the following forms of ownership would the person want?
- A conventional life estate
 - A fee simple estate
 - A joint tenancy
 - A license
33. An owner divides a parcel into several lots, one of which is completely surrounded by other lots and has no street access. Which of the following is TRUE?
- The municipality must construct a street to create access.
 - The owner must create an easement by condemnation to provide access.
 - An easement by prescription should be granted.
 - An easement by necessity should be created for the landlocked parcel.

34. The road to John's hunting cabin is winding and long, and the shorter, more direct route, is across Sam's land. He hopes to eventually gain an easement by

- a. necessity**
- b. prescription**
- c. condemnation**
- d. license**

35. Which of the following is the best way to ensure that there are no encroachments and verify the boundaries of a parcel of land?

- a. Write a legal description**
- b. Get a spot survey**
- c. Find the monuments**
- d. Verify the benchmarks**

Chapter 5 Questions

1. Shelly and Nadine bought a store building and took title as joint tenants. Nadine died testate. Shelly now owns the store
 - a. as a joint tenant with rights of survivorship.
 - b. in severalty.
 - c. as a tenant in common with Nadine's heirs.
 - d. in trust.
2. The difference between time-share use and a time-share estate is
 - a. the amount of time sold to the buyer.
 - b. one limits use to certain months, the other provides a rotation system for use.
 - c. time-share use sells only right of occupancy, not a fee-simple estate.
 - d. no difference except in terminology.
3. Which of the following would be considered community property?
 - a. Gift of property to a wife during her marriage
 - b. A motor home bought during the marriage
 - c. Property inherited by a husband during marriage
 - d. Rental property owned by either husband or wife prior to the marriage
4. A trust is a legal arrangement in which title to property is held for the benefit of a third party by a(n)
 - a. beneficiary.
 - b. trustor.
 - c. trustee.
 - d. attorney in fact.
5. Enid lives in an apartment building. The land and structures are owned by a corporation, with one mortgage loan securing the entire property. Like the other residents, she owns stock in the corporation and has a lease to her apartment. This type of ownership is called a
 - a. condominium.
 - b. planned unit development.
 - c. time-share.
 - d. cooperative.
6. Victor and Norman are co-owners in fee simple of a small office building. Norman dies intestate and leaves nothing to be distributed to his heirs. Victor is neither related to Norman nor his creditor. Which of the following would explain why Victor acquired Norman's interest?
 - a. Adverse possession
 - b. Reversionary rights
 - c. Joint tenancy
 - d. Foreclosure
7. An ownership interest that is based on annual occupancy intervals is a
 - a. leasehold.
 - b. time-share.
 - c. condominium.
 - d. cooperative.
8. Jamal, Morton, and Herb are joint tenants in a parcel of land. Herb conveys his interest to his long-time friend Walid. After the conveyance, Jamal and Morton
 - a. become tenants in common.
 - b. continue to be joint tenants with Herb.
 - c. become joint tenants with Walid.
 - d. remain joint tenants owning a two-thirds interest.
9. Kyle and Ursula owned a combination apartment building-restaurant. They shared their profits and losses on the venture equally, but they did not have any written partnership agreement. One day, Ursula died of a heart attack. If, after her death, Kyle continued to only own the same undivided interest in the real estate as he did before, then
 - a. they were joint tenants.
 - b. they were tenants in common.
 - c. they were stockholders in their own corporation.
 - d. Ursula died intestate.
10. Which of the following is not a form of co-ownership?
 - a. Tenancy in common
 - b. Ownership in severalty
 - c. Tenancy by the entirety
 - d. Community property

11. In receiving a gift of a parcel of real estate, one of the two new owners was given an undivided 60 percent interest and the other received an undivided 40 percent. They now hold their interests as
 - a. cooperative owners.
 - b. joint tenants.
 - c. community property owners.
 - d. tenants in common.
12. Under the community property laws of the state in which the couple live, all of the following apply to John and Mary Duncan Except
 - a. Each may also own separate property.
 - b. Mary may not convey community property without John's consent.
 - c. John may also own community property with a person other than Mary.
 - d. Neither may encumber community property without the other's consent.
13. To create joint tenancy in the ownership of real estate, there must be unities of
 - a. grantees, ownership, claim of right, and possession.
 - b. title, interest, encumbrance, and survivorship.
 - c. possession, time, interest, and title.
 - d. ownership, possession, heirs, and title.
14. A person who owns one unit in a multiunit structure together with a specified undivided interest in the common elements would own a
 - a. cooperative.
 - b. share in a real estate investment trust.
 - c. condominium.
 - d. time-share interest.
15. All of the following are true in defining a corporation as a legal entity, EXCEPT
 - a. Stockholders have a direct ownership interest in the real estate.
 - b. It is managed by a Board of Directors.
 - c. It continues to exist until formally dissolved.
 - d. Profits are taxed on two levels: as corporation profit and as dividends to stockholders.
16. A joint tenancy with right of survivorship may be created
 - a. automatically if the property is distributed to the surviving children.
 - b. by presumption if another form of ownership is not described.
 - c. by deed or will.
 - d. automatically if a deed is signed by both spouses.
17. The owner of a condominium unit learns that a neighbor has failed to pay his real estate taxes. If this neighbor does not pay the taxes
 - a. a lien can be filed against the condominium, including all of the units.
 - b. a lien can be filed against the neighbor's unit and his percentage of the common elements.
 - c. a lien can be filed only against the common areas of the condominium.
 - d. the taxing authority can order the condominium to be dissolved.
18. For a property to be held in tenancy by the entirety which of the following is required?
 - a. The cotenants must be husband and wife.
 - b. The property in question must be Torrens property.
 - c. Upon the death of a cotenant, the decedent's interest must pass to his or her heirs.
 - d. In the event of a dispute the property must be partitioned.
19. Which of the following about a condominium is INCORRECT?
 - a. A declaration must be filed before any units may be sold.
 - b. Each unit owner has a fractional undivided interest in the common elements.
 - c. Each owner receives a separate real estate tax statement.
 - d. Each owner has a proprietary lease with the association for his or her own unit.
20. Because Mr. and Mrs. Jennings no longer need their large house, they decide to sell it and move into a cooperative apartment building. In a cooperative they will
 - a. become stockholders in a corporation.
 - b. own their individual apartment.
 - c. own the common elements.
 - d. receive a 20-year lease to their apartment.
21. In a limited partnership
 - a. the number of investors is limited to 10.
 - b. all the partners participate in running the business.
 - c. the general partners run the business.
 - d. investors may participate with only a small amount of capital but with unlimited liability.

22. Abel and Baker are joint tenants. Baker sells his interest to Charlie. What is the relationship of Abel and Charlie?

- a. They are joint tenants.
- b. They are tenants in common.
- c. There is no relationship because Baker cannot sell to Charlie.
- d. Abel owns a 2/3 interest and Charlie owns a 1/3 interest.

23. Tenancy with survivorship means

- a. the tenancy interest will be inherited.
- b. the tenancy interest will pass to the surviving tenants upon the death of one.
- c. the tenant's heirs are survivors.
- d. this is not a legal tenancy.

24. Which of the following is true of condominium ownership?

- a. It cannot be mortgaged.
- b. The corporation pays the real estate taxes.
- c. The ownership cannot be willed.
- d. The limited common elements cannot be sold separately.

25. How does a cooperative obtain the funds necessary to cover ongoing operating expenses and mortgage payments?

- a. By charging rent
- b. By selling common elements
- c. By collecting regular assessments from shareholders
- d. By charging special assessments

26. A trust that is established after the death of the owner is called a

- a. trust by will.
- b. testamentary trust.
- c. beneficial trust.
- d. living trust.

27. In a land trust all of the following are true EXCEPT

- a. The beneficial interest can be transferred by assignment.
- b. The beneficiary is usually the trustor.
- c. Public records list all the beneficiaries.
- d. The property can be pledged as security for a loan without recording a mortgage.

Chapter 6 Questions

1. How many acres are in a lot that is $\frac{1}{4}$ of a mile wide by $\frac{1}{4}$ of a mile long?
 - a. 10
 - b. 120
 - c. 40
 - d. 80
2. A metes-and-bounds legal description
 - a. can be made only in areas excluded from the rectangular survey system.
 - b. is not acceptable in court in most jurisdictions.
 - c. must commence and finish at the same identifiable point.
 - d. is used to complete areas omitted from recorded subdivision plats.
3. How many lots, each measuring 72.5 feet wide by 100 feet deep, could be made from a two-acre parcel of land?
 - a. 6
 - b. 7
 - c. 12
 - d. 14
4. The section of land reserved for school purposes in the rectangular survey system is section
 - a. 12.
 - b. 16.
 - c. 20.
 - d. 36.
5. The system of legal description that defines a parcel of land by tracing its perimeter is the
 - a. geodetic survey.
 - b. rectangular survey.
 - c. lot and block system.
 - d. metes and bounds system.
6. How many linear feet of fence are needed along one side of 1.5 miles of roadway?
 - a. 7,920
 - b. 8,250
 - c. 13,430
 - d. 16,450
7. The primary survey line running east and west in the rectangular survey system is the
 - a. township line.
 - b. base line.
 - c. range line.
 - d. principal meridian.
8. A section
 - a. is 1 mile square.
 - b. contains 460 acres.
 - c. has a perimeter of 5,280 square feet.
 - d. can be any numbered anywhere from 1 to 50.
9. The primary survey line running north and south in any area described by the rectangular survey system is its
 - a. township line.
 - b. base line.
 - c. range line.
 - d. principal meridian.
10. A recorded subdivision plat is used in the
 - a. geodetic survey system.
 - b. rectangular survey system.
 - c. lot and block system.
 - d. metes and bounds system.
11. A standard rectangular survey system section contains
 - a. 36 townships.
 - b. 160 government lots.
 - c. 160 acres.
 - d. 640 acres.
12. The method of describing land that uses degrees, feet, and monuments is known as the
 - a. angular system.
 - b. metes-and-bounds system.
 - c. rectangular-survey system.
 - d. lots-and-blocks system.
13. The owner has a large parcel of land surveyed into lots and streets and files a subdivision plat. Each lot can be legally described by use of which of the following?
 - a. Street address
 - b. Government survey
 - c. Metes and bounds
 - d. Lots and blocks

Chapter 7 Questions

1. The title to real estate passes when a valid deed is
 - a. signed and recorded.
 - b. delivered and accepted.
 - c. filed and microfilmed.
 - d. executed and mailed.
2. The primary purpose of a deed is to
 - a. prove ownership.
 - b. transfer title rights.
 - c. give constructive notice.
 - d. prevent adverse possession.
3. A special warranty deed differs from a general warranty deed in that the grantor's covenant in the special warranty deed
 - a. applies only to a definite limited time.
 - b. covers the time back to the original title.
 - c. is implied and is not written in full.
 - d. protects all subsequent owners of the property.
4. The severalty owner of a parcel of land sells it to a buyer. The buyer insists that the owner's wife join in signing the deed. The purpose of obtaining the wife's signature is to
 - a. waive any marital or homestead rights.
 - b. defeat any curtesy rights.
 - c. provide evidence that the owner is married.
 - d. satisfy the parol evidence rule.
5. A third party holds title to property on behalf of someone else through the use of a
 - a. devise.
 - b. quitclaim deed.
 - c. bequest.
 - d. deed in trust.
6. In a real estate transaction, transfer taxes that are due are charged
 - a. to the buyer unless this is forbidden by statute or regulation.
 - b. according to local custom unless the parties are from different jurisdictions.
 - c. to the parties as agreed in the contract of sale.
 - d. to the closing agent and real estate broker if the contract does not specify who pays.
7. Real estate that is inherited from a person who died testate is referred to as a
 - a. legacy.
 - b. bequest.
 - c. devise.
 - d. demise.
8. Which of the following documents is signed by the owner of the real estate?
 - a. A gift deed
 - b. A trustee's deed
 - c. A reconveyance deed
 - d. A tax deed
9. Which of the following deeds contains no expressed or implied warranties?
 - a. A bargain and sale deed
 - b. A quitclaim deed
 - c. A warranty deed
 - d. A grant deed
10. All of the following are required for a deed to be valid EXCEPT
 - a. Date
 - b. Legal description
 - c. Name of the grantee
 - d. Signature of the grantee
11. The reversion of real estate to the state because of the lack of heirs or other persons legally entitled to own the property is called
 - a. eminent domain.
 - b. escheat.
 - c. attachment.
 - d. estoppel.
12. What is the basic purpose of acknowledgment before a notary public in signing a deed?
 - a. To make the deed eligible for recording
 - b. To assure that the title is valid
 - c. To show the genuineness of the grantor's signature
 - d. To prove that the property has not been encumbered
13. Pierre owns a one-quarter undivided interest in a parcel of land, and he wants his interest transferred to his sister Estelle. As a general rule, which of the following actions will transfer Pierre's undivided interest out of his name?
 - a. Redemption from foreclosure sale
 - b. Making and signing a will
 - c. Delivery of a deed
 - d. Signed acceptance of offer to purchase

14. A valid will devises a decedent's real estate after payment of all debts, claims, inheritance taxes, and expenses through the
 - a. administrator of the estate.
 - b. law of testate succession.
 - c. granting clause established in the will.
 - d. court action known as probate.
15. When the grantor does not wish to convey certain property rights, he or she
 - a. must note the exceptions in a separate document.
 - b. may not do so, as the deed conveys the entire premises.
 - c. may note the exceptions in the deed of conveyance.
 - d. must convey the entire premises and have the grantee reconvey the rights to be retained by the grantor.
16. Francine bought acreage in a distant county, never went to see it, and did not use it, although she regularly paid the real estate taxes on it. Without Francine's knowledge LaVerne moved her mobile home onto the property, drilled a well for water, and lived there for many years. Laverne may have become the owner of the acreage if she has complied with state laws regarding
 - a. intestate succession.
 - b. adverse possession.
 - c. the statute of frauds.
 - d. the statute of limitations.
17. In which of the following situations could a quitclaim deed *NOT* be used?
 - a. To convey a marketable title
 - b. To release a nominal real estate interest
 - c. To remove a cloud on title
 - d. To warrant that a title is valid
18. Under the terms of a trust established by a will, the trustee is required to sell the real estate the trust holds. The deed that will be delivered at settlement of such a sale is a
 - a. deed of release.
 - b. warranty deed.
 - c. trustee's deed.
 - d. trustor's deed.
19. Grantee is to a deed as devisee is to a
 - a. trust.
 - b. will.
 - c. estate.
 - d. leasehold.
20. All of the following are requirements for acquiring ownership of property by adverse possession EXCEPT
 - a. Occupancy of the property must be without the owner's consent.
 - b. Occupancy must be continuous and over a specified period of time.
 - c. The person in possession must compensate the owner.
 - d. The person in possession must occupy the property openly rather than secretly.
21. A deed must be signed by the
 - a. grantor.
 - b. grantee.
 - c. grantor and grantee.
 - d. grantee and two witnesses.
22. Normally a deed will be considered valid even if
 - a. it is signed by the attorney-in-fact of the seller.
 - b. the grantor is not a legal entity.
 - c. the grantor is a minor.
 - d. the grantor did not deliver the deed.
23. In order for a deed to be valid
 - a. the grantor must be legally competent.
 - b. the signature of the grantor must be witnessed.
 - c. the deed must be recorded.
 - d. the grantee must sign the deed.
24. The seller conveyed a quitclaim deed to the buyer. Upon receipt of the deed, the buyer may be certain that
 - a. the seller owned the property.
 - b. there are no encumbrances against the property.
 - c. the buyer now owns the property subject to certain claims of the seller.
 - d. all of the seller's interests in the property belong to the buyer.
25. The type of deed in which the grantor defends the title back to its beginning is a
 - a. trustee's deed.
 - b. quitclaim deed.
 - c. special warranty deed.
 - d. general warranty deed.

26. Which of the following is true regarding a special warranty deed?
- The grantor is making additional warranties beyond those given in a warranty deed.
 - The grantor retains an interest in the ownership.
 - The grantor is warranting that no encumbrances exist against the property.
 - The grantor's warranties are limited to the time the grantor owned the property.
27. What will happen to real estate when its deceased owner did not write a will and has no heirs?
- The ownership will pass by devise.
 - The ownership will escheat.
 - The courts will seize the ownership.
 - The ownership will revert to the previous owner.
28. A person owned a parcel of land. Subsequent to the owner's death the probate court determined the distribution of the land in accordance with the state's statutes. This is known as:
- escheat
 - probate
 - condemnation
 - adverse possession
29. Which of the following is an involuntary alienation of property?
- Quitclaim
 - Inheritance
 - Condemnation
 - Gift
30. The type of deed in which the granting clause states "grant, bargain, and sell" is a
- special warranty deed.
 - bargain and sale deed.
 - general warranty deed.
 - reconveyance deed.
31. The type of deed in which the granting clause states "remit, release, alienate, and convey" is a
- special warranty deed.
 - bargain and sale deed.
 - quitclaim deed.
 - sheriff's deed.
32. Which of the following is a voluntary alienation of the property?
- adverse possession
 - condemnation
 - foreclosure
 - owner selling the property
33. Which of the following is an example of involuntary alienation of property?
- Selling a property to pay off debts
 - Giving a piece of land to the zoo
 - Having a piece of land sold for delinquent taxes
 - Letting another person plant crops on an unused portion of a piece of land
34. The clause in the deed that conveys the rights and privileges of ownership is called the
- habendum clause.
 - appurtenance clause.
 - granting clause.
 - acknowledgment.
35. A deed states that the grantors are conveying all their rights and interests to the grantees to have and to hold. This is communicated in the
- acknowledgment clause.
 - restriction clause.
 - covenant of seizen.
 - habendum clause.

Chapter 8 Questions

1. Which of the following is acceptable evidence of marketable title?
 - a. A trust deed
 - b. A warranty deed
 - c. A title insurance policy
 - d. An affidavit
2. When a claim is settled by a title insurance company, the company acquires all rights and claims of the insured against any other person who is responsible for the loss. This is known as
 - a. caveat emptor.
 - b. surety bonding.
 - c. subordination.
 - d. subrogation.
3. Which of the following would be used to clear a defect from the title records?
 - a. A lis pendens
 - b. An estoppel certificate
 - c. A suit to quiet title
 - d. A writ of attachment
4. The part of the title insurance policy that sets forth all of the encumbrances and defects that will **NOT** be insured against is called the
 - a. schedule of defects
 - b. citation clause
 - c. nonexclusionary clause
 - d. exclusions
5. An abstract of title does **NOT** provide evidence of title unless it is accompanied by a
 - a. copy of the title insurance policy.
 - b. letter of insurance coverage.
 - c. letter of warranty.
 - d. certificate of title.
6. All of the following liens need to be recorded to be valid **EXCEPT**
 - a. Mortgage lien
 - b. Real estate tax lien
 - c. Judgment lien
 - d. Mechanic's lien
7. When Ursula purchased her home, the title insurance policy she received did **NOT** include which of following ?
 - a. A legal description of the insured real estate
 - b. A record of all of the previous owners of the property
 - c. A list of defects not covered
 - d. The kind of estate or interest being insured
8. A written summary of the history of all conveyances and legal proceedings affecting a specific parcel of real estate is called a(n)
 - a. affidavit of title.
 - b. certificate of title.
 - c. abstract of title.
 - d. title insurance policy.
9. All of the following are forms of notice or interests in real property **EXCEPT**
 - a. Constructive notice
 - b. Inquiry notice
 - c. Actual notice
 - d. Delinquency notice
10. The history of all owners of a specific parcel of real estate is the property's
 - a. chain of title.
 - b. certificate of title.
 - c. title insurance policy.
 - d. abstract of title.
11. All of the following would be considered evidence of marketable title **EXCEPT**
 - a. An abstract of title with a legal opinion
 - b. A title commitment or title insurance policy
 - c. A certificate of title by a real estate broker
 - d. A certificate of title by a real estate attorney
12. The recordation of a warranty deed
 - a. guarantees ownership.
 - b. protects the interests of the grantee.
 - c. prevents claims of parties in possession.
 - d. provides defense against adverse possession.

13. Documents affecting real estate are recorded or filed in the county in which the property is located to
 - a. enable interested parties to know where to look to discover the various interests of other parties to the transaction.
 - b. give actual notice of the grantee's interest in the property.
 - c. comply with the terms of the statute of frauds that all transfers for more than one year be in writing and signed.
 - d. prove the validity of the execution of the document.
14. All of the following would be acceptable as evidence of marketable title EXCEPT
 - a. A Torrens certificate
 - b. A title insurance policy
 - c. An abstract and legal opinion
 - d. A property owner's warranty deed
15. Under the Torrens system,
 - a. title passes when the grantee's application for registration has been approved and the real estate has been registered.
 - b. the Torrens official performs exactly the same functions as the recorder of deeds.
 - c. the original deed is mailed to the buyer after it has been registered.
 - d. the registration of a title can be canceled by the owner at any time.
16. A document that protects against hidden risks such as forgeries and loss due to defects in the title, subject to specific exceptions, is called a(n)
 - a. chain of title.
 - b. abstract of title.
 - c. certificate of title.
 - d. title insurance policy.
17. The body of law that governs personal property transactions (but does not apply to real estate) and involves use of security agreements, financing statements, and bulk transfers is the
 - a. American Land Title Association.
 - b. Uniform Commercial Code.
 - c. Parol Evidence Rule.
 - d. Statute of Limitations.
18. The type of title insurance that will protect the owner and heirs is called a(n)
 - a. lenders policy
 - b. owners policy
 - c. leasehold policy
 - d. certificate of sale policy
19. A buyer took delivery of the deed to his new house but neither recorded the deed nor took possession of the property. Under these circumstances
 - a. the transfer of the property from the seller is ineffective.
 - b. the buyer's interest is not fully protected against third parties.
 - c. the deed is invalid after 90 days.
 - d. the deed is invalid after 6 months.
20. The mortgagee received a title insurance policy on the property a buyer is pledging as security for the mortgage loan. Which of the following is true?
 - a. The policy is issued for the benefit of the buyer.
 - b. The policy guarantees that the buyer's equity will be protected.
 - c. The amount of coverage is commensurate with the loan amount.
 - d. The amount of coverage increases as the borrower's equity increases.
21. All of the following are true regarding public records EXCEPT
 - a. They give notice of encumbrances.
 - b. They establish priority of liens.
 - c. They guarantee marketable title.
 - d. They provide constructive notice about interests in the property.
22. The best reason for a buyer to obtain title insurance is
 - a. that the mortgage lender requires it.
 - b. to ensure that the seller can deliver marketable title.
 - c. to ensure that the abstractor has prepared a complete summary of title.
 - d. to pay future liens that may be filed.
23. A suit to quiet title refers to
 - a. a title insurance company's search of the title.
 - b. a mortgagor relinquishing title after foreclosure.
 - c. the deposit of a title with an escrow agent.
 - d. the removal of a cloud on the title by court action.
24. Which of the following is true about title insurance?
 - a. It ensures against future losses
 - b. It protects the insured from events before the policy was issued
 - c. It covers changes in land used brought about by zoning ordinances
 - d. It includes defects known to the buyer

Chapter 9 Questions

1. The amount of commission that is paid to salesperson Sharise is determined by
 - a. state law.
 - b. the local real estate board.
 - c. mutual agreement with her broker.
 - d. mutual agreement with the client.
2. Broker Janna was accused of violating antitrust laws. Of the following, she was most likely accused of
 - a. not having an equal housing opportunity sign in her office window.
 - b. undisclosed dual agencies.
 - c. allocation of customers or price fixing.
 - d. dealing in unlicensed exchange services.
3. Real estate broker Todd was responsible for a chain of events that resulted in the sale of one of his client's properties. This is referred to as
 - a. pro forma
 - b. procuring cause
 - c. private offering
 - d. proffered offer
4. Salesperson Norman wants to be classified as a qualified real estate agent—the equivalent of holding independent contractor status. All of the following are requirements for him to meet EXCEPT
 - a. Receive substantially all of his income from the brokerage based on production, not time worked
 - b. Be free from supervision by his broker and office manager
 - c. Hold a current real estate license
 - d. Have a written agreement with his broker stating that he will not be treated as an employee for federal tax purposes
5. A parcel of vacant land 80 feet wide and 200 feet deep was sold for \$200 per front foot. How much money would a salesperson receive for her 60 percent share in the 10 percent commission?
 - a. \$640
 - b. \$960
 - c. \$1,600
 - d. \$2,400
6. A real estate salesperson, classified by the IRS as an independent contractor, receives
 - a. a monthly salary or hourly wage.
 - b. company-provided health insurance.
 - c. company-provided automobile.
 - d. negotiated commissions on transactions.
7. In a typical agency relationship between broker and client, the broker's commission is determined by
 - a. state law.
 - b. the local real estate board.
 - c. mutual agreement.
 - d. minimums based on the property type.
8. Salesperson Nellie finally concluded some extremely difficult negotiations that resulted in the sale of a listed parcel of land. For all of her extra efforts, she can legally receive a performance bonus from
 - a. the seller.
 - b. the buyer.
 - c. no one.
 - d. her broker.
9. Wella is a salesperson working for Broker Vincent. Wella sells a \$150,000 home listed with another brokerage. The listing commission is 6.5 percent of the selling price. Of this amount, 5 percent is payable to the referral network that referred the buyer, 35 percent goes to the listing broker, and 60 percent belongs to the cooperating broker. Broker Vincent and Wella agreed that she would receive 55 percent of any commission that she generated for their office. For this transaction, she is entitled to receive
 - a. \$2,632.50
 - b. \$3,217.50
 - c. \$3,412.50
 - d. \$5,850.00
10. All of the following are required of a broker when seeking to collect a commission for brokering the sale of a property EXCEPT
 - a. Having a valid real estate broker's license
 - b. Having been procuring cause in the transaction or having an exclusive right-to-sell agreement
 - c. Having had a contract of employment—an agency representation agreement
 - d. Complying with a set commission rate set by a trade organization.

11. A broker lists a property for sale at \$100,000 with a 5 percent commission, and he later obtains an oral offer from a prospective buyer to purchase the property. The seller indicates to the broker that the offer would be acceptable if it were submitted in writing. Before it can be put in writing, the buyer backs out and revokes the oral offer. In this situation, the broker would be entitled to
 - a. a commission of \$5,000.
 - b. only a partial commission.
 - c. no commission.
 - d. the normal rate of commission.
12. All of the following are prohibited under the antitrust laws EXCEPT
 - a. Competing property management companies' agreeing to standardized management fees
 - b. Competing brokers' allocating markets based on the value of homes
 - c. Real estate companies' agreeing *NOT* to cooperate with a broker because of the fees that broker charges
 - d. A broker's setting a company commission schedule
13. Landowner Shelley subdivides her acreage and offers the lots for sale. Broker Ernie tells her that he can sell the lots. After Ernie sells some of the lots, the landowner refuses to pay him a commission. The broker can
 - a. report the landowner to the real estate licensing authorities.
 - b. file a lien against the landowner's remaining lots.
 - c. sue the landowner for breach of contract.
 - d. do nothing.
14. There is a spectacular house that salesperson Rameses from Aida Realty has been trying for several weeks to list for sale. The owners have been interviewing salespeople from different firms. They tell Aida's Ramses that Botchko properties will charge a 2 percent lower commission for selling the house. What should Aida's salesperson say to the owner in order to get the listing?
 - a. Salespeople will not show Botchko's listings because of their low commission fees.
 - b. Most brokers in the area charge a standard rate of commission, including Aida.
 - c. The Botchko firm cannot provide good services because they charge less.
 - d. Aida Realty provides excellent services to market their sellers' properties.
15. Broker Smith is helping a buyer and seller fill out a sales contract, but is not representing either party. Broker Smith is a(n)
 - a. transactional broker
 - b. designated broker
 - c. traditional broker
 - d. unlicensed broker
16. The listing and the selling broker agree to split a 7 percent commission 50-50 on a \$196,900 sale. The listing broker gives the listing salesperson 30 percent of his commission, and the selling broker gives the selling salesperson 35 percent of his commission. How much does the selling salesperson earn from the sale?
 - a. \$4,824.05
 - b. \$1,174.78
 - c. \$1,206.01
 - d. \$2,412.03
17. Unless some other written agreement has been made, broker Hugo will usually receive his brokerage commission when
 - a. the purchaser takes possession of the property.
 - b. the seller lists the property with the broker.
 - c. the transaction is closed.
 - d. an offer, procured from a ready, willing, and able buyer, has been accepted by the seller.
18. "Fee-for-services" means
 - a. offering real estate services in a piecemeal fashion
 - b. allowing non-licensees to conduct real estate transactions
 - c. working only with for-sale-by-owners
 - d. providing consumers all the same services for a discounted price
19. Each of two brokerage companies claimed full commission for the sale of a property that was listed by both of the firms under open listing agreements. The broker who is entitled to the commission is the one who
 - a. listed the property.
 - b. advertised the property.
 - c. obtained the first offer.
 - d. was the procuring cause of the sale.

20. The National Do-Not-Call Registry provides that
- licensees may never contact consumers without written authorization
 - consumers with whom a licensee has had a business relationship can be contacted for up to 12 months after the purchase
 - licensees may not contact a previous customer if they are in the Registry
 - consumers who have made an inquiry to a licensee may be contacted up to 3 months later
21. West Virginia's Real Estate Laws are contained in WV Code
- Chapter 15, Article 20
 - Chapter 30, Article 40
 - Chapter 174, Article 12
 - Chapter 12, Article 174
22. There are how many members on the West Virginia Real Estate Commission?
- two
 - five
 - seven
 - nine
23. The West Virginia License Law was passed to
- raise revenue
 - protect the public
 - restrict competition
 - keep brokers from cheating each other
24. Appointments to the Real Estate Commission are made by the
- Superintendent of Public Instruction
 - Insurance Commissioner
 - Secretary of State
 - Governor with the approval of the Senate
25. Any person who collects a real estate commission and is not licensed is guilty of
- duress
 - a felony
 - a misdemeanor
 - fraud
26. Persons found guilty of operation in the real estate business without a license may be fined by
- A Court of Law
 - The Governor
 - The Real Estate Commission
 - The Attorney General
27. When a broker discharges a salesperson for any reason, among other things, the broker shall
- close the salesperson's trust account
 - send the salesperson's license to the Real Estate Commission
 - publish a termination in the newspaper
 - charge the person a termination fee
28. Every person licensed as a real estate broker shall
- have and maintain a Post Office Box
 - have and maintain a definite place of business
 - obtain an insurance license
 - be on active status
29. The West Virginia License Law was changed to its current code citation in
- 1998
 - 1905
 - 2002
 - 2000
30. Jane has her license issued on June 29th. When does the license expire?
- in one year
 - on December 31st of the year it was issued
 - the next day
 - on June 30th of the following year
31. A Director of Human resources from a large corporation contacts a broker about a transfer of a large number of people into the broker's market area. The Director says he will give the broker all of the business if the broker will agree to pay a fee of 1% of the purchased property's value to the Director. Can the broker do this?
- yes, if the Director is a licensed real estate broker.
 - yes, if the Director does not discriminate in who he refers.
 - no, not under any circumstances.
 - no, because it would be unfair to the company's personnel to limit them to one broker's services.
32. The monetary fine for a first violation of the West Virginia Real Estate License Law could be
- \$1,000.00
 - \$2,000.00
 - \$3,000.00
 - \$5,000.00

33. Under the provisions of the West Virginia Real Estate License Law, a person violating the provisions of this Article could be fined
- Any amount determined by the Commission
 - The amount of compensation they received from a real estate transaction.
 - \$5,000.00
 - \$2,000.00
34. Under the provisions of the West Virginia Real Estate License Law the Real Estate Commission is authorized to charge a fine of
- Up to \$2,000.00 per day per violation
 - Up to \$1,000.00 per day per violation
 - Any amount that is deemed reasonable under the circumstances
 - An amount sufficient to prevent further violations
35. Any person accused under the provisions of the West Virginia Real Estate License Law shall file an answer to the charges within
- Ten days of date of service
 - Fifteen days of date of service
 - Twenty days of date of service
 - Thirty days of date of service
36. How much "equity" money may a broker keep in his "trust fund account"?
- Any amount he deems appropriate
 - Any amount the depository institution requires of any other depositor for an account
 - Not more than \$100.00
 - Not more than \$500.00
37. Rules and regulations adopted by governmental agencies
- serve as general guidelines only
 - are used to administer and enforce legislative acts
 - may not prescribe penalties for violations
 - do not have the force and effect of legislative acts
38. A salesperson's license generally must be
- kept in a safe place by the salesperson
 - carried by the salesperson with him or her
 - retained in the office of the employing broker
 - retained by the salesperson at his or her residence
39. Before a real estate license can be suspended or revoked, the licensee is usually entitled to
- have the state's attorney represents him or her in court
 - a hearing before the jurisdiction's licensing authority
 - a probationary period
 - make restitution for any financial misdealings
40. The states have enacted real estate licensing laws for all of the following purposes EXCEPT to
- protect the public from dishonest individuals
 - maintain minimum income levels for licensees
 - prescribe qualifications and standards for licensees
 - maintain minimum educational levels for licensees
41. When the license of a real estate broker is suspended or revoked, his or her salespeople
- must find a new employing broker
 - must obtain their broker's license
 - must stop listing and selling property
 - may continue operating as before

Chapter 10 Questions

1. A real estate broker's responsibility to keep the principal informed of all of the facts that could affect a transaction is the duty of
 - a. care.
 - b. disclosure.
 - c. obedience.
 - d. accounting.
2. Which of the following would be considered dual agency?
 - a. A broker's acting for both the buyer and the seller in the same transaction
 - b. Two brokerage companies' cooperating with each other
 - c. A broker's representing more than one principal
 - d. A broker's listing and then selling the same property
3. The relationship of a broker to his or her client is that of a(n)
 - a. trustee.
 - b. subagent.
 - c. fiduciary.
 - d. attorney in fact.
4. A real estate broker acting as the agent of the seller
 - a. must promote and safeguard the seller's best interest.
 - b. can disclose the seller's minimum price.
 - c. should present to the seller only the highest offer for the property.
 - d. can accept an offer on behalf of the seller.
5. In designated agency all of the following apply EXCEPT
 - a. the broker could be a dual agent
 - b. the same agent may represent both the buyer and seller at the same time
 - c. the broker can choose an agent in the office to represent the seller
 - d. the broker may appoint an agent to negotiate for the buyer
6. A broker is permitted to represent both the seller and the buyer in the same transaction when
 - a. the principals are not aware of such action.
 - b. the broker is a subagent rather than the agent of the seller.
 - c. commissions are collected from both parties.
 - d. both parties have been informed and agree to the dual representation.
7. Which of the following would be considered lawful practice in real estate brokerage?
 - a. Deceitful or dishonest practices
 - b. Exaggerated statements about the property
 - c. Omitted statements of material fact
 - d. Misstatements about the property
8. As an agent for the seller, a real estate broker can
 - a. guarantee a prospective buyer that the seller will accept an offer at the listed price and terms.
 - b. solicit an offer to purchase the property from a prospective buyer.
 - c. advise a prospective buyer as to the best manner of taking title to the property.
 - d. change the terms of the listing contract on behalf of the seller.
9. A seller has listed her home with a broker for \$190,000. The listing broker tells a prospective buyer to submit a low offer because the seller is desperate to sell. The buyer offers \$185,000 and the seller accepts it. In this situation,
 - a. the broker has violated his agency relationship with the seller.
 - b. the broker was unethical, but the seller did get to sell her property.
 - c. the broker acted properly to obtain a quick offer on the property.
 - d. any broker is authorized to encourage such bids for the property.
10. When Broker Hearn was told by his principal not to advertise her property in a certain newspaper, which was out of the area, Hearn complied because he
 - a. had never advertised in that newspaper anyway.
 - b. must obey the lawful instructions of his principal.
 - c. was *NOT* intending to advertise the property at all.
 - d. is allowed to advertise only in local newspapers.

11. It is the duty of an agent to disclose to the principal every material step taken in the transaction of the principal's business. This is because the
 - a. commission can be adjusted up or down according to the agent's efforts.
 - b. agent has fiduciary obligations to the principal.
 - c. terms of the listing contract require the agent to do so.
 - d. terms of the purchase contract require the agent to do so
12. Upon discovering a latent defect in a property, the Broker Alice should discuss the problem with the seller Juan and then
 - a. tell him that the defect must be repaired.
 - b. arrange for the repairs herself.
 - c. inform any prospective buyers of the defect.
 - d. contact the city building inspector about the defect.
13. The type of agency practiced in which there is only ever one client is
 - a. designated agency
 - b. disclosed dual agency
 - c. exclusive buyer agency
 - d. single agency
14. A salesperson who is employed by a broker told a prospective buyer that the house she was looking at is "the best house in the area." Because of this statement,
 - a. the salesperson was guilty of fraud.
 - b. the broker was guilty of fraud because the employing broker is responsible for the actions of the salesperson.
 - c. the salesperson was guilty of puffing.
 - d. the salesperson would be guilty of fraud only if the buyer purchased the house.
15. Which of the following best defines the law of agency?
 - a. The selling of another's property by a properly licensed brokerage company
 - b. The rules of law that apply to the responsibilities of a person who acts as agent for another
 - c. The principles that govern one's conduct in business
 - d. The rules and regulations of the state's licensing agency
16. A broker who is the agent of the buyer should do which of the following?
 - a. Disclose to the seller that the buyer is a minority person
 - b. Disclose to the seller the maximum price the buyer is willing to pay
 - c. Present to the seller only offers that are acceptable
 - d. Advise the buyer if the listing price of the seller's house is unrealistic
17. A salesperson sells buyer Fred property listed by another brokerage firm in the Multiple Listing System. The salesperson has been working with Fred for many months but does not have an agency contract with him. This salesperson has fiduciary obligations to
 - a. the seller.
 - b. the buyer.
 - c. no one.
 - d. the public.
18. Broker Joan shows properties listed for sale with her company to prospect Karl. Karl has refused buyer representation. Karl is Joan's
 - a. client.
 - b. principal.
 - c. customer.
 - d. fiduciary.
19. Mr. Mole's house has been listed for sale for more than one year and he is very anxious to move into a retirement community. Salesperson Rachel, who is a subagent of the seller, tells a prospective buyer to make a low offer because she is sure that the seller will accept it. Regarding Rachel's conduct, all of the following would be true EXCEPT
 - a. She acted appropriately to get the seller's property sold.
 - b. She violated her fiduciary duty to Mr. Mole.
 - c. Her conduct implies she is representing the buyer.
 - d. She should not assume that an anxious seller will accept a lower offer.

20. A salesperson who represents the seller is showing a house to a prospective buyer-customer. The salesperson knows that the house has water problems in its basement. Which of the following is true?
- Withholding the information properly protects the confidence of the seller.
 - Disclosing the information could create a fiduciary relationship with the buyer.
 - Withholding the information prevents the buyer from making an informed decision.
 - Disclosing the information violates the salesperson's fiduciary duty to the seller.
21. Broker Sven, in the course of selling a home to customer Nancy, told her that the foundation was "solid as a rock" when he knew for a fact that it was slowly sinking into the landfill on which it was built. Now that the sale is settled, which of the following is *LEAST LIKELY* to happen to Sven?
- Revocation of his license for failure to disclose a material fact
 - Successful defense against all charges based on loyalty to his client-seller
 - Being charged with intentional misrepresentation
 - Suit to recover money damages experienced by Nancy due to basement leakage
22. Broker LaRue's newest salesperson, Shandra, lists a unit in a condominium building for sale. In this transaction Shandra
- has a direct contractual relationship with the owners of the unit.
 - acts on behalf of LaRue, her broker.
 - acts on behalf of the condominium association.
 - must personally find a buyer for the unit to obtain a share of the commission.
23. A broker who represents a seller under an exclusive-agency listing receives two offers for the property at the same time, one from one of his salespeople and one from the salesperson of a cooperating broker. What should the broker do?
- Submit the offer from his salesperson first
 - Submit the offer from the other salesperson first
 - Submit the higher offer first
 - Submit both offers at the same time
24. Two salespeople working for the same broker obtained offers on a property listed with their firm. The first offer was obtained early in the day. A second offer for a higher purchase price was obtained later in the afternoon. The broker presented the first offer to the seller that evening. The broker did not inform the seller about the second offer so that the seller could make an informed decision about the first offer. Which of the following is true?
- The broker's actions are permissible provided the commission is split between the two salespeople.
 - After the first offer was received the broker should have told the salespeople that no additional offers would be accepted until the seller decided on the offer.
 - The broker has no authority to withhold any offers from the seller.
 - The broker was smart to protect the seller from getting into a negotiating battle over two offers.
25. A broker has an exclusive-right-to-sell listing on a building. The owner is out of town when the broker gets an offer from a buyer to purchase the building providing the seller agrees to take a purchase money mortgage. The buyer must have a commitment from the seller before the seller is scheduled to return to the city. Under these circumstances the
- broker may enter into a binding agreement on behalf of the seller.
 - broker may collect a commission even if the transaction falls through because of the seller's absence from the city.
 - the buyer is obligated to keep the offer open until the seller returns.
 - the broker must obtain the signature of the seller to effect a contract.
26. A property manager is hired to manage a property while the owner is overseas for two years. The property manager is a (n)
- general agent
 - special agent
 - universal agent
 - attorney-in-fact

Chapter 11 Questions

1. All of the following are a valid basis for terminating a listing agreement EXCEPT
 - a. Sale of the property
 - b. Death of the salesperson
 - c. Agreement of the parties
 - d. Destruction of the premises
2. By executing a listing agreement with a seller, a real estate broker becomes
 - a. a procuring cause.
 - b. obligated to open a special trust account.
 - c. the agent of the seller.
 - d. responsible for sharing commissions.
3. The provision in a listing agreement that gives additional authority to the broker and obligates the broker to distribute the listing to other brokers is a(n)
 - a. joint listing clause.
 - b. multiple listing clause.
 - c. net listing clause.
 - d. open listing clause.
4. A building sold for \$157,000. The broker charged a 6 percent commission and divided it as follows: 10 percent to the salesperson who took the listing, one-half of the balance to the salesperson who made the sale, and the remainder to the broker. What was the listing salesperson's commission?
 - a. \$239
 - b. \$942
 - c. \$1,570
 - d. \$4,239
5. Last month broker Wanda took a listing on a property. She now learns that her client has been declared incompetent by the court. Her listing now is
 - a. binding as the broker was acting in good faith.
 - b. still valid.
 - c. the basis for commission if the broker produces a buyer.
 - d. terminated
6. The type of listing agreement that provides for payment of a commission to the broker even though the owner makes the sale without the broker's aid is called an
 - a. exclusive-right-to-sell listing.
 - b. open listing.
 - c. exclusive-agency listing.
 - d. option listing.
7. Some property owners list their property for sale with a broker. During the listing negotiations, they tell the broker that they want \$138,000 for the property, and anything above that amount the broker can keep as a commission. A listing with this type of provision is known as a
 - a. gross listing.
 - b. net listing.
 - c. open listing.
 - d. nonexclusive listing.
8. Under which of the following listing agreements can owners of listed property sell the property on their own without having to pay the listing broker a commission?
 - a. Exclusive-right-to-sell listing
 - b. Exclusive-agency listing
 - c. Open listing
 - d. Both b and c
9. A property owner signed a 90-day listing agreement with a broker. The owner was killed in an accident before the listing expired. Now the listing is
 - a. binding on the owner's spouse for the remainder of the 90 days.
 - b. still in effect as the owner's intention was clearly defined.
 - c. binding only if the broker can produce offers to purchase the property.
 - d. terminated automatically because of the death of the principal.
10. A listing contract in which payment of the commission is contingent on the broker's being able to produce a buyer before the property is sold by the owner or another broker is called a(n)
 - a. open listing.
 - b. net listing.
 - c. exclusive-right-to-sell listing.
 - d. exclusive-agency listing.

11. A broker who has done a proper CMA, has discussed the probable market value of property with the seller and has found that the seller wants an unrealistic price for the property. All of the following are true EXCEPT the broker must
 - a. Suggest the seller have a formal appraisal done.
 - b. Take the listing with the understanding that price reductions may be needed.
 - c. Take the listing at the proposed seller's price.
 - d. Decline to take the listing at the high price.
12. All of the following are typically found in a listing agreement EXCEPT
 - a. The price the seller is asking for the property
 - b. The date the broker will schedule an open house
 - c. The commission rate to be paid to the listing broker
 - d. The responsibilities of the broker
13. The type of listing agreement that provides the least protection for the listing broker is the
 - a. exclusive-right-to-sell listing.
 - b. exclusive-agency listing.
 - c. open listing.
 - d. net listing.
14. If a seller needs to net \$50,000 after the sale, how much must the real estate sell for if the selling costs include a 7 percent commission and \$1,200 in other expenses?
 - a. \$54,700
 - b. \$54,963
 - c. \$55,054
 - d. \$55,633
15. Under an exclusive agency buyer agency agreement the real estate broker would be entitled to a commission EXCEPT
 - a. if the broker sells the buyer a listing from another firm.
 - b. if the property is a FSBO.
 - c. if the buyer finds a suitable property without the broker.
 - d. if the buyer cancels the agreement of sale.
16. Under an exclusive-agency listing, the listing broker would be entitled to a commission EXCEPT if
 - a. the broker sells the property herself.
 - b. the property is sold through another broker.
 - c. the property is sold through the multiple-listing service.
 - d. the seller sells the property to a neighbor across the street who has her property listed with another broker.
17. All of the following are types of listing contract EXCEPT
 - a. Open
 - b. Exclusive-agency
 - c. Exclusive-right-to-sell
 - d. Multiple Listing Service
18. A buyer has signed an agreement with a broker to compensate the broker even if the buyer purchases the property from a relative. This is called a(n)
 - a. open buyer agency agreement
 - b. exclusive-agency buyer agency agreement
 - c. exclusive buyer agency agreement
 - d. invalid agreement
19. The seller wants to net \$65,000 on the sale of his house after paying the broker a fee of 6 percent. How much must the gross selling price be?
 - a. \$69,149
 - b. \$68,093
 - c. \$67,035
 - d. \$66,091
20. A broker enters into a listing agreement with a seller under which the seller will receive \$22,000 from the sale of a lot and the broker will receive any sale proceeds over this amount. This type of listing is a(n)
 - a. gross listing.
 - b. legal and ethical way to ensure that the broker is compensated.
 - c. exclusive agency.
 - d. net listing.
21. In some states the following type of listing is prohibited:
 - a. Exclusive-right-to-sell
 - b. Net listing
 - c. Buyer agency agreement
 - d. Open listing

22. An owner who is interested in selling his house is usually concerned about how much money he can get when it sells. A competitive market analysis may help the seller determine a realistic listing price. Which of the following is true?

- a. A competitive market analysis is the same as an appraisal.
- b. A broker, but not a salesperson, is permitted to prepare a competitive market analysis.
- c. A competitive market analysis is what is prepared by a certified real estate appraiser.
- d. A competitive market analysis contains a compilation of facts about similar properties that have recently sold.

23. The salesperson received \$2,800 commission on her 35 percent share of the total commission on the sale of a property that sold for \$160,000. What was the commission rate?

- a. 10 percent
- b. 5 percent
- c. 7 percent
- d. 4.5 percent

24. A broker hires sales associates with an agreement to split company commissions thus: the broker—45 percent; the listing salesperson—30 percent; the selling salesperson—the rest. If the broker's share is \$2,430, the property sold for \$90,000, and the listing salesperson's share was \$1,620, what was the selling sales associate's share?

- a. \$2,700
- b. \$1,800
- c. \$1,350
- d. \$1,295

25. All of the following are types of Buyer Agency Agreements EXCEPT

- a. an exclusive buyer agency agreement.
- b. an exclusive agency buyer agency agreement.
- c. an open buyer agency agreement.
- d. a net buyer agency agreement.

26 Before the buyer signs a buyer agency agreement a licensee must do all of the following EXCEPT

- a. explain forms of agency available.
- b. obtain financial information from the buyer.
- c. inform the buyer of the charges or compensation for services.
- d. describe specific services to be provided.

Chapter 12 Questions

1. A void contract is one that
 - a. was not in writing.
 - b. was never legally enforceable.
 - c. was rescindable by agreement.
 - d. was voidable by only one of the parties.
2. The legal proceeding or legal action brought by either the buyer or the seller under a purchase contract to enforce the terms of the contract is known as
 - a. an injunction.
 - b. a lis pendens.
 - c. an attachment.
 - d. specific performance.
3. The essential elements of a contract include all of the following *EXCEPT*
 - a. offer and acceptance.
 - b. notarized signatures of the parties.
 - c. competent parties.
 - d. consideration.
4. If, upon the receipt of an offer to purchase his property subject to certain conditions, the seller makes a counteroffer, the prospective buyer is
 - a. bound by his original offer.
 - b. bound to accept the counteroffer.
 - c. bound by whichever offer is lower.
 - d. relieved of his original offer.
5. The amount of earnest money deposit is determined by
 - a. real estate licensing statutes.
 - b. agreement between the parties.
 - c. listing broker's office policy on such matters.
 - d. meeting the acceptable minimum of 5 percent of the purchase price.
6. If the buyer defaulted some time ago on a written contract to purchase a seller's real estate, the seller can still sue for damages if he is not prohibited from doing so by the
 - a. statute of frauds.
 - b. law of agency.
 - c. statute of limitations.
 - d. broker-attorney accord.
7. Which of the following best describes a voidable contract?
 - a. A contract that has no legal effect and never had any
 - b. An oral contract with no witnesses to the agreement
 - c. A contract that may be either enforced or declared void by one of the parties but not the other.
 - d. A contract that has been accepted but the acceptance has not been communicated to the offeror
8. Which of the following gives the best evidence of the buyer's intention to carry out the terms of the real estate purchase contract?
 - a. The "subject to" clause
 - b. The agreement to seek mortgage financing
 - c. The earnest money deposit
 - d. The provision that "time is of the essence"
9. What action returns a contract's parties to their position before the contract, including return of any deposit?
 - a. Cancellation
 - b. Rescission
 - c. Substitution
 - d. Subordination
10. All of the following are essential to the formation of a contract *EXCEPT*
 - a. Offer
 - b. Acceptance
 - c. Consideration
 - d. Performance
11. An option
 - a. requires the optionee to complete the purchase.
 - b. gives the optionee an easement on the property.
 - c. binds the optionor for a specified time.
 - d. makes the seller liable for a commission.
12. When a prospective buyer makes a written purchase offer that the seller accepts, then the
 - a. buyer may take possession of the real estate.
 - b. seller grants the buyer possessory rights.
 - c. buyer receives legal title to the property.
 - d. buyer receives equitable title to the property.

13. A bilateral contract is one in which
- only one of the parties is obligated to act.
 - the promise of one party is given in exchange for the promise of the other party.
 - something is to be done by one party only.
 - a restriction is placed in the contract by one party to limit the performance by the other.
14. At the time a buyer was negotiating the purchase of a lot on which to build a new home, the seller represented that the soil is firm enough to support the construction of a building when, in fact, the seller knew it is not. This contract is
- void.
 - voidable by the buyer because of fraud.
 - voidable by the seller because of the mistake.
 - voidable by neither party because no harm was done yet.
15. Broker Kenneth arrives to present a purchase offer to Dorita, an invalid, and finds her son and his wife also present. In the presence of Broker Kenneth, both individuals persistently urge Dorita to accept the offer, even though it is much lower than the price she has been asking for her home. If Dorita accepts the offer, she may later claim that
- Kenneth should not have brought her such a low offer for her property.
 - she was under duress from her son and daughter-in-law, and therefore, the contract is voidable.
 - Kenneth defrauded her by allowing her son and his wife to see the purchase offer he brought to her.
 - her consumer protection rights have been usurped by her son and daughter-in-law.
16. The law that requires real estate contracts to be in writing to be enforceable is the
- law of descent and distribution.
 - statute of frauds.
 - parole evidence rule.
 - statute of limitations.
17. If an owner takes his property off the market for a definite period of time in exchange for some consideration, but he grants an individual the right to purchase the property within that period for a stated price, this is called a(n)
- option.
 - contract of sale.
 - right of first refusal.
 - installment agreement.
18. Breach of contract is refusal or failure to comply with the terms of a contract. If the seller breaches the purchase contract, the buyer may do all of the following EXCEPT
- sue the seller for specific performance.
 - rescind the contract and recover the earnest money.
 - sue the seller for damages.
 - sue the broker for nonperformance.
19. To assign a contract for the sale of real estate means to
- record the contract with the county recorder's office.
 - permit another broker to act as agent for the principal.
 - transfer one's rights under the contract.
 - allow the seller and the buyer to exchange positions.
20. The broker receives an earnest money deposit with a written offer to purchase that includes a ten-day acceptance clause. On the fifth day, before the offer is accepted, the buyer notifies the broker that she is withdrawing the offer and demands the return of her earnest money deposit. In this situation
- the buyer cannot withdraw the offer because it must be held open for the full ten days.
 - the buyer has the right to revoke the offer at any time until it is accepted and recover the earnest money.
 - the seller and the broker have the right to each retain one-half of the deposit.
 - the broker declares the deposit forfeited and retains it for his services.
21. All of the following are correct about contingencies EXCEPT
- They create a contract that is unenforceable
 - They must specify what is required to satisfy the contingency
 - They must identify who will pay for any cost involved
 - Common contingencies include mortgage and inspection contingencies

22. On Monday the seller offers to sell his vacant lot to the buyer for \$12,000. On Tuesday, the buyer counteroffers to buy for \$10,500. On Friday the buyer withdraws the counteroffer and accepts the original offer of \$12,000. Under these conditions
- there is a valid agreement because the buyer accepted the seller's offer exactly as it was made.
 - there is not a valid agreement because the buyer's counteroffer was a rejection of the seller's offer and, once it was rejected, it cannot be accepted later.
 - there is a valid agreement because the buyer accepted before the seller advised the buyer that the offer is withdrawn.
 - there is not a valid agreement because the seller's offer was not accepted within 72 hours.
23. Broker Peder listed the Kleins' property for sale under an exclusive-right-to-sell agreement. Today, Toby, one of Peder's salespeople, obtained a signed offer to purchase the property along with a certified check for 5 percent of the purchase price as earnest money. What should Toby do with the earnest money check?
- Give it to the Kleins.
 - Hold it until closing.
 - Deposit the money in his trust account.
 - Give the money to Peder for deposit in the brokerage trust account.
24. A broker took a listing and later discovered that the client had been declared legally incompetent before signing the listing. The listing is now
- binding because the broker was acting as the owner's agent in good faith.
 - of no value to the broker because it is void.
 - the basis for the recovery of a commission if the broker produces a buyer.
 - renegotiable.
25. Money that serves to compensate a seller in the event of a buyer default is known as
- actual damages
 - liquidated damages
 - escrow funds
 - earnest money
26. In order for a contract to be valid, the offeree must accept the offer before
- the payment of any money.
 - the offer expires.
 - the close of the 10th business day following the offer.
 - the offeror makes a similar offer to a third party.
27. The mixing of trust funds with a broker's personal funds is
- conversion
 - commingling
 - legal in most states
 - permitted in offices with fewer than three agents
28. A lease agreement is signed by a lessee who is 16 years of age. Which of the following is true?
- A 16-year-old person cannot sign a lease.
 - The lease agreement is voidable.
 - The lease agreement is valid provided the security deposit is increased.
 - The lease agreement is void.

Chapter 13 Questions

1. When properly recorded in the county where the real estate of the defendant is located, a judgment becomes a(n)

- a. voluntary lien.
- b. involuntary lien.
- c. specific lien.
- d. statutory.

2. When a company furnishes materials for the construction of a house and is subsequently not paid, it may file a(n)

- a. deficiency judgment.
- b. lis pendens.
- c. estoppel certificate.
- d. mechanic's lien.

3. When a lien against a parcel of real estate may result from a lawsuit currently before the court, one examining the public records would look for

- a. the chain of title.
- b. a lis pendens.
- c. a suit to quiet title.
- d. a judgment lien.

4. A mechanic's lien would be properly classified as a(n)

- a. equitable lien.
- b. voluntary lien.
- c. general lien.
- d. specific lien.

5. The current market value of a property is \$35,000. For tax purposes, it is assessed at 40 percent of market value. The tax rate is \$4 per \$100 of assessed value. What is the amount of the tax due?

- a. \$560
- b. \$625
- c. \$705
- d. \$740

6. Under which of the following types of liens can both the real property and the personal property of the debtor be sold to pay the debt?

- a. Real estate tax lien
- b. Mechanic's lien
- c. Judgment lien
- d. Assessment lien

7. Which of the following is a voluntary lien?

- a. Mortgage lien
- b. Estate tax lien
- c. Real estate tax lien
- d. Judgment lien

8. Priority of mechanic's liens is based on

- a. federal law.
- b. state law.
- c. common law.
- d. case law.

9. John is involved in a lawsuit. He owns a rental home which is free of any mortgage. What can a creditor obtain to prevent John from selling the rental home before the lawsuit is settled?

- a. a judgment
- b. a foreclosure notice
- c. a seizure notice
- d. a writ of attachment

10. The adoption of a budget is the first step in arriving at a(n)

- a. equalization factor
- b. tax rate
- c. tax levy
- d. tax bill

11. The current market value of a property is \$255,000, and it is assessed at 35 percent of its current market value with an equalization factor of 1.25. What is the amount of real estate tax due if the tax rate is \$3.50 per \$100 of assessed value?

- a. \$2,756.25
- b. \$3,445.31
- c. \$3,904.69
- d. \$4,880.26

12. Special assessments initiated by a public agency are

- a. general liens.
- b. voluntary liens.
- c. equitable liens.
- d. statutory liens.

13. A property owner contracted to have a swimming pool installed on her property. When the pool was completed, she refused to pay for the improvement, and the contractor filed a lien for nonpayment. This lien was most likely a

- a. general lien.
- b. special lien.
- c. specific lien.
- d. voluntary lien.

14. Gordon has defaulted in the payment of several of his debts, and the court has ordered his property sold to satisfy them. A title search revealed several outstanding liens against the property. Which of the following liens has highest priority?
 - a. An outstanding first mortgage lien dated and recorded one year ago
 - b. A real estate tax lien for the current year
 - c. A judgment lien rendered and recorded last month
 - d. A mechanic's lien for work started two months before the mortgage was recorded
15. After real estate has been sold by the state or county to satisfy a delinquent tax lien, the defaulted owner usually has a right to
 - a. have the sale canceled by paying the back taxes and penalties.
 - b. pay his or her creditors directly and have their liens removed.
 - c. redeem the property within the time specified by law.
 - d. record a notice of nonresponsibility for the unpaid taxes.
16. Normally, the priority of general liens is determined by
 - a. the order in which they are filed or recorded.
 - b. the order in which the cause of action arose.
 - c. the size of the claim.
 - d. the court.
17. Which of the following is a lien on real estate?
 - a. An easement
 - b. A recorded mortgage
 - c. An encroachment
 - d. A restrictive covenant
18. All of the following are generally exempt from paying real estate taxes EXCEPT
 - a. cities
 - b. for-profit assisted living facilities
 - c. hospitals
 - d. schools
19. The current value of a property is \$140,000. The property is assessed at 40 percent of its current value, with an equalization factor of 1.5 applied to the assessed value. If the tax rate is \$4 per \$100 of assessed value, what is the amount of tax due on the property?
 - a. \$840
 - b. \$3,360
 - c. \$5,600
 - d. \$8,400
20. What is the difference between a general lien and a specific lien?
 - a. A general lien cannot be enforced in court, while a specific lien can be enforced.
 - b. A specific lien is held by one person, while a general lien is held by at least two persons.
 - c. A general lien affects all of a debtor's property, while a specific lien affects only a certain piece of property.
 - d. A specific lien covers real estate, while a general lien covers personal property.
21. If the market value of a property is \$184,500 and the assessment ratio is 35 percent, what are the monthly taxes if the tax rate is 30 mills?
 - a. \$1,937.25
 - b. \$179.37
 - c. \$161.44
 - d. \$1,614.38
22. Taxes levied on a property owner to pay for installation of sidewalks or sewers are called
 - a. ad valorem taxes.
 - b. general property taxes.
 - c. special excise taxes.
 - d. special assessments.
23. General real estate taxes are also known as
 - a. special assessments
 - b. ad valorem taxes
 - c. appropriation funds
 - d. general voluntary liens
24. When real estate taxes on a parcel are \$2,400 a year, the assessment rate is 20 percent and the tax rate 120 mills, what is the value of the property?
 - a. \$200,000
 - b. \$80,000
 - c. \$40,000
 - d. \$100,000
25. The monthly taxes on a property are \$400. If the tax rate is \$4 per \$100 of assessed value, what is the assessed value?
 - a. \$480,000
 - b. \$100,000
 - c. \$120,000
 - d. \$192,000

Chapter 14 Questions

1. Under an installment contract, the title to the property is held by the
 - a. vendor.
 - b. vendee.
 - c. trustor.
 - d. trustee.
2. Charging more interest than is legally allowed is known as
 - a. escheat.
 - b. usury.
 - c. a deficiency.
 - d. an estoppel.
3. A mortgagor is the one who
 - a. gives a mortgage.
 - b. holds a mortgage.
 - c. provides mortgage funds.
 - d. forecloses on a mortgage.
4. A promissory note
 - a. may not be executed in connection with a real estate loan.
 - b. is an agreement to perform or not to perform certain acts.
 - c. makes the borrower personally liable for the debt.
 - d. is a guarantee by a government agency.
5. A land contract provides for the
 - a. sale of unimproved land only.
 - b. sale of real property under an option agreement.
 - c. conveyance of legal title at a future date.
 - d. immediate transfer of reversionary rights.
6. The fee charged by a mortgage broker to arrange a loan is a(n)
 - a. prepayment penalty.
 - b. advance interest payment.
 - c. loan origination fee.
 - d. prepayment of mortgage insurance.
7. If the amount realized at a sheriff's sale as part of a mortgage foreclosure is more than the amount of the indebtedness and expenses, then the excess belongs to
 - a. the mortgagor.
 - b. the mortgagee.
 - c. the sheriff's office.
 - d. the county.
8. LaShawn has just made the final payment on her home mortgage to her lender. There will still be a lien on her property until the lender records a(n)
 - a. satisfaction of mortgage.
 - b. reconveyance of mortgage.
 - c. alienation of mortgage.
 - d. reversion of mortgage.
9. An existing mortgage loan can have its lien priority lowered through the use of a
 - a. hypothecation agreement.
 - b. satisfaction of mortgage.
 - c. subordination agreement.
 - d. reconveyance of mortgage.
10. The right a mortgagor has to regain the property by paying the debt after a foreclosure sale is called
 - a. acceleration.
 - b. redemption.
 - c. reversion.
 - d. recapture.
11. The clause in a trust deed or mortgage that permits the lender to declare the entire unpaid balance immediately due and payable upon default is the
 - a. judgment clause.
 - b. escalator clause.
 - c. forfeiture clause.
 - d. acceleration clause.
12. A building was sold for \$115,000. Earnest money in the amount of \$15,000 was deposited in escrow, and the buyer obtained a new loan for the balance of the purchase price. The lender charged 2 discount points on the loan. What was the total amount of cash used by the buyer for this purchase?
 - a. \$2,300
 - b. \$15,000
 - c. \$17,000
 - d. \$17,300
13. When a mortgage loan has been paid in full, it is important for the borrower to be sure that
 - a. the paid note is placed in a safe deposit box.
 - b. he or she obtains a deed of partial reconveyance.
 - c. the paid mortgage is returned to the lender.
 - d. a satisfaction of mortgage is recorded.

14. In what way does a deed of trust differ from a mortgage?
- In the number of parties involved in the loan
 - In the obligation of the borrower to repay the funds
 - In the redemption rights allowed after foreclosure
 - In the time period permitted to cure a default
15. A person who assumes an existing mortgage loan is
- not personally liable for the repayment of the debt.
 - not in danger of losing the property by default.
 - personally responsible for paying the principal balance.
 - generally released from liability, but not always.
16. All the following clauses in a loan agreement enable the lender to demand the entire remaining debt be paid immediately *EXCEPT* a(an)
- due-on-sale clause.
 - defeasance clause.
 - acceleration clause.
 - alienation clause.
17. The mortgagee foreclosed on a property after the borrower defaulted on the loan payments. At the foreclosure sale, however, the house sold for only \$129,000. The unpaid balance of the loan at the time of the sale was \$140,000. What must the lender do to recover the \$11,000 the borrower still owes?
- Sue for damages
 - Sue for specific performance
 - Seek a judgment by default
 - Seek a deficiency judgment
18. The clause in a mortgage instrument that would prevent the assumption of the mortgage by a new purchaser is a
- due-on-sale clause.
 - power of sale clause.
 - defeasance clause.
 - certificate of sale clause.
19. The defeasance clause in a mortgage requires the mortgagee to execute a(n)
- assignment of mortgage.
 - satisfaction of mortgage.
 - subordination agreement.
 - partial release agreement.
20. The seller agrees to sell the house to the buyer for \$100,000. The buyer was unable to qualify for a mortgage loan for this amount so the seller and buyer enter into a contract for deed. The interest the buyer has in the property under a contract for deed is
- legal title.
 - equitable title.
 - joint title.
 - mortgagee in possession.
21. A "friendly foreclosure" enables a mortgagor to prevent the mortgagee from taking the property by statutory means. This can be accomplished by use of a(n)
- deed in lieu of foreclosure.
 - reconveyance deed.
 - assumption.
 - escrow deed.
22. Mortgage lenders want assurance that future real estate taxes will be paid. The most common way to do this is to require the borrower to
- obtain title insurance.
 - sign a note.
 - pay into an impound account.
 - submit paid tax receipts.
23. The pledging of property as security for payment of a loan without surrendering possession is
- disintermediation.
 - equity.
 - hypothecation.
 - subordination.
24. When real estate is sold under an installment land contract and the buyer takes possession of the property, the legal title
- is subject to a purchase money mortgage.
 - must be transferred to a land trust.
 - is kept by the seller until the purchase price is paid according to the contract.
 - is transferred to the buyer.
25. An agreement executed by the seller, buyer and lender on an existing mortgage to be assumed that will release the seller from any future liability is called a
- novation
 - equitable
 - defeasance clause
 - deed of trust

26. If a buyer obtains a \$50,000 mortgage with 4 points, how much will the lender charge at closing?
- a. \$6,000
 - b. \$200
 - c. \$2,000
 - d. \$40,000
27. In absence of an agreement to the contrary, the mortgage having priority will be the one
- a. for the highest amount.
 - b. which was recorded first.
 - c. which was signed first.
 - d. that is a construction loan.
28. The purpose of a mortgage is to
- a. provide security for a loan.
 - b. convey title of the property to a lender.
 - c. restrict the borrower's use of the property.
 - d. create a lien on the property.
29. If a property sold at a mortgage foreclosure does not bring an amount sufficient to satisfy the outstanding mortgage debt, the mortgagor may be responsible for
- a. a default judgment.
 - b. a deficiency judgment.
 - c. liquidated damages.
 - d. punitive damages.
30. If a house sold for \$80,000 and the buyer obtained a loan for \$72,000, how much money would the buyer pay if the lender charged 3 points?
- a. \$2400
 - b. \$2328
 - c. \$2160
 - d. \$240

Chapter 15 Questions

1. Kahlid has been making periodic payments of principal and interest on a loan, but the final payment will be larger than the others. This is a(n)
 - a. balloon payment loan
 - b. fully amortized loan
 - c. FHA loan
 - d. straight loan
2. The amount of a loan expressed as a percentage of the value of the real estate offered as collateral is the
 - a. amortization ratio.
 - b. loan-to-value ratio.
 - c. debt-to-equity ratio.
 - d. capital-use ratio.
3. If the quarterly interest at $10\frac{1}{2}$ percent is \$3,150, the principal amount of the loan is
 - a. \$30,000.
 - b. \$60,000.
 - c. \$90,000.
 - d. \$120,000.
4. Fannie Mae
 - a. makes FHA loans.
 - b. buys FHA loans.
 - c. services FHA loans.
 - d. insures FHA loans.
5. The grantor becomes the lessee and the grantee becomes the lessor under which of the following financing arrangements?
 - a. Partial sale
 - b. Wraparound mortgage
 - c. Sale and leaseback
 - d. Assumption of mortgage
6. Members of which of the following pairs of terms are synonymous?
 - a. Interim financing and construction loan
 - b. Construction loan and pass through loan
 - c. Pass-through loan and takeout loan
 - d. Takeout loan and construction loan
7. The type of real estate loan that allows the lender to increase the outstanding balance of a loan up to the original sum in the note while advancing additional funds is the
 - a. wraparound mortgage.
 - b. open-end mortgage.
 - c. growing-equity mortgage.
 - d. graduated-payment mortgage.
8. Sandra's son starts college soon. She has lived in her home for 10 years. What financing option would be preferable for Sandra to obtain funds to pay for her son's schooling?
 - a. participation financing
 - b. open end loan
 - c. wraparound loan
 - d. home equity loan
9. All of the following loans to individuals are affected by the Truth in Lending Law under Regulation Z EXCEPT
 - a. Household use
 - b. Business use
 - c. Room additions
 - d. Swimming pools
10. An FHA-insured mortgage loan would be obtained from which of the following?
 - a. The Federal Housing Administration
 - b. The Department of Housing and Urban Development
 - c. Any FHA-approved lending institution
 - d. Any FHA-approved insuring institution
11. Fannie Mae, Ginnie Mae, and Freddie Mac all
 - a. originate residential mortgage loans.
 - b. purchase existing mortgage loans.
 - c. insure residential mortgage loans.
 - d. guarantee existing mortgage loans.
12. A mortgage broker generally offers which of the following services?
 - a. Handling the escrow procedures
 - b. Bringing the borrower and the lender together
 - c. Providing credit qualification and evaluation reports
 - d. Granting real estate loans using investor funds

13. An eligible veteran made a purchase offer of \$180,000 on a home he wants to finance with a VA-guaranteed loan. Four weeks after the offer was accepted, a certificate of reasonable value (CRV) for \$177,000 was issued for the property. In this situation, the veteran could do all of the following EXCEPT
- Withdraw from the transaction without penalty
 - Purchase the property with a \$3,000 cash down payment
 - Negotiate with the seller to reduce the price \$3,000
 - Insist that the lender loan up to the allowable maximum of the certificate of eligibility
14. A borrower obtained a \$7,000 second mortgage loan for 5 years at 6 percent interest per annum. Monthly payments of principal and interest were \$50. The final payment included the remaining outstanding principal balance. What type of loan is this?
- A fully amortized loan
 - A straight loan
 - A partially amortized loan
 - An accelerated loan
15. Which of the following is true about VA guaranteed mortgages?
- discount points must be paid by the seller
 - the borrower may have a prepayment penalty clause in the loan
 - funding fee amounts are negotiable
 - the borrower must apply for a certificate of eligibility
16. The principal distinction between the primary mortgage market and the secondary mortgage market is in the
- insuring versus the guaranteeing of mortgage loans.
 - origination versus the purchase of mortgage loans.
 - use of mortgages versus the use of deeds of trust.
 - use of discount points versus the use of origination fees.
17. A real estate loan payable in periodic installments that are sufficient to pay the principal in full during the term of the loan is called a
- conventional loan.
 - straight loan.
 - partially amortized loan.
 - fully amortized loan.
18. An extension of credit from a seller to a buyer to allow the buyer to complete the transaction is called a
- growing equity mortgage.
 - purchase money mortgage.
 - package mortgage.
 - blanket mortgage.
19. When compared with a 30-year payment period, taking out a loan with a 20-year payment period would result in
- slower equity buildup.
 - greater impound requirements.
 - lower monthly payments.
 - higher monthly payments.
20. If the interest rate on an FHA-insured mortgage loan is 5½ percent and the monthly payment is \$1,012, the principal sum would be
- \$22,080
 - \$220,800
 - \$184,000
 - \$667,920.
21. PMI is the acronym for Private Mortgage Insurance often used by borrowers whose LTV (loan-to-value) ratio is less than 20 percent. Lenders must cease charging PMI when the LTV reaches
- 22 percent.
 - 27 percent.
 - 29 percent.
 - 35 percent.
22. Subdivider Jonathan had a mortgage loan on his entire housing subdivision. When he sold a lot to a buyer, he was able to deliver title to that lot free of the mortgage lien by obtaining a partial release. What type of loan did the developer have?
- Blanket mortgage
 - Purchase money mortgage
 - Package mortgage
 - Open-end mortgage
23. Which of the following would be considered a trigger item under Regulation Z?
- "low monthly payments"
 - "FHA financing available"
 - "A steal at only \$175,000"
 - "Only \$10,000 down"

24. Freddie Mac
- operates mostly in the primary mortgage market.
 - operates mostly in the secondary mortgage market.
 - guarantees payment of Freddie Mac mortgages.
 - buys mostly FHA loans.
25. A lender will take certain factors into consideration when deciding whether to grant a borrower a mortgage loan. Which of the following is a violation of the Equal Credit Opportunity Act (ECOA)
- The marital status of the borrower
 - The creditworthiness of the borrower
 - The amount of the borrower's income
 - The ability of the borrower to make the payments
26. If the amount of a loan is \$13,500 and the interest rate is 6 percent what is the amount of the semiannual interest payment?
- \$596.55
 - \$405.00
 - \$810.00
 - \$202.50
27. The type of mortgage loan that uses both real and personal property as security is a
- blanket mortgage.
 - package mortgage.
 - purchase money mortgage.
 - wraparound mortgage.
28. The availability of funds for real estate mortgage loans is affected by the Federal Reserve System through which of the following?
- Discount rates
 - Federal National Mortgage Association
 - Federal Housing Administration
 - Resolution Trust Corporation
29. John is selling his property for \$225,000. He has a loan balance of \$50,000. He has agreed to provide financing to the purchasers in the amount of \$200,000 and will continue to make payments on the original loan. This type of loan is called a
- package loan
 - wraparound loan
 - blanket loan
 - loan assumption
30. A lender's interest in a mortgage loan is protected by obtaining additional security from
- private mortgage insurance.
 - title insurance.
 - the borrower's note.
 - impound accounts.
31. A common feature of an adjustable rate mortgage (ARM) is
- the interest rate is fixed for a maximum of five years
 - there is negative amortization if rates decrease
 - a rate cap on the amount the rate may increase
 - automatic conversion to a fixed-rate loan
32. A type of long-term financing which has become popular because initial payments are lower due to no principal being paid, is called a(n)
- amortized loan
 - balloon loan
 - package loan
 - interest-only loan
33. Last month's loan payment included \$412.50 interest on a \$60,000 loan balance. What is the annual rate of interest?
- 7½ percent
 - 7¼ percent
 - 8¼ percent
 - 8½ percent
34. Mrs. Robinson has owned her house for over 50 years. It has fallen into disrepair, but because she lives on a fixed income, she does not have the money to make the needed repairs. She has a considerable amount of equity in the house. What type of loan best suits her needs?
- A home equity loan
 - A reverse annuity mortgage
 - A blanket loan
 - An open-ended loan
35. The type of loan that will most likely have the lowest loan-to-value ratio is a
- VA loan.
 - FHA loan.
 - PMI loan.
 - conventional loan.

Chapter 16 Questions

1. The income approach to value would be most important in the appraisal of a(n)
 - a. residential condominium.
 - b. downtown office building.
 - c. single-family residence.
 - d. vacant residential lot.
2. In an old retail building, which of the following would most likely be a source of incurable functional obsolescence?
 - a. Deficient and inadequate lighting
 - b. Closely-spaced internal support columns
 - c. An unattractive store front
 - d. A decrease in the area's population
3. All of the following are characteristics of value EXCEPT
 - a. Scarcity
 - b. Transferability
 - c. Obsolescence
 - d. Utility
4. If the potential gross rental income from a property is \$20,000, the vacancy rate is 5 percent, and the additional income from the laundry facilities and extra storage is \$700, what is the effective gross income?
 - a. \$19,000
 - b. \$19,700
 - c. \$20,000
 - d. \$20,700
5. An appraiser is responsible for
 - a. finding value.
 - b. computing value.
 - c. determining value.
 - d. estimating value.
6. The term depreciation refers to the
 - a. value of real estate after the expiration of its useful life.
 - b. loss of value in real estate from any cause.
 - c. costs incurred to renovate or modernize a building.
 - d. capitalized value of lost rental income.
7. Which of the following is the most important in the appraisal process?
 - a. Asking price of the property
 - b. Highest and best use of the property
 - c. Original cost of the property
 - d. Selling prices of similar properties
8. Which of the following would be classified as external depreciation?
 - a. A leaking roof that needs to be completely replaced
 - b. Poorly-maintained properties in the neighborhood
 - c. A poorly-designed floor plan that could be modified
 - d. Convenient access to schools and recreational facilities
9. It is necessary to calculate a dollar value for depreciation when using which of the following?
 - a. The sales comparison approach to value
 - b. The cost approach to value
 - c. The income approach to value
 - d. Gross rent multipliers
10. The income approach as used by an appraiser makes use of which of the following?
 - a. Equalization
 - b. Depreciation
 - c. Appreciation
 - d. Capitalization
11. In the valuation of a large apartment complex, the most weight would be given to which of the following approaches to value?
 - a. The cost approach
 - b. The income approach
 - c. The sales comparison approach
 - d. All approaches equally weighted
12. In the cost approach to value, the appraiser makes use of
 - a. the owner's original cost of the building.
 - b. the estimated replacement cost of the building.
 - c. the sales prices of similar buildings in the area.
 - d. the assessed value of the building.

13. The sales comparison approach to value would be most important when estimating the value of a(n)
- existing residence.
 - apartment building.
 - retail location.
 - new residence.
14. In the income approach, the appraiser makes use of
- reproduction cost.
 - capitalization rate.
 - depreciation schedules.
 - replacement cost.
15. An appraiser who is using the sales comparison approach to value would *NOT* use which of the following similar homes as a comparable properties? One that was
- sold over six months ago.
 - sold recently but is located in another similar neighborhood.
 - sold by the owners who were undergoing a foreclosure.
 - sold recently but is located on a much larger lot.
16. Using which of the following would require the value of the land to be calculated separately from the value of the improvements?
- The income approach
 - The cost approach
 - The sales comparison approach
 - The gross rent multiplier
17. Reconciliation is best described as
- selecting the highest value given by the three approaches to value.
 - comparing comparable properties and identifying their amenities.
 - determining the final value by selecting one value from those given.
 - analyzing the results obtained from the three approaches to value.
18. A building is valued at \$215,000 and contains 4 apartments that rent for \$470 each per month. The owner estimates that the net operating income is 65 percent of the gross rental receipts. What is the capitalization rate?
- 3.7 percent
 - 6.8 percent
 - 10.5 percent
 - 14.2 percent
19. All of the following are steps in the appraisal process EXCEPT
- gathering specific data on the subject property.
 - gathering general data for the area of the subject property.
 - considering the seller's estimate of the property's value.
 - applying the three approaches to value to the collected data.
20. The gross rent multiplier is used as a guideline for estimating value based on the
- ratio of the gross rents to the net rents after expenses.
 - proportion of rents due to the actual rents collected.
 - capitalization of the annual gross rental income.
 - relationship of sales prices to the rental income.
21. Defined as a loss in value from any cause, depreciation is generally divided into three categories. The loss of value due to the normal wear and tear on a property is called
- external depreciation.
 - physical deterioration.
 - functional obsolescence.
 - economic deterioration.
22. To find the value of a property using the income approach to value, if the net operating income and the capitalization rate were known, the appraiser would
- multiply the net operating income by the capitalization rate.
 - multiply the effective gross income by the capitalization rate.
 - divide the net operating income by the capitalization rate.
 - divide the capitalization rate by the net operating income.
23. An appraiser has been employed to estimate the market value of a parcel of vacant land. The resulting appraisal report would *NOT* include reference to
- the highest and best use of the parcel.
 - the listed price of the parcel.
 - the most probable price the parcel will bring.
 - the physical dimensions of the parcel.

24. When appraising a commercial property, the appraiser is most concerned with the
- accrued depreciation on the property.
 - income generated by the property.
 - sales prices of comparable properties.
 - total debt service on the property.
25. In the appraisal of an office building, which of the following would be classified as external depreciation?
- Termite damage to the structural components of the building
 - A poor architectural design resulting in a cluttered floor plan
 - An inadequate number of elevators and antiquated restroom facilities
 - A law requiring the building to be retrofitted with fire sprinklers
26. The period of time over which an improvement to the property will remain useful for its original purpose is known as its
- amortized life.
 - chronological life.
 - actual life.
 - economic life.
27. All of the following would be considered specific data EXCEPT
- The dimensions of the subject property
 - The employment opportunities in the area
 - The sales data for comparable properties
 - The gross rent multipliers for the area
28. When estimating the value of property using the cost approach, all of the following are considered by an appraiser EXCEPT
- Loss of value due to uncollected delinquent rent
 - Estimated loss attributable to an outdated heating system
 - Quality of materials and workmanship in the original structure
 - Excessive amount of traffic noise outside the property
29. The market price of a parcel of real estate is
- the price it sold for.
 - the price it should have sold for.
 - the price that was being asked for it.
 - based on its assessed value.
30. Reconciliation is an appraisal term used to describe
- the appraiser's determination of a property's highest value.
 - an average of real estate values for properties similar to the subject property.
 - the appraiser's analysis and comparison of the results of all three appraisal approaches.
 - the method used to determine the most appropriate capitalization rate for a property.
31. An appraiser has been hired to prepare an appraisal on a property that includes an elegant old mansion that is now used as an insurance company office. Which approach to value would the appraiser rely on most?
- Income approach
 - Gross rent multiplier approach
 - Sales comparison approach
 - Replacement cost approach
32. A house with outmoded plumbing is suffering from
- functional obsolescence.
 - curable physical deterioration.
 - incurable physical deterioration.
 - external depreciation.
33. A home with its kitchen next to the master bedroom would be considered
- physically obsolete.
 - functionally obsolete.
 - economically obsolete.
 - diminished.
34. In the cost approach an appraiser uses which of the following?
- Sales prices of similar properties
 - The owner's original cost of construction
 - An estimate of the building's replacement cost
 - The property's depreciated value as used for income tax purposes
35. The purpose of an appraisal is to
- estimate the value of a property.
 - set the market price of a property.
 - determine the projected income of a property.
 - set the amount of consideration the seller should accept from a purchaser.

36. In the income approach all of the following are considered when calculating net operating Income EXCEPT
- Real estate taxes
 - Management fees
 - Debt service
 - Utilities
37. Capitalization is a process used to:
- Determine the value of most residential property.
 - Convert income into value.
 - Determine the total remaining capital
 - Save money on an investment.
38. The purchase and putting together of several pieces of land is BEST called:
- Annexation.
 - Appreciation
 - Assemblage.
 - Integration.
39. Price is best described as
- What suppliers charge for goods and services.
 - The amount of money consumers are willing to pay for a product or service.
 - The amount of money a buyer and seller agree to exchange to complete a transaction.
 - A control placed on prices by the federal government.
40. Four principal determinants of value underlying the price for a product are
- Durability, quality, scarcity, and materials.
 - Desire, utility, scarcity, and purchasing power.
 - Popularity, utility, quality, and discount.
 - Desire, costs, convenience, and time.
41. A town has a rapidly growing population, but there are no longer any vacant lots around the lake to build more houses. In this case, it is likely that the price of existing homes on the lake
- Will stabilize, since the population must stabilize.
 - Will increase.
 - Will decline, since no further building can take place.
 - Will not show any predictable movement.
42. If there is a significant undersupply of homes in a market, construction will tend to increase. This is an example of
- Supply outstripping demand.
 - Overpricing products.
 - The price mechanism.
 - The market tending toward equilibrium
43. If commercial real estate rental prices are falling in a market, it is likely that
- Demand has outstripped supply of space
 - The market is in equilibrium.
 - The market is over-supplied.
 - Employment is increasing.
44. Which of the following is an important economic characteristic of real estate?
- The demand must literally come to the supply.
 - Real estate is a highly liquid product.
 - The product is quick to adapt to market changes.
 - The market is centralized.
45. The foremost factor contributing to commercial and residential demand in a market is
- Marketing.
 - Base employment.
 - Existing supply of properties.
 - Household income.
46. A construction boom in a market is an indication that prices
- Have been increasing.
 - Have been declining.
 - Have been in equilibrium.
 - Have exceeded supply.
47. A local government could stimulate the real estate market by
- Increasing labor costs and curbing the money supply.
 - Increasing taxes and interest rates.
 - Declaring a moratorium on construction.
 - Expanding the sewer system.
48. Two important concerns of retail property users are
- Trade area population and spending patterns.
 - Quality of life and dwelling amenities.
 - Costs of occupancy and building efficiency.
 - Environmental regulations and access by suppliers.

49. In the sales comparison approach, an adjustment is warranted if
- a. The buyer obtains conventional financing for the property.
 - b. The seller offers below-market seller financing.
 - c. A comparable is located in another, albeit similar neighborhood.
 - d. One property has a hip roof and the other has a gabled roof.
50. To complete the sales comparison approach, the appraiser
- a. Averages the adjustments.
 - b. Weighs the comparables.
 - c. Discards all comparables having a lower value.
 - d. Identifies the subject's value as that of the nearest comparable.

Chapter 17 Questions

1. Norman agrees to purchase Gusela's property for \$185,500. He deposits the purchase price with Vincent, and Gusela deposits a warranty deed for the property with Vincent. Vincent is instructed to record the deed in Norman's favor when Gusela shows good title to the property. Vincent is also instructed to pay the purchase price, less some agreed prorations, to Gusela when Norman has received the deed. This transaction is called
 - a. provisional sale.
 - b. escrow.
 - c. installment sale.
 - d. option.
2. At the closing, Frank's attorney informed him that he would be giving credit to Vito, the buyer, for certain accrued items. These items represent
 - a. bills related to the real estate that have already been paid by the seller.
 - b. bills related to the real estate that have not been paid as of the time of the closing.
 - c. all of the seller's outstanding bills.
 - d. all of the buyer's outstanding bills.
3. The Real Estate Settlement Procedures Act (RESPA) applies to the activities of
 - a. licensed real estate brokers when selling commercial and industrial properties.
 - b. licensed securities salespeople when selling limited partnership interests.
 - c. lenders financing the purchase of residential properties.
 - d. Fannie Mae and Freddie Mac when purchasing residential mortgages.
4. The details of a sales transaction are always governed by
 - a. the wishes of the seller as expressed orally.
 - b. the wishes of the buyer as expressed orally.
 - c. the escrow instructions that both the seller and the buyer sign.
 - d. the terms of the properly executed purchase contract.
5. At closing, the listing broker's commission generally appears as a
 - a. credit to the seller.
 - b. debit to the seller.
 - c. credit to the buyer.
 - d. debit to the buyer.
6. The condition of the seller's title is generally determined from a(an)
 - a. title commitment or abstract of title.
 - b. physical inspection of the property by the buyer.
 - c. closing statement prepared by an escrow agent.
 - d. escrow report prepared by an attorney.
7. The Real Estate Settlement Procedures Act (RESPA) provides that
 - a. all real estate purchasers must receive their closing statements.
 - b. real estate advertisements must include the annual percentage rate, including all charges.
 - c. the borrower must be given an estimate of the closing costs before the time of the closing.
 - d. real estate syndicates must comply with the disclosures required by "blue sky" laws.
8. Accrued interest on an assumed mortgage loan is entered on the closing statement as a
 - a. credit to the seller and a debit to the buyer.
 - b. debit to the seller and a credit to the buyer.
 - c. credit to both the seller and the buyer.
 - d. debit to both the seller and the buyer.
9. As provided in a valid purchase contract, the real estate transaction must be closed. Closing requires all the following *EXCEPT*
 - a. that the seller clear the title so that the condition of the title complies with the terms of the contract.
 - b. that the purchaser pay the balance of the purchase price to the seller.
 - c. that the broker be present to receive any commission.
 - d. that the seller deliver the deed to the purchaser.
10. The process by which expenses are handled at settlement of a real estate transaction so that both the buyer and the seller pay their respective portions of property charges is called
 - a. assessment.
 - b. proration.
 - c. balancing.
 - d. reconciliation.
11. All of the following items are usually prorated between the buyer and seller at closing *EXCEPT*
 - a. Recording charges
 - b. Real estate taxes
 - c. Rents
 - d. Utility bills

12. The Real Estate Settlement Procedures Act (RESPA) applies in a loan assumption if the
 - a. terms of the assumed loan are modified by the lender.
 - b. lender charges less than \$50 for the assumption.
 - c. buyer must be approved by the lender for the assumption to occur.
 - d. seller does *NOT* want to be liable for the loan in the future.
13. The principal balance on an assumed mortgage loan is entered on the closing statement as a
 - a. credit to the seller and a debit to the buyer.
 - b. debit to the seller and a credit to the buyer.
 - c. credit to both the seller and the buyer.
 - d. debit to both the seller and the buyer.
14. RESPA (The Real Estate Settlement Procedures Act) is a federal statute administered by the
 - a. Federal Trade Commission.
 - b. Department of Housing and Urban Development.
 - c. Office of the U. S. Attorney General.
 - d. Department of Veteran Affairs.
15. The closing statement involves debits and credits to the parties in the transaction. A debit is a(n)
 - a. refund.
 - b. charge.
 - c. adjustment for an expense paid outside of closing.
 - d. proration.
16. The Real Estate Settlement Procedures Act requires
 - a. that the closing of a transaction be held within 90 days of the date of the sales contract.
 - b. that lenders keep no more than 2 months of escrow payments as a cushion.
 - c. the lender to disclose the annual percentage rate the borrower will be paying.
 - d. that lenders follow certain advertising procedures when advertising credit.
17. The Real Estate Settlement Procedures Act states all of the following EXCEPT
 - a. lenders must provide borrowers with a good-faith estimate of closing costs.
 - b. a uniform settlement form must be used at loan closings.
 - c. the borrower may cancel the loan transaction within three days after settlement.
 - d. a special information booklet with information about settlement costs be given to applicants.
18. An example of a kickback that is prohibited by RESPA is
 - a. a fee paid by Broker A to Broker B for referring a buyer to Broker A.
 - b. a share of the commission paid by Broker A to her salesperson.
 - c. a fee paid by a surveyor to a broker for referring a property to be surveyed.
 - d. a flower arrangement that a salesperson sends to the buyer as a housewarming gift.
19. Services offered by computerized loan origination (CLO) systems are permitted under RESPA as long as certain conditions are met. Which of the following are prohibited under RESPA:
 - a. brokers may charge whatever fees they determine are fair for the service.
 - b. only borrowers may pay fees charged for the CLO service.
 - c. mortgage brokers may pay a referral fee for the mortgage loan.
 - d. brokers are required to disclose the existence of loan products other than those presented by their CLO.
20. In a closing statement, a prepaid item is a(n)
 - a. item paid in advance.
 - b. item that is prepaid by the, seller.
 - c. accrued expense.
 - d. a charge to the seller.
21. Real estate firms are often affiliated with title insurance companies or mortgage brokers. These business arrangements are permitted by RESPA as long as
 - a. consumers are unaware of these arrangements.
 - b. consumers are required to use the services of the affiliated companies.
 - c. companies pay referral fees between them.
 - d. companies make written disclosure to the consumer of their relationship with one another.

Chapter 18 Questions

1. The Tolsons' apartment lease has expired, but their landlord has indicated to them that they may remain on the premises until a sale of the building is closed. They will be charged their normal monthly rental during this period. The right held by the Tolsons' is called a(n)
 - a. year to year holdover.
 - b. estate for term.
 - c. estate at sufferance.
 - d. tenancy at will.
2. Generally, an oral lease for five years is
 - a. illegal.
 - b. unenforceable.
 - c. a short-term lease.
 - d. renewable only in writing.
3. The lessor and lessee have agreed to a lease term of five years. In order to ensure that the rental income during the term is reflective of market conditions, the lessor could
 - a. negotiate a new lease each year.
 - b. collect an additional security deposit each year.
 - c. negotiate an index lease.
 - d. negotiate a gross lease.
4. Rent would best be defined as
 - a. contractual consideration to a third party.
 - b. consideration for the use of real property.
 - c. all monies paid by the lessor to the lessee.
 - d. the total balance owed under the terms of a lease.
5. The tenant leases a heated apartment, but the landlord fails to provide heat because of a defective central heating plant. The tenant vacates the premises and refuses to pay any rent. This is an example of
 - a. abandonment.
 - b. actual eviction.
 - c. constructive eviction.
 - d. lessor negligence.
6. A lease would be terminated by which of the following?
 - a. Sale of the leased premises
 - b. Death of the tenant
 - c. Abandonment of the leased premises by the tenant
 - d. Expiration of the term in a lease for years
7. A lease should contain all of the following provisions EXCEPT
 - a. sale and leaseback clause
 - b. use of the premises
 - c. possession of the premises
 - d. term of the lease
8. The authority to carry out the eviction of a delinquent tenant from rented property comes from the
 - a. court.
 - b. landlord.
 - c. sheriff.
 - d. property owner.
9. All of the following would acquire title to real property EXCEPT
 - a. The grantee
 - b. The devisee
 - c. The vendee
 - d. The lessee
10. A tenant's lease has expired, but the tenant has not vacated the premises or negotiated a renewal lease. The landlord has declared that the tenant is not to remain in the building. This situation is an example of
 - a. an estate for years.
 - b. an estate from year to year.
 - c. tenancy at will.
 - d. tenancy at sufferance.
11. Mr. And Mrs. Delong lease a two-bedroom apartment from Karos Management Company. Due to ordinary wear and tear, the dishwasher breaks down. Who must pay for its repair?
 - a. The lessor
 - b. The lessee
 - c. The insurance company
 - d. The real estate agent
12. When a tenant sublets all or any part of the premises rented under a written lease,
 - a. the tenant assigns all rights, title, and interests in the rented property to the new lessee.
 - b. the sublessee becomes primarily responsible to the landlord for the payment of rent and maintenance of the property.
 - c. the original lease is automatically canceled and the sublessee takes possession of the property on a month to month basis.
 - d. the original lease is unaffected unless it contains a provision that prohibits such subletting.

13. A lessee who pays some or all of the lessor's property expenses has a
- gross lease.
 - net lease.
 - percentage lease.
 - sublease.
14. The principal difference between an estate for years and an estate from year to year is that
- an estate for years is a life estate.
 - an estate for years cannot be terminated.
 - an estate from year to year must be in writing.
 - an estate from year to year has no expiration date.
15. The covenant implied in a lease that ensures that the landlord will not interfere in the tenant's possession or use of the property is the covenant of
- of seizin.
 - of quiet enjoyment.
 - of warranty forever.
 - against encumbrances.
16. A tenant has an estate for years. According to the written one year lease, the tenancy will expire on May 1st. To obtain possession as of that date, the landlord
- must give the tenant 30 days' notice.
 - must give the tenant 60 days' notice.
 - must give the tenant notice before April 15th.
 - is not required to give the tenant any notice.
17. The owner of real estate who leases it to another is called the
- vendor.
 - lessor.
 - grantor.
 - trustor.
18. A lease that will terminate within one year of its inception
- is invalid.
 - violates the provisions of the statute of frauds.
 - must be in writing.
 - may be oral.
19. Which of the following is the best definition of actual eviction?
- The right of a landlord to use the rental premises
 - The enforcement of a court order to remove a lessor
 - The landlord's reversionary right in the rental premises
 - The enforcement of a court order to remove a lessee
20. When a tenant holds possession of a landlord's property without a definite lease term but with the consent of the landlord, this is called
- tenancy in common.
 - tenancy at sufferance.
 - tenancy at will.
 - trespass.
21. In the event that it is necessary for landlord Charise to remove a tenant from the premises, she does it by
- refunding any rents paid.
 - refunding any security or other deposits paid.
 - filing a suit for possession.
 - using the minimum amount of physical force necessary.
22. The purpose of a security deposit is to
- provide additional revenue for the landlord.
 - repair damage to the property caused by the tenant.
 - pay for the last month's rent.
 - ensure that the lease is valid.
23. With a tenancy for years
- the term of the lease must be for at least one year.
 - no notice is required to terminate the lease.
 - a 30-day notice is required to terminate the lease.
 - the lessee has a freehold estate.
24. Under a percentage lease, a commercial lessee may agree to pay
- maintenance.
 - real estate taxes.
 - insurance.
 - a percent of sales.

25. A lessee is in possession of property under a tenancy at will. Which of the following is true?
- a. The lessee has not received the consent of the landlord to possess the property.
 - b. The tenancy will terminate if the lessee dies.
 - c. The tenancy was created by the death of the lessor.
 - d. The tenancy has a definite termination date.
26. A tenant's lease does not terminate for five more years. The premises, however, have become too small to accommodate the tenant's growing business. Another business owner is interested in leasing the premises from the tenant for three years. Which of the following would the parties use for the tenant to lease the space to the business owner?
- a. An assignment
 - b. A novation
 - c. A sublease
 - d. A tenancy at sufferance
27. An individual rents an apartment for one year. The landlord sells the building during the one-year lease term. What effect does the sale have on the lease?
- a. The sale does not affect the lease.
 - b. The lease is automatically terminated.
 - c. The new landlord will decide whether to honor the existing lease.
 - d. The lease is terminated after 60 days notice from the new owner.
28. A tenant agrees to rent on a-month-to-month basis after the termination of the original lease. This is known as a(n)
- a. Estate for years
 - b. Estate from period to period
 - c. Estate at will
 - d. Estate at sufferance

Chapter 19 Questions

1. A management agreement is to a property manager as a(n)
 - a. listing agreement is to a broker.
 - b. lease is to a tenant.
 - c. deed is to a buyer.
 - d. assignment.
2. A real estate broker acting as an owner's property manager
 - a. must not profit from private contracts at the expense of the owner.
 - b. may manage the client's property to his or her own advantage.
 - c. need not maintain complete and accurate trust account records.
 - d. can personally collect the interest earned on trust account funds.
3. Adaptations of property specifications to suit tenant requirements are
 - a. tax-exempt improvements.
 - b. tenant improvements.
 - c. prohibited by most nonresidential leases.
 - d. generally not a good idea.
4. All of the following would cause a high vacancy rate EXCEPT
 - a. Inept management
 - b. Poor location
 - c. Excessive rent
 - d. Very desirable amenities
5. In determining rental amounts, a property manager considers the economic principle of
 - a. marginal contribution.
 - b. supply and demand.
 - c. conformity.
 - d. balance.
6. All of the following are important functions of a property manager EXCEPT
 - a. Supervising the maintenance of the property
 - b. Protecting the physical integrity of the property
 - c. Meeting the functional requirements of the tenants
 - d. Preparing the owner's income tax returns
7. All of following are alternative risk management techniques EXCEPT
 - a. avoiding it.
 - b. retaining it.
 - c. ignoring it.
 - d. transferring it.
8. The property manager's chief concern should be that
 - a. the property is seldom vacant because it is consistently rented at the lowest possible rents.
 - b. the property is managed to achieve the highest overall rate of return possible on the owner's investment.
 - c. the property manager's time is maximized in his or her management of the property.
 - d. the property exhibits the proper amount of the owner's pride of ownership.
9. The type of maintenance that is most often neglected is
 - a. corrective.
 - b. deferred.
 - c. routine.
 - d. preventive.
10. A property manager's primary obligation is to
 - a. tenants.
 - b. owners.
 - c. bankers.
 - d. government authorities
11. All of the following should be a consideration in selecting a tenant for the property EXCEPT
 - a. Size of the available space relative to the tenant's requirements
 - b. Tenant's ability to make the rental payments
 - c. Compatibility of the tenant's business with those of other tenants
 - d. Ethnic background of the tenant and his or her employees
12. All of the following are different types of compensation from which a property management firm may receive income EXCEPT
 - a. a fixed fee.
 - b. a percentage of the net rentals collected.
 - c. a fixed fee with a percentage on new rentals.
 - d. a percentage of purchases made from suppliers.

13. The manager of a commercial building has many responsibilities in connection with the operation and maintenance of the structure. The manager would normally be considered the agent of
- a. the building's owner.
 - b. the building's tenants.
 - c. both the owner and the tenants.
 - d. neither the owner nor the tenants.
14. Successful property managers do all of the following EXCEPT
- a. screen the tenants' ability to pay and their space needs.
 - b. study rental rates in the area to get the best possible sense of supply and demand.
 - c. consider the type of business the tenant has and how it will fit businesses already on the property.
 - d. keep on good terms with tenants by overlooking infractions of building rules.
15. Because of the complexity of today's laws affecting properties, a property manager needs to be familiar with all of the following EXCEPT
- a. environmental hazards.
 - b. accessible construction.
 - c. nondiscriminatory practices.
 - d. investment securities laws.
16. All of the following are duties of a property manager EXCEPT
- a. renting space to tenants.
 - b. preparing a budget.
 - c. complying with legal requirements.
 - d. repairing tenant fixtures.
17. An office rents for \$450 per month and measures 12 feet by 20 feet. The advertised annual rent per square foot would be
- a. \$1.875.
 - b. \$4.50.
 - c. \$18.75.
 - d. \$22.50.

Chapter 20 Questions

1. Zoning ordinances normally define specific uses for land that are permitted within a municipality. Which of the following is *NOT* a designated use in such ordinances?
 - a. Industrial
 - b. Commercial
 - c. Residential
 - d. Rental
2. The purpose of building permits is to
 - a. generate revenue for the municipality.
 - b. control the activities of building inspectors.
 - c. ensure compliance with building codes.
 - d. prevent encroachments.
3. When planning a subdivision, developer Jamal should determine the kinds of land uses to be involved and the amounts of land to be allocated to each use by considering
 - a. which are the most profitable types of buildings to construct.
 - b. what he considers an ideal development.
 - c. highest and best use in light of the comprehensive plan of the local government.
 - d. the customs of the area and what other developers have already done.
4. Deed restrictions are *NOT* created by which of the following?
 - a. Deed
 - b. Statute
 - c. Written agreement
 - d. General plan of a subdivision
5. Which of the following is a variance?
 - a. An exception to a zoning ordinance
 - b. A court order prohibiting certain activities
 - c. A reversion of ownership
 - d. A nullification of an easement
6. The plat for a proposed subdivision is submitted to the
 - a. municipality.
 - b. property owners.
 - c. developer.
 - d. state.
7. A municipality establishes development goals in its
 - a. subdivision regulations.
 - b. restrictive covenants.
 - c. environmental regulations.
 - d. comprehensive plan.
8. The purpose of bulk zoning is to
 - a. ensure that certain kinds of uses are incorporated into developments.
 - b. specify certain types of architecture for new buildings.
 - c. control density and avoid overcrowding.
 - d. set overall development goals for the community.
9. The construction of a family room, additional bedroom, and extra bath has been completed on the owner's home. Before the addition can be used, which of the following is true?
 - a. The municipality must issue a building permit.
 - b. The bath must be inspected by the plumbing inspector.
 - c. The municipality must issue an occupancy permit.
 - d. The municipality must issue a conditional-use permit.
10. Stavros is in the business of buying large tracts of land and then reselling them to consumers in small tracts. He is in business as a
 - a. developer.
 - b. real estate broker.
 - c. engineer.
 - d. subdivider.
11. A subdivision was developed, and one of the deed restrictions covering all of the properties in the subdivision set aside the back six feet of each parcel as a combination green belt area and bicycle path. Homeowner Sylvia plans to convert the back one-half of her yard, including this set a side space, into an organic garden. Her neighbor, Horace, can
 - a. do nothing because individual homeowners have no authority in this matter.
 - b. go to court in an attempt to obtain injunctive relief.
 - c. force Sylvia to sell her property.
 - d. share in the profits from Sylvia's garden.

12. Quinta is in the business of buying tracts of land, constructing buildings and making other improvements on them, and then selling them to the general public. She is in business as a
- developer.
 - real estate broker.
 - engineer.
 - subdivider.
13. Restrictive covenants
- are no longer effective when the title is transferred.
 - apply only until the developer has conveyed the title.
 - can be removed by a court of competent jurisdiction.
 - apply to and bind successive owners of the property.
14. The primary intent of zoning ordinances is to
- assure that proposed land uses conform with the master plan.
 - demonstrate the police power of the state.
 - limit the amount and types of businesses in a given area.
 - protect residential neighborhoods from commercial encroachment.
15. For the past 30 years, Latrice has operated a neighborhood grocery store. Last week the city council passed a zoning ordinance that prohibits packaged food sales in the area where her grocery store is located. The store is now an example of a(n)
- illegal enterprise.
 - nonconforming use.
 - violation of the zoning laws.
 - variance of the zoning laws.
16. Deed restrictions may *NOT* legally control or limit
- sizes and types of structures to be built.
 - potential future uses of the properties.
 - the race of future owners and occupants of a property.
 - exterior finish and decoration of the structures.
17. A town prohibits a developer from building more than five houses per acre in a subdivision. This restriction is called
- a variance
 - density zoning
 - cluster building
 - curvilinear
18. Lloyd owns property next to property that the city has condemned to extend the runways at the municipal airport. Lloyd feels his property has diminished in value due to this public use. He may seek compensation by an action of
- taking
 - condemnation
 - confiscation
 - inverse condemnation
19. A tire company has a manufacturing plant located in an area that has just been rezoned for residential use. The company is allowed to continue operating the plant under the new zoning classification as a nonconforming use. However, if the plant is destroyed by fire or other hazard, the tire company most likely
- could rebuild the plant in that neighborhood by applying for a zoning variance.
 - would be forbidden to rebuild the plant in that neighborhood under any circumstances.
 - could construct another plant by obtaining the consent of the residents then living in the neighborhood.
 - could construct another plant without the residents' consent as long as the homeowners' association approves it.
20. If buyer Martin builds a house that violates the subdivision covenants mentioned in his deed, he
- may forfeit the title to the property.
 - may be sued and required to alter the structure to conform with the restrictions.
 - may be sued and required to pay damages to the other residents in the neighborhood.
 - is safe from legal actions taken by other residents in the area about this matter.
21. All of the following are examples of public land use control EXCEPT
- Zoning ordinances
 - Building codes
 - Restrictive covenants
 - City planning requirements
22. Which of the following is TRUE about land taken for public use?
- The owner must be fairly compensated.
 - The health, safety, and welfare of the government must be the reason.
 - The local use that will benefit the residents in the immediate area.
 - The property is then established as a fee simple determinable estate for a particular use.

23. Under an existing ordinance no signs that extend more than 3 feet above the highest point of a roof may be placed on any building. An owner wants to erect a 9-foot-high revolving sign on the roof of his store. In order to do this legally, the owner must get a

- a. deed to the air rights.
- b. variance.
- c. nonconforming use permit.
- d. court order.

24. The federal Interstate Land Sales Full Disclosure Act provides that

- a. sales of lots in subdivisions consisting of more than 25 lots are exempt from regulation
- b. developers file with HUD before selling certain properties interstate
- c. sales of lots in subdivisions of 10 acres or more are exempt from regulation.
- d. potential purchasers be issued a written report with detailed information about the subdivision before closing

25. Loy applies to the municipality for permission to open an adult day-care facility in his neighborhood. He may be granted a(n)

- a. variance
- b. non-conforming use permit
- c. amendment to the zoning ordinance
- d. conditional use permit

26. Control by local ordinances does *NOT* regulate

- a. the height of buildings in an area.
- b. the density of population.
- c. the use of the property.
- d. the price of the property.

27. A wooded area with biking and hiking trails is situated between old cotton mills and a housing development. This area is considered a

- a. designated park required under federal guidelines
- b. variance to the existing zoning
- c. utility easement
- d. buffer zone

28. A landowner constructed a building 7 stories high. Several years later the municipality changed the zoning ordinance, prohibiting buildings that exceed 6 stories in height. Which of the following is true regarding the existing 7-story building?

- a. It is a nonconforming use.
- b. The building must be demolished.
- c. It is a conditional use.
- d. The owner must obtain a variance.

Chapter 21 Questions

1. A method of sealing off disintegrating asbestos is called

- a. capping.
- b. encapsulation.
- c. containment.
- d. contamination closure.

2. Capping is the method of

- a. piling waste into a hill at surface level and covering with clay.
- b. compacting waste and sealing it in a container.
- c. laying soil over the surface of a landfill and planting vegetation.
- d. burying waste and covering with soil.

3. All of the following are true about asbestos EXCEPT

- a. It was commonly used as insulation.
- b. Removal can cause further contamination of a building.
- c. HUD requires all residential buildings to be tested for asbestos-containing materials.
- d. It is most dangerous when airborne.

4. The most common source of harmful lead in older residential property is in

- a. asbestos.
- b. basements.
- c. appliances.
- d. alkyd oil-based paint.

5. Urea formaldehyde is found in residential properties in

- a. lead-based paints.
- b. insulating foam.
- c. home appliances.
- d. electromagnetic fields.

6. In regulations regarding lead-based paints HUD requires that

- a. homeowners test for its presence.
- b. paint must be removed from surfaces before selling.
- c. known paint hazards must be disclosed.
- d. only licensed contractors may deal with its removal.

7. Radon is

- a. only found in the eastern United States.
- b. easy to detect because of its odor.
- c. a known human carcinogen.
- d. not found in older homes.

8. All of the following are true about radon EXCEPT

- a. It is colorless, odorless, and tasteless.
- b. Radon levels will vary in certain weather conditions.
- c. Levels can be reduced by installing ventilation systems.
- d. Modern home construction reduces the potential for radon gas accumulation.

9. Carbon monoxide is not

- a. easy to detect.
- b. a result of incomplete combustion.
- c. quickly absorbed in the body.
- d. a natural result of combustion.

10. Contamination from underground storage tanks is

- a. found only in petroleum stations.
- b. addressed by EPA regulations.
- c. only caused by tanks currently in use.
- d. easily detected and eliminated.

11. Electromagnetic fields

- a. have been proven to cause serious health problems in humans and animals.
- b. are produced only by large electrical appliances.
- c. from high power transmission lines are suspected of causing cancer and other health problems.
- d. are a major national public health concern.

12. All of the following are true about underground water contamination EXCEPT

- a. It is a minor problem in the United States.
- b. Any contamination of underground water can threaten the supply of pure, clean water from private wells and from public water systems.
- c. Protective state and federal laws concerning water supply have been enacted.
- d. Real estate licensees need to be aware of potential contamination sources.

Chapter 22 Questions

1. Advantages of an investment in real estate include all of the following *EXCEPT*
 - a. the possibility of a tax-deferred exchange.
 - b. high liquidity.
 - c. the use of leverage to increase rates of return.
 - d. tax deductions.
2. The investor who sells property on an installment sale basis
 - a. is taxed on all of the gain in the year the property is sold.
 - b. is taxed on that part of the gain received in each year's installment payments.
 - c. gives the buyer all of the federal income tax liability.
 - d. gives the buyer the privilege of deferring all of the federal income tax liability.
3. The term "cost recovery" is the same as which of the following?
 - a. Capitalization
 - b. Appreciation
 - c. Recapitalization
 - d. Depreciation
4. One of the methods a real estate investor may use to defer capital gains tax is to
 - a. sell the property for cash only.
 - b. obtain the maximum amount of leverage.
 - c. exchange property for like-kind property.
 - d. build a reserve account for items likely to wear out.
5. As part of a 1031 exchange, investor Jones had to give the other party \$11,500 and a 1953 Chevy. The cash and car are
 - a. equity
 - b. boot
 - c. collateral
 - d. like kind
6. An apartment building was purchased by Marva for \$100,000. She paid \$37,500 down and financed the balance. Two years later, she sold the building for \$115,000. The \$15,000 is called
 - a. escalation.
 - b. plottage.
 - c. capital gain.
 - d. highest and best use.
7. Which of the following situations would result in the highest degree of leverage?
 - a. Using your own funds entirely
 - b. Using more of your own funds than those that you borrow
 - c. Using more of the funds that you borrow than your own funds
 - d. Using borrowed funds entirely
8. Which of the following investments can not be depreciated
 - a. shopping mall
 - b. single family home
 - c. 100 acres of vacant land
 - d. commercial building
9. Someone looking for a tax-advantaged investment similar to a mutual fund would probably invest in a
 - a. real estate investment trust.
 - b. general partnership.
 - c. limited partnership.
 - d. corporation.
10. When comparing real estate investments with other types of investments, all of the following statements are true *EXCEPT* that
 - a. a savings account in a commercial bank would provide a more liquid investment.
 - b. mutual funds would be less affected by the events occurring in the local economy.
 - c. a certificate of deposit would provide better collateral for a secured loan.
 - d. common stocks would be less easily convertible to cash in the short term.
11. When considering an investment in real estate, the prospective investor should consider all of the following *EXCEPT* the
 - a. anticipated appreciation of the property.
 - b. possible effects of inflation on the property.
 - c. assessed valuation of the property.
 - d. intrinsic value of the property.
12. Cash flow is a term that refers to the
 - a. amount of money flowing into and out of a property.
 - b. bookkeeping function that accounts for the cash each day.
 - c. taxes, operating expenses, and loan payments on the property.
 - d. total amount of income left after all expenses have been paid.

13. Purchasing a property using leverage, refinancing it after it has appreciated, and using the cash from the refinancing to purchase additional property is one form of

- a. plottage.
- b. pyramiding.
- c. consolidation.
- d. contribution.

14. The type of real estate investment that is required by federal law to distribute 95 percent of its income to its shareholders is the

- a. general partnership.
- b. limited partnership.
- c. real estate investment trust.
- d. time-share estate.

15. Operating expenses include all of the following *EXCEPT*

- a. reserve for replacement
- b. real estate taxes
- c. maintenance and repairs
- d. mortgage payments

**Chapter 1
Answer Key**

- 1. b
- 2. b
- 3. a
- 4. b
- 5. d
- 6. c
- 7. d
- 8. a
- 9. c
- 10. b

**Chapter 2
Answer Key**

- 1. a
- 2. b
- 3. c
- 4. b
- 5. d
- 6. c
- 7. a
- 8. d
- 9. d
- 10. a
- 11. a
- 12. c
- 13. d
- 14. a
- 15. a
- 16. c
- 17. b
- 18. b
- 19. d
- 20. b
- 21. c
- 22. b
- 23. b
- 24. a
- 25. d

**Chapter 3
Answer Key**

- 1. a
- 2. c
- 3. b
- 4. a
- 5. d
- 6. b
- 7. a
- 8. d
- 9. c
- 10. a

- 11. d
- 12. d
- 13. b
- 14. d
- 15. c
- 16. d
- 17. a
- 18. c
- 19. a
- 20. c
- 21. c
- 22. c
- 23. a

**Chapter 4
Answer Key**

- 1. d
- 2. b
- 3. c
- 4. d
- 5. b
- 6. a
- 7. c
- 8. b
- 9. d
- 10. d
- 11. c
- 12. a
- 13. c
- 14. a
- 15. d
- 16. d
- 17. c
- 18. c
- 19. b
- 20. b
- 21. a
- 22. b
- 23. b
- 24. d
- 25. a
- 26. a
- 27. b
- 28. d
- 29. b
- 30. b
- 31. c
- 32. b
- 33. d
- 34. b
- 35. b

**Chapter 5
Answer Key**

- 1. b
- 2. c
- 3. b
- 4. c
- 5. d
- 6. c
- 7. b
- 8. d
- 9. b
- 10. b
- 11. d
- 12. c
- 13. c
- 14. c
- 15. a
- 16. c
- 17. b
- 18. a
- 19. d
- 20. a
- 21. c
- 22. b
- 23. b
- 24. d
- 25. c
- 26. b
- 27. c

**Chapter 6
Answer Key**

- 1. c
- 2. c
- 3. c
- 4. b
- 5. d
- 6. a
- 7. b
- 8. a
- 9. d
- 10. c
- 11. d
- 12. b
- 13. d

**Chapter 7
Answer Key**

- 1. b
- 2. b
- 3. a
- 4. a
- 5. d
- 6. c
- 7. c
- 8. a

- 9. b
- 10. d
- 11. b
- 12. c
- 13. c
- 14. d
- 15. c
- 16. b
- 17. d
- 18. c
- 19. b
- 20. c
- 21. a
- 22. a
- 23. a
- 24. d
- 25. d
- 26. d
- 27. b
- 28. b
- 29. c
- 30. b
- 31. a
- 32. d
- 33. c
- 34. c
- 35. d

**Chapter 8
Answer Key**

- 1. c
- 2. d
- 3. c
- 4. d
- 5. d
- 6. b
- 7. b
- 8. c
- 9. d
- 10. a
- 11. c
- 12. b
- 13. a
- 14. d
- 15. a
- 16. d
- 17. b
- 18. b
- 19. b
- 20. c
- 21. c
- 22. b
- 23. d
- 24. b

Chapter 9**Answer Key**

1. c
2. c
3. b
4. b
5. b
6. d
7. c
8. d
9. b
10. d
11. c
12. d
13. d
14. d
15. a
16. d
17. c
18. a
19. d
20. d
21. b (WVRELL)
22. b (WVRELL)
23. b (WVRELL)
24. d (WVRELL)
25. c (WVRELL)
26. a (WVRELL)
27. b (WVRELL)
28. b (WVRELL)
29. c (WVRELL)
30. c (WVRELL)
31. a (WVRELL)
32. b (WVRELL)
33. b (WVRELL)
34. b (WVRELL)
35. c (WVRELL)
36. c (WVRELL)
37. b (WVRELL)
38. c (WVRELL)
39. b (WVRELL)
40. b (WVRELL)
41. c (WVRELL)

Chapter 10**Answer Key**

1. b
2. a
3. c
4. a
5. b
6. d
7. b
8. b

9. a
10. b
11. b
12. c
13. d
14. c
15. b
16. d
17. a
18. c
19. a
20. c
21. b
22. b
23. d
24. c
25. d
26. a

Chapter 11**Answer Key**

1. b
2. c
3. b
4. b
5. d
6. a
7. b
8. d
9. d
10. a
11. c
12. b
13. c
14. c
15. c
16. d
17. d
18. c
19. a
20. d
21. b (WVRELL)
22. d
23. b
24. c
25. d
26. b

Chapter 12**Answer Key**

1. b
2. d
3. b
4. d

5. b
6. c
7. c
8. c
9. b
10. d
11. c
12. d
13. b
14. b
15. b
16. b
17. a
18. d
19. c
20. b
21. a
22. b
23. d
24. b
25. b
26. b
27. b
28. b

Chapter 13**Answer Key**

1. b
2. d
3. b
4. d
5. a
6. c
7. a
8. b
9. d
10. b
11. c
12. d
13. c
14. b
15. c
16. a
17. b
18. b
19. b
20. c
21. c
22. d
23. b
24. d
25. c

Chapter 14**Answer Key**

1. a
2. b
3. a
4. c
5. c
6. c
7. a
8. a
9. c
10. b
11. d
12. c
13. d
14. a
15. c
16. b
17. d
18. a
19. b
20. b
21. a
22. c
23. c
24. c
25. a
26. c
27. b
28. a
29. b
30. c

Chapter 15**Answer Key**

1. a
2. b
3. d
4. b
5. c
6. a
7. b
8. d
9. b
10. c
11. b
12. b
13. d
14. c
15. d
16. b
17. d
18. b
19. d
20. b
21. a

22. a
23. d
24. b
25. a
26. b
27. b
28. a
29. b
30. a
31. c
32. d
33. c
34. b
35. d

**Chapter 16
Answer Key**

1. b
2. b
3. c
4. b
5. d
6. b
7. b
8. b
9. b
10. d
11. b
12. b
13. a
14. b
15. c
16. b
17. d
18. b
19. c
20. d
21. b
22. c
23. b
24. b
25. d
26. d
27. b
28. a
29. a
30. c
31. a
32. a
33. b
34. c
35. a
36. c
37. b
38. c

39. c
40. b
41. b
42. d
43. c
44. a
45. b
46. a
47. d
48. a
49. b
50. b

**Chapter 17
Answer Key**

1. b
2. b
3. c
4. d
5. b
6. a
7. c
8. b
9. c
10. b
11. a
12. a
13. b
14. b
15. b
16. b
17. c
18. c
19. c
20. b
21. d

**Chapter 18
Answer Key**

1. d
2. b
3. c
4. b
5. c
6. d
7. a
8. a
9. d
10. d
11. a
12. d
13. b
14. d
15. b

16. d
17. b
18. d
19. d
20. c
21. c
22. b
23. b
24. d
25. b
26. c
27. a
28. b

**Chapter 19
Answer Key**

1. a
2. a
3. b
4. d
5. b
6. d
7. c
8. b
9. d
10. b
11. d
12. d
13. a
14. d
15. d
16. d
17. d

**Chapter 20
Answer Key**

1. d
2. c
3. c
4. b
5. a
6. a
7. d
8. c
9. c
10. d
11. b
12. a
13. d
14. a
15. b
16. c
17. b
18. d

19. b
20. b
21. c
22. a
23. b
24. b
25. d
26. d
27. d
28. a

**Chapter 21
Answer Key**

1. b
2. c
3. c
4. d
5. b
6. c
7. c
8. d
9. a
10. b
11. c
12. a

**Chapter 22
Answer Key**

1. b
2. b
3. d
4. c
5. b
6. c
7. d
8. c
9. a
10. d
11. c
12. d
13. b
14. c
15. a